

**PRESIDENT'S WAIVER FOR VIETNAM FROM  
THE JACKSON-VANIK FREEDOM OF  
EMIGRATION REQUIREMENTS IN TITLE IV OF  
THE TRADE ACT OF 1974**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON TRADE  
OF THE  
COMMITTEE ON WAYS AND MEANS  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SEVENTH CONGRESS  
SECOND SESSION

—————  
JULY 18, 2002  
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**Serial No. 107-79**

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**PRESIDENT'S WAIVER FOR VIETNAM FROM  
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**THURSDAY, JULY 18, 2002**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON WAYS AND MEANS,  
SUBCOMMITTEE ON TRADE,  
*Washington, DC.*

The Subcommittee met, pursuant to notice, at 10:04 a.m., in room 1100 Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory and the revised and revised #2 advisories announcing the hearing follow:]

# ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

## SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE  
July 8, 2002  
No. TR-10

CONTACT: (202) 225-1721

### **Crane Announces Hearing on the President's Waiver for Vietnam from the Jackson-Vanik Freedom of Emigration Requirements**

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the President's waiver for Vietnam from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974. **The hearing will take place on Thursday, July 18, 2002, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include officials from the U.S. Department of State and the Office of the United States Trade Representative. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

#### **BACKGROUND:**

Vietnam's trade status is subject to the "Jackson-Vanik" provisions in Title IV of the Trade Act of 1974. Title IV sets forth requirements relating to freedom of emigration which must be met or waived by the President in order for a nonmarket economy country to gain access to U.S. Government credits, or credit or investment guarantees, and be granted Normal Trade Relations (NTR) status. On June 4, 2002, the President issued an extension of the waiver from the Jackson-Vanik freedom of emigration requirements for Vietnam (H. Doc. 107-221).

The President's waiver of the freedom of emigration requirements for Vietnam grants NTR status to products imported from Vietnam and gives U.S. exporters doing business in Vietnam access to U.S. Government credits, or credit or investment guarantees, such as those administered by the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Department of Agriculture, provided that Vietnam meets the relevant program criteria. The President's waiver authority expires at midnight on July 2 of each year and may be extended on an annual basis upon a Presidential determination and report to Congress that such extension will substantially promote the freedom of emigration objectives in the Act. The waiver authority continues in effect unless disapproved by the Congress, either generally or with respect to a specific country, within 60 calendar days after the expiration of the existing authority.

H.J. Res. 101 was introduced by Representative Rohrabacher (R-CA) on June 25, 2002, and states that Congress does not approve the extension of the authority contained in section 402(c) of the Trade Act of 1974 as recommended by the President to Congress on June 4, 2002, with respect to Vietnam. The effect of this Resolution would be to withdraw the President's Jackson-Vanik waiver for Vietnam.

In announcing the hearing, Chairman Crane stated: "U.S.-Vietnam bilateral relations have significantly improved over the last 10 years. Normal Trade Relations is an important component of our bilateral relationship, and I am pleased that the Congress approved the U.S.-Vietnam Bilateral Trade Agreement last December. We should not undermine the important progress that has been made by withdrawing Normal Trade Relations status for Vietnam."

**FOCUS OF THE HEARING:**

The focus of the hearing will be the President's waiver for Vietnam from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974 and H.J. Res. 101, a resolution to disapprove the waiver.

**DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:**

Requests to be heard at the hearing must be made by telephone to Traci Altman or Bill Covey at (202) 225-1721 no later than the close of business, Thursday, July 11, 2002. The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225-2610. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

**In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard.** Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Committee are required to submit 200 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format*, of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than the close of business on Monday, July 15, 2002**, in an open and searchable package. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings. **Failure to do so may result in the witness being denied the opportunity to testify in person.**

**WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:**

**Please Note:** Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, by the close of business on Monday, July 22, 2002. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Trade in room 1104 Longworth House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

**FORMATTING REQUIREMENTS:**

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, in Word Perfect or MS Word format and **MUST NOT** exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call (202) 225-1721 or (202) 226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

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\* \* \* NOTICE—CHANGE IN TIME \* \* \*

## **ADVISORY**

FROM THE COMMITTEE ON WAYS AND MEANS

### **SUBCOMMITTEE ON TRADE**

FOR IMMEDIATE RELEASE  
July 15, 2002  
No. TR-10-Revised

CONTACT: (202) 225-1721

### **Change in Time for Hearing on the President's Waiver for Vietnam from the Jackson-Vanik Freedom of Emigration Requirements**

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on the President's waiver for Vietnam from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974 scheduled for Thursday, July 18, 2002, at 10:00 a.m., in the main Committee hearing room, 1100 Longworth Office Building, **will now be held at 9:30 a.m.**

All other details for the hearing remain the same. (See Subcommittee Advisory No. TR-10, dated July 8, 2002.)

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\* \* \* NOTICE—CHANGE IN TIME \* \* \*

## **ADVISORY**

FROM THE COMMITTEE ON WAYS AND MEANS

### **SUBCOMMITTEE ON TRADE**

FOR IMMEDIATE RELEASE  
July 17, 2002  
No. TR-10-Revised #2

CONTACT: (202) 225-1721



## **Change in Time for Hearing on the President's Waiver for Vietnam from the Jackson-Vanik Freedom of Emigration Requirements**

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on the President's waiver for Vietnam from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974 scheduled for Thursday, July 18, 2002, at 9:30 a.m., in the main Committee hearing room, 1100 Longworth Office Building, **will now be held at 10:00 a.m.**

All other details for the hearing remain the same. (See Subcommittee Advisory No. TR-10, dated July 8, 2002, and No. TR-10-Revised, dated July 15, 2002.)

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Chairman CRANE. The United States and Vietnam celebrated an important milestone last December when the long-negotiated and long-awaited bilateral trade agreement finally entered into force. That was a significant achievement, and I am personally satisfied to finally see normal trade relations between our two countries. The Bilateral Trade Agreement (BTA) was the fruit of a process of gradual engagement that began back in February 1994 when President Clinton ended the 19-year-old U.S. trade embargo with Vietnam.

Over the past 8 years, the United States has gradually expanded its economic engagement with Vietnam. Since 1998 when the President first granted a Jackson-Vanik waiver to Vietnam to allow the Overseas Private Investment Corporation and the Export-Import Bank to support U.S. business activities in Vietnam, two-way trade with Vietnam has nearly doubled.

Our engagement with the Vietnamese Government has already borne tangible results in promoting important U.S. policy objectives, such as encouraging political and economic reform, promoting Asian regional stability, the fullest possible accounting for prisoners of war (POWs) and U.S. servicemen still missing in action (MIA), and resolving the remaining immigration cases of concern to the United States.

On the issue of immigration, which is the only issue that is directly related to the renewal of Vietnam's Jackson-Vanik waiver, Vietnam has a solid record of cooperation with the United States to permit Vietnamese emigration. Over 500,000 Vietnamese have emigrated as refugees or immigrants to the United States under the orderly departure program. Only a small number of refugee applicants remain to be processed under both the orderly departure and the resettlement for Vietnamese returnee programs.

It is clear that the United States should and will continue to address serious concerns with Vietnam. However, the most effective way for the United States to seek progress on political and economic reform, human rights, labor rights, and environmental standards is through continued engagement. To that end, the Jackson-Vanik waiver provides an opportunity for dialog to address issues of concern with the Vietnamese and to pressure them for change.

I support the renewal of Vietnam's Jackson-Vanik waiver and urge my colleagues to oppose H.J. Res. 101. With that, I would like

to yield to our distinguished colleague from Massachusetts, Mr. Neal.

[The opening statement of Chairman Crane follows:]

**Opening Statement of the Hon. Philip M. Crane, a Representative in Congress from the State of Illinois, and Chairman, Subcommittee on Trade**

The United States and Vietnam celebrated an important milestone last December when the long-negotiated and long-awaited Bilateral Trade Agreement finally entered into force. That was a significant achievement, and I am personally satisfied to finally see normal trade relations between our two countries. The BTA was the fruit of a process of gradual engagement that began back in February 1994 when President Clinton ended the 19-year old U.S. trade embargo with Vietnam.

Over the past 8 years, the United States has gradually expanded its economic engagement with Vietnam. Since 1998, when the President first granted a Jackson-Vanik waiver to Vietnam to allow the Overseas Private Investment Corporation and the Export-Import Bank to support U.S. business activities in Vietnam, two-way trade with Vietnam has nearly doubled. Our engagement with the Vietnamese Government has already borne tangible results in promoting important U.S. policy objectives such as encouraging political and economic reform, promoting Asian regional stability, the fullest possible accounting for prisoners of war and U.S. servicemen still missing in action, and resolving the remaining emigration cases of concern to the United States.

On the issue of emigration, which is the only issue that is directly related to the renewal of Vietnam's Jackson-Vanik waiver, Vietnam has a solid record of cooperation with the United States to permit Vietnamese emigration. Over 500,000 Vietnamese have emigrated as refugees or immigrants to the United States under the Orderly Departure Program. Only a small number of refugee applicants remain to be processed under both the Orderly Departure and the Resettlement for Vietnamese Returnees programs.

It is clear that the United States should—and will—continue to address serious concerns with Vietnam. However, the most effective way for the United States to seek progress on political and economic reform, human rights, labor rights, and environmental standards is through continued engagement. To that end, the Jackson-Vanik waiver provides an opportunity for dialogue to address issues of concern with the Vietnamese and to pressure them for change. I support the renewal of Vietnam's Jackson-Vanik waiver and urge my colleagues to oppose H.J. Res. 101.

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Mr. NEAL. Thank you, Mr. Chairman. I would like to ask your permission to enter Mr. Levin's opening statement into the record.

Chairman CRANE. Without objection, so ordered.

[The opening statement of Mr. Levin follows:]

**Opening Statement of the Hon. Sander M. Levin, a Representative in Congress from the State of Michigan**

Thank you, Mr. Chairman. I am glad we are here today to evaluate the President's decision to waive applicability of the so-called Jackson-Vanik amendment to Vietnam.

Yesterday I met with the Vietnamese Ambassador to the United States, who emphasized the importance of the Jackson-Vanik waiver to his country.

The waiver that is the subject of the resolution at issue today is a continuation in the process of engaging with Vietnam. Expanding upon prior year's Jackson-Vanik waivers, the waiver this year will not only continue the availability of export-related financing from OPIC, Ex-Im Bank, and the Department of Agriculture for Vietnam, but will also continue NTR status for Vietnam.

Although the Jackson-Vanik criteria are focused on emigration issues, the annual review process is an opportunity to examine various aspects of our relationship with Vietnam, including emigration, human rights, MIA recovery efforts, and trade issues, including labor market standards.

I am glad that Mr. LaFleur from the State Department will be addressing emigration and human rights issues in his comments, but I am a bit surprised that at this hearing today we do not have any witnesses from the human rights community.

Our relationship with Vietnam is a complicated one, still very much impacted by the war that left a deep and lasting impact on both nations. Despite years of bitter

relationships and conflict, U.S. relations with Vietnam have improved over the last decade.

In 1994, we lifted the comprehensive trade embargo that had been in place for nearly 20 years.

In 1995, we opened a U.S. embassy in Hanoi.

In 1998, President Clinton first waived the Jackson-Vanik prohibitions, and every year since, this body has supported his decision with decisive margins.

Just last year, Congress approved the U.S.-Vietnam bilateral trade agreement, granting Vietnam normal trade relations.

Each of these steps was a long time in evolving. Each responded to positive developments in Vietnam. Notably, the Government of Vietnam has continued to cooperate in helping to locate U.S. servicemen and women missing in Vietnam. Just last year, nine Vietnamese died helping in the search for U.S. MIAs.

Further, there has been improvement by the Government of Vietnam in emigration and increased cooperation with U.S. refugee programs.

Indicating the seriousness with which it has taken its obligations, Vietnam has made progress in implementing the bilateral trade agreement that entered into force last year. I look forward to hearing testimony from the witnesses detailing some of Vietnam's implementation efforts.

Unfortunately, the Government of Vietnam has not made a similar commitment to improving its human rights record. The most recent State Department human rights report indicates that Vietnam's already poor human rights record has deteriorated. This is very troubling and I hope that some of our witnesses will discuss that issue and discuss how they think it should play into our analysis of this and future Jackson-Vanik waivers.

Additionally, Vietnam still needs to make major progress in respecting and enforcing core, internationally-recognized labor rights. The Clinton Administration signed a Memorandum of Understanding regarding labor rights with Vietnam, and programs have been operating under this MOU for the past few years.

Nevertheless, Vietnam continues to deny its workers the fundamental right to associate freely. The recent State Department Human Rights Report contains some good news on labor rights, but also indicates that child labor and prison labor continue to be widespread in Vietnam and that Vietnam has not adequately enforced its own laws regarding minimum wages and workplace safety.

I stated last year when we approved the bilateral trade agreement with Vietnam that I would watch closely the eventual negotiations of the textiles and apparel agreement, and that any such agreement must include labor provisions similar to the positive incentives included in the Cambodia textiles and apparel agreement.

I understand that negotiations on a textiles and apparel agreement have begun, but there still has not been a firm commitment by the Administration to include positive incentive labor provisions. Although the issue is not yet ripe for this year's vote, I want to convey to the Administration and the Government of Vietnam that if the labor issue is ignored in the textile and apparel agreement, it will have repercussions for future Jackson-Vanik NTR waivers.

In the mean time, there is still much to be done to fully normalize our relationship with Vietnam. The resolution at issue would be a step back today. It would hurt our relations with Vietnam and it would hurt important reform efforts there. We must preserve the forward momentum that has developed over the past several years and continue working together to build a meaningful and enduring relationship.

I look forward to hearing the testimony of the witnesses today.

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Mr. NEAL. Thank you, Mr. Chairman.

I think that we are in agreement that continuing normal trade relations with Vietnam is a very important issue. I also think that today's hearing highlights the need, however, to focus on some additional issues as they relate not only to this trade relationship, but well beyond.

Included in that area of concern obviously is the whole issue of human rights and labor issues. I think that I can say collectively for the Members of the U.S. House of Representatives, where we can ascertain what has happened, still, to those POWs who have never been accounted for, I think that always has to be part of a

steady dialog here in the Congress, to demonstrate that we have not lost interest in that issue.

Just as importantly, we hope to bring that matter to closure, perhaps a long time down the road, but hopefully sooner. So, I look forward to the testimony today.

I think that you are to be commended, Mr. Chairman. I think, by and large, the Trade Subcommittee has demonstrated a pretty good approach toward normal trade relationships with nations across the globe.

Chairman CRANE. Thank you.

With that, I would like to introduce our two witnesses in the first panel. We have Ralph Ives, the Assistant U.S. Trade Representative for Asia and the Pacific, and Chris LaFleur, Acting Assistant Secretary for East Asian and Pacific Affairs with the U.S. Department of State. I would suggest, gentlemen, if you can keep your statements to—in the neighborhood of 5 minutes, all of your statements will be part of the official record.

With that, proceed in order.

**STATEMENT OF RALPH F. IVES, III, ASSISTANT U.S. TRADE REPRESENTATIVE, SOUTHEAST ASIA, THE PACIFIC AND APEC, OFFICE OF THE U.S. TRADE REPRESENTATIVE**

Mr. IVES. I would like to keep my remarks brief and submit my full statement for the record.

Thank you, Chairman Crane, Mr. Levin, and the other Members of the Subcommittee, for this opportunity to testify in support of continuation of the President's waiver for Vietnam of the so-called Jackson-Vanik amendment to Title IV of the Trade Act of 1974.

Congress, particularly this Committee, has a strong record of endorsing normalized trade relations with Vietnam. Continuing the Jackson-Vanik waiver, which former President Clinton first invoked in 1998, is required to maintain normal trade relations (NTR) status for Vietnam. Retaining NTR status is necessary to fully implement the U.S.-Vietnam Bilateral Trade Agreement, the BTA.

Today, I will focus on our trade relationship about Vietnam. Mr. LaFleur plans to discuss U.S. efforts to work with Vietnam on human rights, including religious freedom and labor rights.

The BTA, which entered into force on December 10, 2001, represents the culmination of a decade-long bipartisan effort to heal the wounds of the Vietnam era and to restore our relations with this country of 80 million people. The path to normalization of our bilateral relations was formulated by former President Bush in a "road map" in 1991, and passed important milestones under the Clinton Administration, particularly lifting of the trade embargo in 1994 and conclusion of BTA negotiations.

Under the BTA, Vietnam has made extensive commitments to reform its economy, including revision of its legal system as it relates to trade, finance, and other related areas. The BTA is probably the most significant economic reform measure Vietnam has adopted since the eighties when it began embracing a market-based economy.

The BTA is the most comprehensive agreement the United States has ever negotiated with a country subject to Jackson-Vanik

amendment. This agreement requires Vietnam to provide access to its market for a wide range of U.S. goods, services, and investment and to apply the rule of law to its trade regime, thereby laying the foundation for more extensive reforms in its World Trade Organization (WTO) accession.

Of course, conclusion of an agreement must be followed by implementation. The USTR, working with other key agencies like the State Department and the U.S. Agency for International Development (USAID), is monitoring Vietnam's progress. So far, Vietnam's political commitment to fully implement the BTA is resulting in substantial progress and increasingly being translated into new laws, rules, and regulations.

We are working intensively with the Vietnam Government to assist in this. With the strong support of Congress, USAID has undertaken a unique and substantial program to assist Vietnam, committing nearly \$8 million over 3 years. This is the first USAID program aimed exclusively toward implementation of a trade agreement.

Efforts to ensure BTA implementation are also occurring at high levels. In May, Deputy USTR Huntsman and Vietnam's Vice Minister Tu convened in Hanoi the first meeting of the Joint Committee established under the BTA. The status of implementation was a principal element of this meeting and will continue to be a major focus of our work.

In conclusion, maintaining NTR status is not only good for our bilateral relationship, but helps encourage regional stability and prosperity. As Vietnam gains economically, it integrates itself further into the regional and global market. Prosperous countries with close economic ties to each other make better neighbors. Continuing NTR status advances the fundamental U.S. interest we have in expanding opportunity and freedoms in Vietnam and the Asian region.

We urge Congress' continued support for the Jackson-Vanik waiver for Vietnam.

I would be pleased to respond to any questions you may have. Thank you, Mr. Chairman.

[The prepared statement of Mr. Ives follows:]

**Statement of Ralph F. Ives, III, Assistant U.S. Trade Representative, Southeast Asia, the Pacific and APEC, Office of the U.S. Trade Representative**

Thank you, Chairman Crane, Mr. Levin and Members of the Subcommittee, for this opportunity to testify today in support of continuation of the President's waiver for Vietnam of the freedom of emigration provisions of Title IV of the Trade Act of 1974, the so-called Jackson-Vanik amendment. Congress and this Committee in particular has a strong record of endorsing a normalized trade relationship with Vietnam.

Continuing the Jackson-Vanik waiver, which former President Clinton first invoked in 1998, is required to maintain Normal Trade Relations (NTR) status for Vietnam. Retaining NTR status is necessary to continue full implementation of the U.S.-Vietnam bilateral trade agreement (BTA). Congress passed legislation approving extension of NTR to Vietnam on October 3, 2001, which the President signed into law on October 16, 2001.

I will focus my comments today on the trade aspects of our relationship with Vietnam. Mr. LaFleur plans to discuss the U.S. efforts to work with Vietnam on human rights, including issues such as religious freedom and labor rights.

On December 10, 2001, with firm bipartisan support from the Congress, and this Committee in particular, NTR was extended to Vietnam and the U.S.—Vietnam BTA entered into force. Entry into force of this Agreement was a critical step in the

process of normalizing our trade relations with Vietnam, furthering U.S. economic and strategic objectives and opening a growing market to U.S. exports and investment.

The BTA represents the culmination of a decade-long, bipartisan effort to heal the wounds of the Vietnam era and to restore our relations with this country of 80 million people—the fourth most populous country in East Asia, and one with tremendous potential; half of its population is under the age of 25. The path to normalization of our bilateral relations was formulated by former President Bush in a “road map” in 1991. With substantial work by the Clinton Administration—and bipartisan leadership by key Members of Congress in both houses—we have passed important milestones, including securing Vietnam’s cooperation in accounting for MIAs and POWs, lifting of the trade embargo in 1994, establishing diplomatic relations in 1995, and the entry into force of the BTA last year.

Under the BTA, Vietnam has made extensive commitments to reform its economy, including revision of its legal system as it relates to trade, finance and other related areas. The BTA provides Vietnam the incentive it needs to open its economy, introduce competition—both internally and internationally—and make its entire economic regime more transparent. Indeed, the BTA is probably the most significant economic reform measure Vietnam has adopted since the mid-1980s, when it abandoned central planning and moved toward adoption of market mechanisms.

The BTA is the most comprehensive agreement we have ever negotiated with a country subject to Jackson-Vanik amendment. This Agreement requires Vietnam to provide access to its market for a wide range of U.S. goods, services and investment—some sectors immediately, others over several years—and to apply the rule of law to its trade and investment policy. The BTA represents a significant step in Vietnam’s movement toward WTO and other international norms, as well as its integration into the regional and global economy. Vietnam’s adoption of the BTA’s provisions laid the groundwork for even more extensive reform efforts as it proceeds with its accession to the WTO.

Vietnam’s commitments under the BTA provide a number of commercial benefits to the United States. A wide range of U.S. products can enter Vietnam at substantially reduced tariff rates—including avoiding a 50% surcharge Vietnam levies on countries with which it does not have normal trade relations. Such U.S. goods will be valued according to WTO rules, and be free of quotas. Also, many U.S. suppliers in key sectors can sell their services either from the United States or by investing in Vietnam. Intellectual property rights are to be subjected to WTO-levels of protection. Vietnam must use WTO disciplines for its trade-related technical standards and sanitary and phytosanitary measures. And the BTA’s transparency requirements reduce the cost of doing business and provide fairness and openness in administration of Vietnam’s trade laws and regulations.

Implementation of all of these BTA provisions can, over time, greatly increase U.S. exports to Vietnam. In the first four months of this year, we have seen U.S. exports grow by 27.5% compared to the same period last year—at a time when our overall exports to Asia are off by nearly 15%.

Of course, conclusion of an agreement must be followed by implementation. USTR, working with other key agencies like State, Commerce, and USAID, is monitoring Vietnam’s progress. So far, we have seen that the political commitment of the leadership of Vietnam to make the changes necessary to fully implement the BTA is solid and is increasingly being translated into new laws, rules and regulations.

We are working intensively with the Vietnamese Government to assist it in this effort. During the negotiation of the BTA, we understood that Vietnam would require substantial capacity building assistance to fulfill its commitments. With the strong support of Congress, USAID has undertaken a unique and substantial program to assist Vietnam, committing nearly \$8 million over three years. This is the first USAID program aimed exclusively toward implementation of a trade agreement.

The USAID STAR (Support for Trade Acceleration) program, located in Hanoi, has been assisting Vietnam in its efforts to understand and implement changes to its legal and regulatory framework since late last year. In addition, for the last few years USAID has given financial support to the U.S.-Vietnam Trade Council, which provided technical assistance during the negotiation of the BTA and now through the implementation phase.

Efforts to ensure BTA implementation is also occurring at high levels. In May, Deputy USTR Jon Huntsman and Vietnam’s Vice Minister of Trade Luong Van Tu convened in Hanoi the first meeting of the Joint Committee established by the BTA. A principal element of this meeting was a review of the status of implementation.

At this meeting, it was evident that Vietnam has made substantial progress in fulfilling its obligations under the BTA and great strides in developing a cadre of

officials that understand the rules and regulations of the international trading system. It was equally evident to us that our technical assistance programs are having a very positive effect on Vietnam's efforts. Of course, we will need to continue to work closely with Vietnam to ensure that it fulfills all of its BTA commitments. For example, we continue to be concerned about the level of enforcement of intellectual property rights in Vietnam, particularly in light of other similar problems in the region.

Concluding the BTA with Vietnam and obtaining congressional approval of that Agreement was a necessary step in granting Vietnam NTR tariff treatment to the products of Vietnam. Maintaining NTR status for Vietnam is not only good for our bilateral relationship but helps encourage regional stability and prosperity. As Vietnam gains economically from its trade with us and reforms its economy, it integrates itself further into the regional and global market. Prosperous countries with close economic ties to each other tend to make better, more dependable neighbors. Providing NTR status and maintaining the BTA thus advances the fundamental interest that we have in expanding opportunity and freedoms in Vietnam, the Asian region and the world.

Through its implementation of the BTA, Vietnam is demonstrating that it is willing to play by the same rules as our other trading partners, and be a member in good standing of the international economic community. The Administration remains confident that the continuation of NTR treatment furthers our economic objectives in Vietnam, and our overall national interest. We urge the continued support of the Congress for the Vietnam's Jackson-Vanik waiver.

I would be pleased to respond to any questions Members may have.

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Chairman CRANE. Thank you Mr. Ives, and now, Mr. LaFleur.

**STATEMENT OF CHRISTOPHER LAFLEUR, ACTING ASSISTANT SECRETARY, EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. LAFLEUR. Thank you, Mr. Chairman.

Chairman Crane, other distinguished Representatives on the Subcommittee, it is an honor to be here before you today. This morning I look forward to consulting with you about the President's decision to waive the provisions of the Jackson-Vanik amendment again this year.

Since the waiver was first granted in March 1998, it has been an essential component of our policy of engagement with Vietnam. I am confident that this extension of the waiver will continue to advance U.S. national interests in Vietnam.

The common theme that you will hear in my testimony today is that engagement works. This month marks the seventh year since we normalized our diplomatic relations with Vietnam, and we have seen substantial progress in a number of areas important to the United States. From increased trade and investments, to greater cooperation on POW/MIA recovery efforts, our relationship has advanced dramatically. I must say that much of the credit is due to the Members of this Subcommittee and the Members of the House and their continuing contributions to the development of U.S.-Vietnamese relations. Much of the progress on our most important bilateral issues would not have been possible without the direct assistance of Members of Congress and their excellent staffs.

Vietnam's cooperation on immigration policy, the test issue for the Jackson-Vanik waiver, is continuing. We have completed nearly all immigration processing under our refugee programs. Less than 100 applicants remain to be interviewed. We hope to finish processing of eligible applicants under the former Orderly Departure Program and the Resettlement Opportunity for Vietnamese Re-

turnees program by the end of this calendar year. I want to emphasize that we will not consider our refugee programs to be completed, however, until the last eligible applicant has had an opportunity to be interviewed, or we have an acceptable accounting in each case.

Our relations with Vietnam were tested last year when over 1,000 Montagnards fled to Cambodia following large-scale Montagnard protests in February 2001. The Vietnamese Government initially objected to third-country resettlement of the Montagnards in Cambodia and indeed tried to repatriate them directly back to Vietnam. After discussions between the United States, Vietnam, Cambodia, and the United Nations High Commissioner for Refugees, Vietnam tacitly acquiesced and dropped its opposition to arrangements to resettle those Montagnards from Cambodia to the United States. Hundreds of those Montagnards have already arrived here and nearly all should be in the United States by the end of the summer.

We would like to work with Vietnam to help develop the Central Highlands and encourage greater respect for human rights so that this kind of exodus is no longer necessary.

We have established an impressive spirit of cooperation with the Vietnamese in the search for our servicemen and women still missing in action from the Vietnam War. There is certainly still work ahead, much of it dangerous.

In April last year, seven Americans and nine Vietnamese lost their lives in a helicopter crash on a mission to recover the remains of missing Americans. Nevertheless, our operations continue unabated, and young volunteer American servicemen and women and their Vietnamese counterparts continue to brave these severe and, in some cases, dangerous conditions to locate the remain of our MIAs.

We are also continuing to resolve cases. Of the 196 Americans who were on the last "known alive" list, we have determined the fate for all but 39 men.

Vietnam's cooperation in our efforts to account for missing Americans from the Vietnam War remain full and in good faith. Without such cooperation, closure for many of the families of our missing warriors would not occur. Let me assure you, the quest for fullest possible accounting of our POW/MIAs remains one of our top priorities with Vietnam.

Since we reestablished relations with Vietnam, we have seen human rights improvements in that country. It is far from a satisfactory situation, and we see a long road ahead in encouraging Vietnam to make further improvements in this critical area.

We share with the Congress and the people of the United States a deep concern for the human rights situation in Vietnam. We take a particular interest in religious freedom in that country. We have established what we hope is a serious dialog with the Vietnamese on human rights issues, and this fall we will hold the next of our annual high-level human rights discussions with Vietnam.

Secretary Powell has raised human rights issues with the Vietnamese senior leadership in his meetings, and our staff at our embassy in Hanoi constantly work to keep this a key issue in our bilateral relationship.



Our cooperation with Vietnam on labor issues is improving and conditions for workers in Vietnam are improving along with it. Under a memorandum of understanding (MOU) on labor, signed in November 2000, the U.S. Department of Labor has developed five technical assistance projects with Vietnam and has a sixth on the drawing board. We also held the first-labor dialog between the United States and Vietnam in March of this year. We were pleased, after long years of negotiation, to see the U.S.-Vietnam Bilateral Trade Agreement finally enter into force last December.

The BTA is comprehensive, binding Vietnam to an unprecedented array of reform commitments, including tariff reductions, protection for intellectual property rights (IPR), market access for American service industries, and protections for American investors.

The results of the BTA are already there to see. In the first 4 months of this year, U.S. exports to Vietnam increased by over 25 percent, compared with the same period last year. This increase came even as our exports to most other countries in Asia were not doing nearly as well. Extension of the Jackson-Vanik waiver is required in our view to keep the BTA in effect and vital to keeping our momentum on trade.

We have been working closely with the Vietnamese on implementation of the BTA, funding technical assistance to review Vietnam's legal and regulatory framework, and help draft new laws to meet its commitments. As we work to put in place these changes, the business climate in Vietnam for U.S. business and Vietnamese business should continue to improve.

The Jackson-Vanik waiver remains a prime example of executive-legislative cooperation on foreign policy and an essential element of our engagement with Vietnam. We have seen greater Vietnamese cooperation on the total range of bilateral issues, and its successes are visible and plentiful. Congressional approval of the waiver sends a vital message to Vietnam's leadership and people that the United States wants a cooperative, constructive relationship with Vietnam. I am confident that this extension of Jackson-Vanik will further advance the national interest of the United States in Vietnam.

Thank you, Mr. Chairman.

[The prepared statement of Mr. LaFleur follows:]

**Statement of Christopher LaFleur, Acting Assistant Secretary, East Asian and Pacific Affairs, U.S. Department of State**

Chairman Crane, Mr. Levin, I would like to thank you for inviting me to consult with you about the President's decision to waive Jackson-Vanik again this year. Since the waiver was first granted in March 1998, it has been an essential component of our policy of engagement with Vietnam. I am confident this extension of the waiver will continue to advance U.S. national interests in Vietnam.

The last seven years have seen substantial progress in our relationship with Vietnam, and much of the credit must be given to the vigorous and productive executive/legislative cooperation that has been developed relative to Vietnam policy. I would like to take this opportunity to thank the Members of this Subcommittee and the Members of the House for their continuing contributions to the development of U.S.-Vietnam relations. Your visits to Vietnam, meetings with Vietnamese leaders visiting Washington, and other congressional interventions on a wide range of issues have reinforced our policy of engagement. The House and its Members have made clear, both privately and publicly, to Vietnam's leaders and its people that the United States remains committed to enhanced U.S.-Vietnam relations. Progress on

some bilateral issues would not have occurred without direct assistance rendered by Members of Congress. In that regard, I would like specifically to thank Chairman Crane and the Members of this Committee for your direct support and counsel.

One common theme runs through the development of every facet of our relationship with Vietnam—engagement works. We have made progress on every issue in which we have been able to demonstrate mutual interests and in which both sides have been convinced of each other's commitment to build a relationship. Each side has made gestures over the years to advance this process—the United States lifted its trade embargo and Vietnam agreed to assume long-term debt and settle property claims. Vietnam, by joining the ASEAN Regional Forum and the Asia Pacific Economic Cooperation Forum, signaled its desire to play a constructive role on regional security, trade issues, and economic development. In the past two years we have signed agreements with Vietnam to expand cooperation in labor and in the science and technology fields. Both sides worked together for many years to bring into force finally last year a bilateral trade agreement.

Bilaterally, engagement at all levels is building a spirit of cooperation between our two peoples and producing results in those areas that are most important to us—POW/MIAs, emigration, human rights, and economic reform. Vietnam's cooperation on emigration policy, the test issue for the Jackson-Vanik waiver, is continuing. We have completed nearly all immigration processing under the former Orderly Departure Program, the Resettlement Opportunity for Vietnamese Returnees (ROVR) sub-program, the Former Re-education Camp Detainees ("HO") program, and the Montagnard programs. Less than 100 applicants remain to be interviewed under all of our various refugee programs.

We still hope to finish processing of eligible applicants under the former ODP and ROVR programs by the end of this calendar year. We recently completed interviewing applicants under the U-11 program for former USG employees. I want to emphasize that we will not consider our refugee programs to be completed until the last eligible applicant has had the opportunity to be interviewed, or we have an acceptable accounting of each case. Vietnamese officials have continued cooperation over this past year and we will continue to build on this strong foundation to interview all those who wish to be interviewed for resettlement in the United States under all refugee and related programs. We hope this cooperation will extend to accepting the deportations of Vietnamese imprisoned in the U.S.

Our relations with Vietnam were tested last year when over one thousand Montagnards fled to Cambodia following large-scale Montagnard protests in the Central Highlands in February 2001. The Vietnamese Government initially objected to third-country resettlement of the Montagnards in Cambodia, and unsuccessfully attempted to repatriate the Montagnards directly from the refugee camps. After intensive discussions between the U.S., Vietnam, Cambodia and UNHCR, Vietnam tacitly acquiesced and accepted arrangements to resettle these Montagnards from Cambodia to the United States. Hundreds have already arrived and nearly all should be in the U.S. by the end of this summer. We would like to work with Vietnam to help develop the Central Highlands and encourage greater respect for human rights so that this kind of exodus is not necessary.

We have established an impressive spirit of cooperation with the Vietnamese in the search for our servicemen and women still missing in action from the Vietnam War. Slowly, we are making progress in building the people-to-people relationships that are replacing suspicion with trust and understanding. This is vitally important at this juncture because we have finished the easy work; the tasks ahead are becoming progressively more arduous. We are now searching in some of the most difficult and dangerous terrain possible and our recovery teams face greater dangers. In April last year, seven Americans and nine Vietnamese lost their lives in a helicopter crash on a mission to recover the remains of missing Americans. Nonetheless, our operations continue unabated and young volunteer American servicemen and women and their Vietnamese counterparts continue to brave these severe and highly dangerous conditions to locate the remains of our MIAs.

Since 1988 when joint recovery operations began with the Vietnamese, we have conducted sixty-eight joint field activities in Vietnam, five of those since the previous Jackson-Vanik waiver was extended last year. Since 1973 the remains of 481 individuals have been identified and repatriated. This would not have been possible without bilateral cooperation between the U.S. and Vietnam. Of the 196 Americans that were on the Last Known Alive list, the fate of all but 39 men has been determined. Many of the American losses occurred in Laos and Cambodia. To date, Vietnam has provided 44 witnesses for investigation of possible loss sites along the border and within Laos and Cambodia. The Vietnamese continue to provide documents and films to investigation teams. Approximately 28,000 items have been reviewed for possible information that would lead to an accounting for our fallen comrades.

We are still encouraging Vietnam to provide additional documentation and to conduct more unilateral activities. As presented here, Vietnam is fully cooperating in our efforts to account for missing Americans from the Vietnam War; without such cooperation, closure for the many families of our missing warriors would not occur. Let me assure you, the quest for fullest possible accounting of POW/MIAs remains one of our top foreign policy priorities with Vietnam.

Since we reestablished relations with Vietnam, we have seen some human rights improvements there. It is far from a perfect situation and we see a long road ahead in encouraging Vietnam to make further improvements in this critical area. We share with the Congress and the people of the United States a deep concern for the human rights situation in Vietnam. We have established what we hope is a serious dialogue with the Vietnamese on human rights issues, and, this fall we will hold the ninth annual high-level human rights discussions. Secretary Powell raised human rights issues with Vietnamese senior leadership during his visit last summer. In addition, our staff in the Embassy in Hanoi constantly work with Vietnamese officials to keep this issue a key issue of the bilateral relationship.

Progress in past years notwithstanding, there were some troubling setbacks on human rights and religious freedom this year, and not much good news. Two recent amnesties did not include any political or religious prisoners that we knew of. Father Nguyen Van Ly, a high-profile case for us, was sentenced to fifteen years imprisonment for activities that the authorities deemed anti-government. Two Buddhist monks, Thich Quang Do and Thich Huyen Quang remain under house arrest for their work with the United Buddhist Church of Vietnam. Two other dissidents, Pham Hong Son and Lam Chi Quang were arrested for circulating documents on the Internet promoting democracy in one case and criticizing a border agreement with China in another.

However, the picture on religious freedom brightened a bit for officially recognized religious organizations. Those not recognized continue to face difficulties, as the imprisonment of religious leaders highlights. The Vatican and Vietnam have regular dialogue. We are also encouraging Vietnam to recognize more than one group of Hoa Hao adherents. Ambassador at Large for International Religious Freedom John Hanford plans to visit Vietnam next month to continue discussions with the Vietnamese. Much remains to be done, but there has been progress and we want to encourage further progress.

Conditions for workers have also improved. The U.S. Department of Labor has developed technical assistance projects with Vietnam in the areas of employment services, social insurance and safety nets, employment of people with disabilities, industrial relations, and prevention of child labor. A sixth project on HIV/AIDS education and prevention is in the works. And the first Labor Dialogue between the U.S. and Vietnam took place in March this year.

You should also know that there were 72 private and public strikes during the year, many against foreign-owned or joint venture companies, but others that involved state-owned and private firms. The government tolerated these strikes, even though most were spontaneous and supported by organized labor after the fact. In some cases, the government disciplined employers for illegal practices that led to strikes.

The brightest spot in our engagement with Vietnam has been on the economic side. Last December saw the capstone on long years of negotiation when the U.S.-Vietnam Bilateral Trade Agreement (BTA) finally entered into force. The BTA is comprehensive, binding Vietnam to an unprecedented array of reform commitments, including tariff reductions for key U.S. exports, elimination of non-tariff barriers on most products, adoption of WTO-consistent protection for intellectual property rights (IPR), market access for American service industries, and protections for American investors. Many of these reforms were due on entry into force; others will be phased in over the next one to nine years.

The results of the BTA are already there to see. In the first four months of this year, U.S. exports to Vietnam increased by over 25 percent compared with the same period last year. This increase came even as our exports to most other countries in Asia were falling. As Vietnam phases in further reforms over the coming years the trade and investment picture for U.S. business should steadily improve. Extension of the Jackson-Vanik waiver is required to keep the BTA in effect and vital to keeping our momentum on trade.

In the seven months since the BTA entered into force, Vietnam has made substantial progress in assessing and planning for legal reforms that are necessary to meet its BTA commitments. Their government is progressively drafting and enacting new laws and reforming its regulatory structure. A new ordinance that opened up opportunities for foreign business in advertising came into force this year, and legal amendments that will expand operations for foreign law firms are expected

soon. The National Assembly is to discuss additional laws on business bankruptcy and commercial law this month; new laws on MFN and national treatment are under draft. This has been no simple task. The work to change this large number of laws, regulations and rules would swamp the law-drafting capacity of most countries.

That said, Vietnam's current trade and investment regime still falls significantly short of its commitments in the BTA, including many that were due on entry into force. We recognized early on that Vietnam would need technical assistance to meet its BTA commitments, and USAID has funded assistance in this area.

One of our most vexing long-term problems is the protection of intellectual property rights. Vietnam is again on the Special 301 Watch List for IPR, as IPR enforcement generally remains weak and violations are rampant. Piracy rates are extraordinarily high on some types of products such as computer software, music and video CDs, VCDs and DVDs. On the positive side, the BTA contains important commitments in the IPR arena, and Vietnam is making progress in strengthening its legal regime. Vietnam has recently extended legal protection to new areas not previously covered such as trade secrets and new plant varieties. This year Vietnam issued guidelines on resolving copyright disputes and is drafting a new Civil Procedure law. Vietnamese officials are well aware of the enforcement difficulties and are prepared in principle to address them, but IPR enforcement responsibilities are divided among a number of agencies, often with coordination and resources lacking.

As certain as these ongoing reforms will help the U.S. to expand exports to and investment in Vietnam, they will surely also bring change for the better in Vietnam. The Vietnamese economy appears today to be in recovery, thanks to relatively low inflation, a favorable trade balance and the prospect of increased exports and investment from the BTA. Many of the same commitments that are opening up markets and improving the business climate for U.S. business in Vietnam should be opening the way for Vietnamese business at home as well. Vietnam's commitments to make its process for drafting and enacting laws more transparent will give Vietnamese and international business a chance to comment on laws before they are passed, improving the process for all. Tariff reductions are opening up new markets on both sides of the Pacific; indeed, Vietnamese exports to the U.S. have grown this year as well.

Vietnam's outlook toward private enterprise has taken a radical departure. The economy today bears little resemblance to the days of communal farms and ration cards in the 70's and 80's. With approximately 1.3 million annual entrants into the job market, Vietnam needs a vibrant private sector to keep growth at high rates and provide the necessary jobs. The Enterprise Law in effect for the last two years made it substantially easier to begin a new business and is given credit for the registration of 35,000 new businesses since that time. The Communist Party even changed its rules this year to allow members to own private businesses.

The Jackson-Vanik waiver remains a prime example of executive/legislative cooperation on foreign policy and an essential element of our engagement with Vietnam. It has promoted greater Vietnamese cooperation on the total range of bilateral issues and its successes are visible and plentiful. Congressional approval of the waiver sends a vital message to Vietnam's leadership and people that the United States wants a cooperative, constructive relationship with Vietnam. The policy tools the Jackson-Vanik waiver makes available build the people-to-people relationships that will strengthen trust between our societies. I am confident that this extension of Jackson-Vanik will further advance the national interests of the United States in Vietnam. I urge Members of the Committee to support the President's waiver.

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Chairman CRANE. Thank you, Mr. LaFleur.

I would like to put a question to both of you, and that is, I understand that the Communist Party in Vietnam has changed its rules this year to allow its members to own private businesses.

Has the Vietnamese military made any progress toward free enterprise as well?

Mr. LAFLEUR. I believe that the Vietnamese military has been engaged in some private business, or what we would define as private business activity. I am not sure whether this represents a reform initiative as much as it represents an effort on their part to further strengthen their own financial situation and meet their

operational requirements. I believe that is the general situation at this time.

I don't think we have seen a dramatic change in that situation yet.

Chairman CRANE. I see.

Why do you think that our exports to Vietnam have increased while our exports to many other countries in the region have declined?

Mr. IVES. Thank you, Chairman. I think partly due to the BTA, since Vietnam committed to and implemented a wide range of tariff reductions. Also, Vietnam is a relatively new market for the United States and many other countries have had long-term, established relationships with that country, Japan, and the European Union in particular. So, we are just beginning to develop our market in Vietnam.

Chairman CRANE. Have you both seen a decrease in the extent of corruption of the Vietnamese Government?

Mr. LAFLEUR. Mr. Chairman, I think the situation on corruption in Vietnam continues to be a major concern for American businesses operating there and for the U.S. Government in general. I believe there are private nongovernmental organization studies of corruption in Vietnam that indicate that Vietnam ranks somewhere around 75 on the list of 99 countries, zero being best, and 100, I guess, being worst, which puts it certainly in the lower tier and in an area of concern, although there are other countries on there with whom we have fairly vigorous and extensive trading relations as well. It is a problem and the problem needs to be worked on.

I think there is recognition in Vietnam on the part of the leadership there that they do have a serious problem, and it is impeding their economic development. They have established a campaign to combat it among their own officials with, in some cases, quite draconian penalties for violators at the worst end of the spectrum.

It certainly remains an issue of concern that we encourage them to address. In our view, one of the most effective ways for addressing it will be the establishment of a more transparent legal and regulatory environment. This is exactly one of the areas that we are working with them on pursuant to implementation of the BTA and providing them with technical assistance.

Chairman CRANE. Can you please describe in more detail the progress made in the labor dialogue taking place between the United States and Vietnam?

Mr. LAFLEUR. Mr. Chairman, on the books, Vietnam has a quite impressive set of regulations governing labor law relations. In reality, of course, there are severe limitations on the rights and abilities of Vietnamese workers to organize and effectively carry out labor activities.

There has been some identifiable progress in recent years. We have seen, for example, in 2000, approximately 72—I believe it was—labor actions of various kinds conducted by workers against various factories, companies, and institutions in Vietnam. These were not—these were not perhaps organized in the classic way along our lines, but certainly the fact that they were allowed to be undertaken and received the support of the labor organization in

Vietnam is an indication of recognition on the part of the authorities that labor has a role to play in industry relations in Vietnam, and certainly we hope to see further evolution along those lines.

In addition, Vietnam—we and the Vietnamese have signed, as I indicated, a MOU pursuant to which our U.S. Department of Labor is providing technical assistance to Vietnam in a number of areas, including social services, dealing with workers with disabilities, efforts to prevent exploitation of child labor, industrial relations. As I indicated, we are also working on a possible project to deal with HIV in the workplace. So, we do have cooperative efforts under way with Vietnam.

Last, I think I would point to the role of American business investing in Vietnam as providing an important example and demonstration to other companies in Vietnam about how to effectively manage labor relations. We know that major U.S. companies there are making a real effort to provide independent monitoring of labor conditions, working conditions in their factories. So, we think that as U.S. business presence expands in Vietnam, this can have a beneficial effect on the labor area as well.

Chairman CRANE. Thank you. Did you want to add anything to that Mr. Ives?

Mr. IVES. No, Mr. Chairman, I think he did a very good job of responding to the question. Thank you.

Chairman CRANE. Very good. Mr. Neal.

Mr. NEAL. Thank you very much, Mr. Chairman.

Mr. LaFleur, thank you for your testimony. Which of the following two statements would be accurate? If neither is accurate, please fill in the blanks: that modern Vietnam is half-Communist and half-capitalist when suited, or half-socialist and half-capitalist when suited?

Mr. LAFLEUR. Well, I think we are really—we have a system here that certainly is at least half-Communist and as we have seen in the case of China, for example, Communist Parties have recognized that in order to have a chance of maintaining their hold on power, it is essential in this day and age that the countries be moving forward and that they be able to respond to the demands of their populations for better living standards, better conditions, as well as improving the strength of the nation as a whole.

So we have seen an effort, certainly, pioneered in Asia, if you will, by the Chinese, but very carefully watched now and in many cases imitated by the Vietnamese as they attempt to maintain a one-party state, while at the same time introducing the market mechanisms and some of the operational practices that are essential to a free-market economy.

How these two systems are going to meld together for the long term, of course, is something we are all very much watching. I think a lot of us expect that over time it will be natural for the requirements of a market economy to have a substantial impact on the way politics works in all of these countries and certainly in Vietnam. I think we see some indications, as I indicated earlier, with respect to the labor relations area in which, already, we are seeing some impact from this market economy on the—what is a classical Communist system.

Mr. NEAL. Thank you, Mr. LaFleur. One other question.

Did you mention you thought there had been satisfactory progress on MIA issues, or POW issues? Could you speak on that specifically for us.

Mr. LAFLEUR. Certainly.

We have been conducting, as you know, a series of joint operations that require very extensive Vietnamese participation and support in Vietnam, since the late 1980s. Since that time, we have conducted numerous, what we call, "joint field investigations" in that our teams go off with Vietnamese counterparts to excavate areas where we believe losses have taken place in order to try to find remains and any other indications of the fate of our missing. Those operations can only be effective if the right amount of staff and support work precedes them and if the teams get the kind of support in the field they need.

As I indicated, a number of locations where these operations take place, particularly these days, are in remote areas, hard to support and hard to live in. So, we really do have to have pretty full cooperation to make these possible, and we have seen that from the Vietnamese.

We have also had a series of turnovers by the Vietnamese of documents, hundreds of pages of documents, that help give us some pointers to what happened during the war and shed some light on the fate of the missing, again. The Vietnamese have provided, as well, a number of living witnesses of events that occurred, in some cases, in quite remote areas so that we can try to get as firsthand as possible accounts of incidents in which we believe some of our missing were lost. That effort continues; we have interviewed quite a number, and we have more being made available by the Vietnamese.

So, it is a package that—there are a number of important elements that go into making that total package and making the judgment about Vietnamese cooperation, but the work continues, the accounting continues; and so we feel that it is justified to make that judgment.

Mr. NEAL. Thank you, Mr. LaFleur.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you. Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman.

It is good to have you here today, gentlemen. Thank you for coming.

As part of the BTA, Vietnam has pledged to phase in over 18 months the trips agreement under the WTO. I am wondering if you could please—maybe, Mr. Ives, this is an appropriate question for you. Could you bring us up to date on how they were moving along with the implementation, particularly with the enforcement of the laws that would provide the trips qualification, please?

Mr. IVES. Certainly. Thank you very much for that question.

Vietnam, as you indicated, has 18 months to comply with the TRIPS obligation as part of the bilateral trade agreement. Overall, Vietnam is making substantial progress in implementing its commitments under the BTA, which, as I indicated, are among the most comprehensive we have ever negotiated with any country. In terms of the IPR provisions, in particular, we have had a team in Vietnam working with Vietnam overall in implementation. The IPR

provisions are part of that effort to work with Vietnam in implementing its commitments.

The enforcement remains a serious concern with the Vietnamese on intellectual property protection. It is a serious concern throughout the region. Piracy is widespread. We have been working with all the countries in the region to bring piracy under control, but we have a long way to go in terms of Vietnam and indeed most of the other countries in the region to reduce the rate of piracy. So, we still have a great deal of work to do on that.

Ms. DUNN. I can imagine. I think that is very typical in some of the nations that we are doing BTAs with.

What about the progress toward their membership in the WTO? I know that they have applied, but I am not sure what the outstanding issues are and where that stands. Would you care to comment on that.

Mr. IVES. Certainly.

Vietnam applied for membership in 1995. There have been, I believe, five meetings of what we call the "working party," which is the committee—basically, Committee of the Whole—of all WTO members working with Vietnam in its accession process. The most recent meeting of this working party was earlier this year.

The USTR and other countries are actually using the bilateral trade agreement as the foundation for Vietnam's accession to the WTO, again highlighting the importance of the BTA not only in the bilateral relationship with Vietnam, but also in terms of its accession process.

That said, Vietnam still has a way to go, primarily in its market access commitments, not only to us but to other WTO members. So, it is making good progress. We have indicated to Vietnam that—Ambassador Zoellick has indicated to Trade Minister Vu Khuan and at lower levels that we are pleased to work with Vietnam in the accession process. We want Vietnam to accede to the WTO, but it has to be on terms that other members have acceded to the WTO.

Ms. DUNN. Thank you, Mr. Ives.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Welcome. Let me just ask a couple questions about our commercial relationships.

There is a reference in the testimony to the increase in exports, but say a word also about the import side of it, just so we can get a balanced picture here. There has been an increase, right, of imports? Just say a word about that so the record is complete.

Mr. IVES. Thank you, Mr. Levin. In terms of U.S. imports in 2001, which the most recent year, we have complete data, Vietnam's—U.S. imports from Vietnam increased approximately 21 percent to \$1 billion. During the first 4 months of this year, we don't have a complete record for 2002. During the first 4 months of this year, Vietnam's imports were valued at a little over \$400 million, and that represents approximately a 67-percent increase over the same period in the previous year.

Mr. LEVIN. As I understand, a substantial portion of that, a growing portion, is in textiles, apparel.



Mr. IVES. Textiles and apparel during the full year 2001 represent a little under \$50 million of U.S. imports. For the first 4 months of this year, textiles and apparel imports represent about \$65 million.

Mr. LEVIN. I mention it in part because I think negotiations have begun on a textile agreement, right? There have been some early discussions about a textile agreement with Vietnam?

Mr. IVES. We have had some consultations with Vietnam on textiles. We have had teams in Vietnam discussing this with them.

Mr. LEVIN. I think it has been productive for the Chairman and others to raise and for to you discuss the labor picture in Vietnam. When we talk about movement toward a free market, a free-labor market is an important piece of free market, and that is reflected in the MOU.

I think that in terms of Mr. Neal's question about the balance between Communist control and non-Communist control, socialism and the free-capital market, capitalist market, movement toward a free-labor market is a critical element—so critical that it is likely to be resistant.

As mentioned by one of you, there were some worker actions allowed, and that is a step forward. Still there is control, there can only be, in essence, one labor union controlled by the party that controls the government. I think it is important that as we discuss the textile agreement with Vietnam that this issue be raised, as it was with Cambodia.

I think the textile agreement with Cambodia was a very significant step forward, and Cambodia is moving, with the help of technical assistance from the United States, including the labor movement of the United States, toward a more free-labor market. When our staff was in Cambodia, one of the concerns was that their neighbors did not have the same, and we were moving in the same direction and, therefore, in terms of competition could have an economic advantage.

So, I hope very much that—and we have made this clear, a number of us for a number of years, going back to the previous Administration—as we talk over with the Vietnamese a textile agreement that that be very much—not the only, by any means, but an important ingredient. I mentioned that to the Ambassador when we had a discussion, the distinguished Vietnamese Ambassador, yesterday.

So, I don't know if you want to react to that, but I wanted that to be very clear on the record. We have made it clear to Mr. Zoellick and, I think, to Mr. Evans. I am not sure if we made it clear to Mr. Paul.

Any comment?

Mr. IVES. It is very clear, sir. I mean, we understand.

Mr. LEVIN. Thank you.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman. Thank you, gentlemen, for being here this morning. It always is fascinating to me, having lived a lot longer than an awful lot of other people around here, to think of our enemies being our friends. I mean, I think of it in terms—I happened to be in World War II—of Germany, Japan, Italy, Korea, and now Vietnam, and how powerful the

urgings of peace and the cementing of that peace through economic activity are. I just hope we can continue that.

I have got just a couple of questions. One, we do have, as a counterbalance to Mr. Levin, a question on imports: We have been rather successful in terms of our exports, haven't we, to Vietnam? Maybe you want to elaborate on that a little bit.

Then the other thing is, as you move forward and get a solid and a much more meaningful relationship, you have to have sort of a rule of law at play. One of the things that bothers me is this whole concept of intellectual property rights, which are so important here, particularly since the United States, if it is to export all it has to export, on—with an advantage, it can't be low labor rates, it has got to be some sort of technical input.

So you might be able to comment on both those issues.

Mr. IVES. Certainly, sir. In terms of exports, I believe, as Mr. LaFleur indicated, our exports to Vietnam—

Mr. HOUGHTON. Could you move that microphone a little closer to you.

Mr. IVES. In terms of our exports to Vietnam, they are up approximately 27 percent the first 4 months of this year, compared to the first 4 months of 2001. They are covering a wide range of products—wood and paper, cotton, chemicals, machinery—they are all among the important exports that we are expanding to Vietnam.

You have also made a very important point in terms of the rule of law. This is one of the most significant changes that the BTA will help Vietnam with, that is, introducing transparency in its rules and regulations, requiring Vietnam to observe public trade related rules and regulations, requiring Vietnam to receive public comment much along the lines that the United States does when it implements rules and regulations. So that is all very important.

In terms of intellectual property rights, that is a very, very serious issue with Vietnam. We recently put Vietnam on our special 301 list indicating that it does have serious problems and that we need to work very closely with Vietnam on those problems, and we will do so.

Mr. HOUGHTON. Mr. LaFleur, have you got any comments you would like to make?

Mr. LAFLEUR. Sir, referring to your earlier comments on the transition that has taken place in our relationship with Vietnam, I guess I would observe on a somewhat personal note, if you will permit me that, some 10 years ago I had an opportunity to visit Hanoi when I was assisting General Vessey in his efforts to improve cooperation from the Vietnamese on our POW/MIA accounting.

I had a chance to go back to Hanoi for the first time in a decade only a few months ago, and I can attest that Hanoi has changed remarkably during that period. The visible level of economic activity, the tremendous expansion of commerce, the availability of consumer goods, in some cases quite costly consumer goods, was extraordinary to see having seen what Hanoi looked like a decade ago.

There was a visible change when you see it in that sort of snapshot. Although it is true that progress on some issues with Viet-

nam isn't always as rapid as we would like to see, there clearly has been progress and it is visible.

I might note, too, that the reason I was in Vietnam a few months ago was because Vietnam was hosting a meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum Members, and one of the transformations that has taken place in Vietnam's role in the region is that is as joint ASEAN. It is now being incorporated into the community of Southeast Asians, which includes, of course, many excellent friends and good allies of the United States. So the role Vietnam is playing in the region is different. Our cooperation, I think, is expanding with them.

So the trend, sir, as you so correctly noted, is very different from what it was in the past, and I think, very positive for U.S. interests.

Mr. HOUGHTON. Thanks very much.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Shaw.

Mr. SHAW. Thank you, Mr. Chairman.

I was in Vietnam many years ago, in fact, I think Sam Gibbons of Florida was Chairman of the Trade Subcommittee when I was there. I would hope there have been some remarkable changes over the years, so that is very good to hear. I hear from the Ambassador, and also from Members who have traveled to Vietnam, that there has been a great change.

Where are we as far as corruption in the government? How have they proceeded? How are they subsidizing trade coming into the United States—these types of things, if you would comment on that, either one of you.

Mr. LAFLEUR. Perhaps, if you will permit me, I will make a couple of quick comments on the corruption issue, and perhaps my colleague will respond on the subsidy of trade.

As I indicated in response to an earlier question, there clearly is a significant level of corruption in Vietnam, including corruption that affects performance of official duties. There are studies by nongovernment organizations that note the seriousness of this and rank it—in fact, in Vietnam versus other countries. Vietnam certainly has a serious problem based on those sorts of standards.

We are doing what we can, I think, to encourage Vietnam to improve on corruption, to try to develop a more transparent system of rules and regulations, which in the long run is probably the best way to try to stamp out this practice in a broad and general way.

Vietnam itself, clearly the government there has made the prosecution of this crime, this series of crimes, when they had identified it as a serious national concern. No question, the general person in the street, if you will, in Vietnam finds corruption unacceptable, even as they have to live with it.

So I think that there are efforts under way to deal with it, but you are absolutely correct in pointing to it as a very serious concern for the Vietnamese and for us.

Mr. IVES. Thank you, sir. In terms of your question regarding subsidies, we are not aware of any direct subsidies that the Government of Vietnam is providing in terms of their exports to the United States. On a positive note, I would like to point out that the Government of Vietnam, as part of its transition to a market-based

economy, is moving a number of its State-owned enterprises to the private sector. So that to the extent that the government is involved in its production, manufacturing and sales of products, as it moves from State-owned enterprises to the private sector, any degree of involvement by the government should diminish.

Mr. SHAW. What if—any other restrictions on foreign investment in Vietnam?

Mr. IVES. The BTA would require Vietnam, over a transition period, to allow U.S. investors to gradually own greater shares of various—

Mr. SHAW. Where are we now? What are those percentages now?

Mr. IVES. In this case, U.S. companies cannot invest in the particular sectors that we negotiated in the bilateral trade agreement, for example, in telecommunications distribution services, which is one reason why in the BTA we wanted to make sure that Vietnam would allow those investments to occur.

Mr. SHAW. It would seem to be to their advantage. I mean, it is a capital-poor country. It would seem they would want to be reaching out everywhere they can for foreign investment, not necessarily from here, but all over the world. As I recall, the desire of American business to be able to invest in Vietnam and open up trade with Vietnam, back when I was there years ago and it wasn't open, this was really what thrust us into opening up trade and getting us where we are today.

Mr. IVES. Clearly, U.S. business wants to be engaged in Vietnam, which is, of course, one reason why we asked for and received the market openings that we did under the bilateral trade agreement.

Mr. SHAW. I recall, when we were there, Jake Pickle, who was a very highly regarded Member of this Committee, had his wife along. She stumbled and broke her hip, and we really had to fly her out of Vietnam to get her proper medical treatment.

Are their medical facilities better than they were at that time? As I recall, we flew her over to Japan to have her treated.

If you don't know the answer, it is not really in the scope of things, but I think does tell us a lot about the quality of life today in Vietnam.

That question will go unanswered. Let's hope we don't have anyone else.

Mr. LAFLEUR. We will be happy to try and get an assessment of that and provide it to you.

I think it is fair to say the conditions medically are improving, but there is no question that having American medical supplies, equipment, devices, and pharmaceuticals more widely available in Vietnam can only improve the situation.

[The information follows:]

Currently available medical care in Vietnam is basic by U.S. standards, reflecting the limited resources available. For example, anything involving broken bones or other surgical procedures among the western expatriate community usually results in a medical evacuation to Bangkok, Singapore, or points beyond. Nevertheless, Vietnam has a growing number of medical professionals able to provide increasingly good care to those who can afford it, despite the lack of resources one would find in Western clinics. Medical care for the majority of Vietnamese remains inadequate.

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Mr. SHAW. I will close with this. In just following up on this, the physician that was traveling with us at that time said they took her down to the hospital to x-ray her, and he came back and said, this is fifties technology. If there was ever a better argument for opening up Vietnam, that was it.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Herger.

Mr. HERGER. Thank you, Mr. Chairman.

Mr. Ives, which U.S. exports are we seeing the most growth in since the BTA went into effect?

Mr. IVES. The major categories of U.S. export growth are in wood and paper products, cotton, chemicals, and machinery.

Mr. HERGER. Can you tell me, why do you think our exports to Vietnam have increased while our exports to many other countries in the region have declined?

Mr. IVES. We would like to attribute it, at least in part, to the bilateral trade agreement. I think that is a fair attribution in that it significantly reduces tariffs on a wide range of products to the United States and therefore lowers the cost of exporting to Vietnam.

In addition, Vietnam is a relatively new market to the United States since Vietnam's major trading partners are primarily the European Union and Japan. So, we are starting from a relatively low base and developing a market.

Mr. HERGER. Thank you.

Then a final question: How do you believe the Vietnamese would respond if the President's Jackson-Vanik waiver were disapproved, and would it adversely affect our ability to encourage the Vietnamese to expedite the processing of immigration cases?

Mr. LAFLEUR. Sir, the Jackson-Vanik waiver has clearly been a key element in encouraging many of the positive trends we see in Vietnam today. I think it is true that our arrangements on the effort to account for our POWs and MIAs and, as well, as our efforts to bring populations of people of special concern to the United States out of Vietnam, are arrangements that were put into place before that, commitments that the Vietnamese made over the years and have honored.

So, our hope certainly would be that they would continue. An expectation, I think, is that they would continue to provide the sort of effort that we look for in those areas.

Of course, in any relationship, the steps the two sides take are going to have an impact as new issues come up and new problems arise. So, I think I would continue to point to the waiver as a very important element that helps provide the positive atmosphere in which we can more easily address our additional concerns and problems with Vietnam, as well as maintain the current positive trends.

Mr. HERGER. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. English.

Mr. ENGLISH. Thank you. Thank you, Mr. Chairman.

You know, I am continuing to be concerned somewhat with the cooperation of the Vietnamese Government to provide the fullest possible accounting of POW and MIA cases. I guess what I would

like to pose to the Administration witnesses is, how can the United States continue to most effectively influence the pace and direction of economic and political reforms in Vietnam while, at the same time, gain the fullest possible accounting of these POW/MIA cases and progress on remaining immigration cases?

Mr. LAFLEUR. Sir, I think we have in place a number of tools that have been advancing us toward our goals with Vietnam, particularly with respect to immigration and toward the fullest possible accounting for our POWs and MIAs.

As I indicated earlier, the work takes years and has taken years and particularly in the case of POW/MIA accounting, we can see that this effort is going to have to continue for some time, but the results do come in and they do come in over time, but they are coming. Therefore, we feel it is important to maintain the positive momentum that we have developed with Vietnam.

The BTA, the trading relationship is part of sustaining that positive environment in any government. Certainly including a government run by one party as in Vietnam, you are always going to have differences of view among those involved about the commitment to reform that the country should take, the particular decisions that are going to affect the relative economic performance, and benefits that different regions of the country receive from any change in policy.

We want to do our best, I think, to empower those who want to move the country forward, to have a more open trading environment, to be more welcoming to American business, to be more cooperative in general with the outside world. That kind of environment, of course, benefits our economic interests, naturally.

Mr. ENGLISH. I understand. Mr. LaFleur, reclaiming my time, we have seen the Vietnamese Government take some baby steps to liberalize their economy. Do you feel corruption in recent years has increased or decreased, and to what extent within the economy?

Mr. LAFLEUR. I am not sure I can give you a statistical response to that. I think the sense is if you look at it over a time span of a decade or two, you would probably see an increase as the opportunities for that sort of behavior have expanded in what is a more open economy and of course, too, as officials feel the need to supplement their income from the private economic activity that is expanding around them.

However, as I indicated earlier, I think the government does see how serious a problem this is for them, both in economic and political terms, and is trying to deal with it more effectively.

Mr. ENGLISH. What concrete measures have they undertaken, in your view, to address the problem of corruption?

Mr. LAFLEUR. They have instituted a campaign to encourage people to report on corruption that they encounter and they have established some—a wide series of penalties for varying degrees of construction which go up to the most severe penalty that can be levied. So, they are trying to deliver a signal to the officialdom there. Whether it is going to be effective remains to be seen.

Mr. ENGLISH. Thank you, Mr. Chairman. I have no further questions.

Chairman CRANE. Gentlemen, I want to express our appreciation for your testimony and cooperation in communicating with us

in getting the message out, and we look forward to working with you on a continuing basis. Last time I was in Vietnam was a couple of years ago, but they told me at that time that 65 percent of the Vietnamese population was not even born at the time of the U.S.-Vietnam War. Is that up to 70 percent by now?

Mr. LAFLEUR. Sir, once again, I don't have a statistic for you, but I think we are pretty confident it is up in that range now; yes, sir.

Mr. WATKINS. Mr. Chairman.

Chairman CRANE. Wes.

Mr. WATKINS. I indicated I did not have a question, and I mention, though, from the testimony I have a question if I may ask, sir. Are we getting the cooperation—I shouldn't say—is Vietnam getting the cooperation from the developing banks like World Bank, the Asian Development Authority? Are you familiar with the increases? Are they increasing in the development phases in Vietnam? I know they have massive problems in pollution and solid waste and a lot of other things. The Chairman was correct in that I think most of the population is less than 25 years of age. Do you have any information on that by chance?

Mr. LAFLEUR. We can certainly get you some. I am confident, although I don't have the figures with me, that the Asian Development Bank (ADB) has a number of projects in Vietnam, but we can get you further information.

Mr. WATKINS. I would like to see what kind of increases or what the situation is, because I know what several of them involve. They have indicated they had more than just a passing interest in trying to solve a lot of the problems, and some of my people I worked with have indicated a desire to try to help, and I want to see if they are truly making that effort.

Thank you, Mr. Chairman. I apologize.

[The information follows:]

Vietnam is working very closely and very successfully with international development organizations and international financial institutions like the World Bank, including the International Financial Corporation, and The Asian Development Bank, as well as the IMF and the UNDP. These organizations are actively working with Vietnam on the full range of development issues, including health, as well as economic, legal and institutional reform. Many other donors are also working with Vietnam in these areas. Sustainable development, in particular preservation of the environment and natural resources, is a primary focus of many international organizations and donors, including the United States.

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Chairman CRANE. With that, this panel may be excused.

We now would like to call to our next panel, Mr. Gary Benanav, Chairman and Chief Executive Officer of New York Life International; Ms. Virginia Foote, President of U.S.-Vietnam Trade Council. The next gentleman I am going to skip over for a moment, because I want our distinguished colleague from Oklahoma to introduce him, and Mr. Andre Sauvageot, Chief Representative of General Electric in Vietnam.

Now I yield to Mr. Watkins to introduce our fourth panelist.

Mr. WATKINS. Thank you for letting me have the honor, and members of the panel, I just would like to say that the other fourth member is Barry Clark, who is the Director of Oklahoma-Vietnam Trade Office in the Oklahoma Department of Commerce. It is our

true belief that there is a lot to be developed and gained from both sides if we are working and engaging one another and finding out what our problems are and what we can do to make a contribution in that area. We are very fortunate to have a person like Barry Clark heading our efforts from Oklahoma, and we think we are building not only trade relations but tremendous relationships in the future not only between Oklahoma and Vietnam, but for our country. Thank you, Barry.

Chairman CRANE. Now, gentlemen, if you will proceed in the order that you were organized at the dais there, and try and limit your presentations to 5 minutes of oral testimony, and any written remarks will be made a part of the permanent record.

Chairman CRANE. With that, Mr. Benanav.

**STATEMENT OF GARY BENANAV, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, NEW YORK LIFE INTERNATIONAL, AND VICE CHAIRMAN, NEW YORK INSURANCE COMPANY**

Mr. BENANAV. Thank you, Mr. Chairman and Members of the Subcommittee. My name is Gary Benanav. I am Chairman and Chief Executive Officer of New York Life International and Vice Chairman of New York Life Insurance Company. In addition to my corporate responsibilities, I am Chair of the U.S. National Committees of the Pacific Basin Economic Council, known as PBEC, and the Pacific Economic Cooperation Council, known as PECC. My company is also a leader in the U.S.-Vietnam Business Council and the U.S.-ASEAN Business Council.

I appreciate the opportunity to testify on an issue which is important not only to the United States and Vietnam, but to the entire Asian Pacific region. Once again this year, Mr. Chairman, the eyes of the world are looking to the United States to see if we are going to continue to engage fully with Vietnam. Once again this year, the House Committee on Ways and Means must consider a resolution disapproving of the waiver of the Jackson-Vanik provision of the Trade Act of 1974.

The steadily increasing bipartisan majority of the House since the first disapproval resolution reflect the understanding and insights which we have gained as more officials, legislators, educators, business managers, and tourists have seen Vietnam firsthand. This year, the stakes remain high.

The continuation of Vietnam's normal trade relations status is vital for four reasons:

First, it is a precondition for the further integration of this important emerging nation into the Asian Pacific community.

Second, it is an essential element to the continued progress of Vietnam toward WTO membership and the rules-based trading system.

Third, it is necessary in order to improve the international investment environment in Vietnam, and fourth, and perhaps most important, it is vital if we want to continue improving the U.S.-Vietnam relationship and enhancing the economic development, security, and stability of the region.

I believe that we must remain fully engaged with Vietnam, both economically and politically, in order to anchor Vietnam in the world community of nations. The multilateral rules based on co-



operation and transparency form a set of building blocks for a global system that can secure and sustain economic stability. Without economic stability, no nation can hope to achieve political stability and security. Vietnam needs to be part of this global system if it is to realize its full growth potential.

How can the United States best anchor Vietnam in the global rules-based system? By expanding our bilateral economic relationship. We must continue Vietnam's NTR status and not link it to other, albeit important, issues which should be pursued vigorously but separately as part of the improving of the U.S.-Vietnam relationship.

Vietnam needs to take further action to promote that process also. First and foremost, it must fully implement the terms of the Bilateral Trade Agreement. In addition, Vietnam should move as rapidly as possible to join WTO and continue its transition to a market-based economy grounded in the rule of law.

The WTO is a crucial next step. The continuation of Vietnam's NTR status is a precondition to the full implementation of BTA and for Vietnam's eventual entry into the WTO. Even with the determination demonstrated by the citizens and leadership of Vietnam, the process of joining WTO will not be simple. Doing so will require Vietnam to develop institutional capacity to operate as an effective competitor in the world's marketplace and to construct a domestic market in which companies from the United States and other WTO member countries can operate effectively.

Mr. Chairman, I am convinced that it is in our national interest to assist Vietnam in developing that institutional capacity. We should support capacity-building efforts that can be made available through multilateral, regional, and bilateral mechanisms. The private sector can contribute to this assistance process. My company, for example, has made several corporate commitments to build capacity in Vietnam's financial sector. However, the willingness and ability of the private sector to continue programs like this are fully dependent upon overall economic context, the positive context created by granting NTR status to Vietnam.

In conclusion, Mr. Chairman, continuation of progress in the relationship between the United States and Vietnam is dependent on this waiver. Broad engagement will benefit not only the United States and Vietnam, but also the entire community of responsible nations. Thank you, sir.

[The prepared statement of Mr. Benanav follows:]

**Statement of Gary Benanav, Chairman and Chief Executive Officer, New York Life International, and Vice Chairman, New York Life Insurance Company**

Mr. Chairman, Members of the Committee, my name is Gary Benanav. I am Chairman and CEO of New York Life International, and Vice Chairman of New York Life Insurance Company. In addition to my corporate responsibilities, I chair the U.S. national committees of the Pacific Basin Economic Council (PBEC-US) and the Pacific Economic Cooperation Council (US-PECC). New York Life International also is a leader in the US-Vietnam Business Council and the US-ASEAN Business Council.

I appreciate this opportunity to testify on an issue which is important not only to the United States and Vietnam, but to the entire Asia Pacific region.

Once again this year, Mr. Chairman, the eyes of the world are looking to the United States to see if we are going to continue to engage fully with Vietnam. Once

again this year, the House Ways and Means Committee must consider a resolution disapproving the waiver of the Jackson-Vanik provision of the 1974 Trade Act.

Since the first disapproval resolution, the bipartisan majority of the House has grown from 260 in 1998 to 324 in 2001. This steadily increasing majority reflects the improved understanding and insights which we all have gained as more officials, legislators, educators, business managers and tourists have seen Vietnam first hand. This year the stakes remain high. The continuation of Vietnam's Normal Trade Relations (NTR) status is vital because:

- It is a precondition to the further integration of this important emerging nation into the Asia Pacific community;
- It is an essential element to the continued progress of Vietnam towards WTO membership and the rules-based trading system;
- It is necessary in order to improve the international investment environment in Vietnam;
- And, most important, it is vital if we want to continue improving the U.S.-Vietnam relationship and enhancing the economic development, security and stability of the region.

#### **Tying Vietnam to the Global System**

I believe that we must remain fully engaged with Vietnam, both economically and politically, in order to anchor Vietnam in the world community of nations. The multilateral rules based on cooperation and transparency form a set of building blocks for a global system that can secure and sustain economic stability. Without economic stability no nation can hope to achieve political stability and security. Vietnam needs to be part of this global system if it is to realize its full growth potential.

The more Vietnam is rooted in the international rules-based trading system, the greater the stake Vietnam will have in supporting the system. This in turn will encourage Vietnam to continue to take steps that are beneficial to its domestic economic development and towards a more market based economy.

How can the U.S. best anchor Vietnam in the global rules-based system? By expanding our bilateral economic relationship. How can we best expand our bilateral economic relationship? By continuing Vietnam's NTR status and by not linking it to other, albeit important, issues which should be pursued vigorously, but separately, as part of the improving US-Vietnam relationship.

Vietnam needs to take further action to promote that process also. First and foremost, it must fully implement the terms of our Bilateral Trade Agreement (BTA). In addition, Vietnam should move as rapidly as possible to join the World Trade Organization and continue its transition to a market-based economy grounded in the rule of law.

WTO membership is the crucial next step. We should have no illusions about the challenges that Vietnam will face in ensuring an orderly evolution of the nation's economic and political underpinnings. There is no better economic option for Vietnam than joining the WTO. Neither should there be any illusions about NTR. The continuation of Vietnam's NTR status is a precondition for the full implementation of the BTA and for Vietnam's eventual entry into the WTO.

#### **Building Institutional Capacity**

Even with the determination demonstrated by the citizens and leadership of Vietnam, the process of joining the WTO will not be simple. Doing so will require that Vietnam develop the institutional capacity to operate as an effective competitor in the world's marketplace, and to construct a domestic market in which companies from the U.S. and other WTO member countries can operate effectively.

Mr. Chairman, I am convinced that it is in our national interest to assist Vietnam in developing that institutional ability. We should support capacity-building efforts that can be made available through multilateral and regional institutions. In addition, we should be prepared to offer bilateral technical assistance.

Many American companies committed to the development of Vietnam have already started the assistance process. For example, my company, New York Life, has made a corporate commitment to build capacity in Vietnam's financial sector. We are sponsoring training programs which regularly bring Vietnamese insurance regulators to the U.S. to work with their counterparts here on issues ranging from risk analysis to financial management. In addition, we are sending U.S. technical experts to Vietnam to help develop the skills of officials in Vietnam's Finance Ministry. The willingness and ability to continue private sector programs like this are fully dependent upon the overall economic context created by the granting of NTR status to Vietnam.

### **The Annual Waiver Process**

Mr. Chairman, I would like to make one other point this morning. Although I believe that the House will reject the resolution of disapproval by a resounding, bipartisan majority, the annual Jackson-Vanik waiver process has outlived its usefulness. It creates uncertainty. It creates the impression that we are prepared to reverse course in our foreign economic policy from one year to the next as we manage through various issues in our relationship with Vietnam. This is not good for business, for our bilateral relationship or for the continued momentum needed to motivate and implement reforms in Vietnam. The Jackson-Vanik provisions no longer serve us well, and I strongly urge that we get beyond them as soon as possible.

### **Conclusion**

In conclusion, Mr. Chairman, the continuation of broad engagement will benefit not only the United States and Vietnam, but also the community of responsible nations. Therefore, I strongly support the waiver of the Jackson-Vanik amendment. Continuation of progress in the relationship between the United States and Vietnam is dependent on this waiver.

Thank you.

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Chairman CRANE. Thank you, Mr. Benanav. Ms. Foote.

### **STATEMENT OF VIRGINIA B. FOOTE, PRESIDENT, U.S.-VIETNAM TRADE COUNCIL**

Ms. FOOTE. Mr. Chairman and Members of the Subcommittee, I am very pleased to be here today testifying on behalf of the U.S.-Vietnam Trade Council before your Subcommittee. At this important time again this year, as you assess the renewal of the Jackson-Vanik waiver for Vietnam, we strongly urge you to vote against H.R. Resolution 101.

The Trade Council is a trade association, with strong membership from the American business community, working to develop relations between the United States and Vietnam. We also chair a coalition of over 270 associations and companies who support trade relations with Vietnam and the renewal of Jackson-Vanik.

The U.S.-Vietnam Trade Agreement and NTR status, which only began in December last year, is the beginning of a new and extremely important, indeed hopeful, chapter in U.S.-Vietnam relations. December 10, 2001 may well be the most significant day in U.S.-Vietnam relations since the war ended.

While further steps in normalization lie ahead, the first 6 months of NTR have shown again that the 12-year path of the step-by-step normalization process has benefited bilateral relations, Vietnamese citizens, Americans' interests—and all impressively. What other conflict, so bitterly and costly fought, has come to new resolution and a new beginning so successfully?

The U.S.-Vietnam Trade Agreement is the most comprehensive trade agreement Vietnam has ever signed and the most comprehensive NTR agreement the United States has ever negotiated in exchange for sweeping commitments from Vietnam, which include providing greater market access for trading goods and services, protecting intellectual property rights, improvements in the investment regime, and far greater transparency than U.S.-granted normal trade tariffs.

The results that were identified from the last panel have been immediate. Over the first reporting period, the first 4 months of this year, two-way trade between the United States and Vietnam is up over 60 percent. In implementing the BTA, Vietnam has al-

ready passed laws and ordinances, one on Most-Favored-Nation status and national treatment status, safeguards, Customs valuation. It is drafting a commercial arbitration law, transparency laws, auditing laws, and regulations. These are just a few.

Private companies, multilateral donors and governments, and U.S. organizations such as the Trade Council are providing technical assistance and comments on each of these laws and multiple drafts of these laws. American companies are beginning to turn a profit. The reforms in Vietnam don't just apply to foreign companies but also to domestic companies. An enterprise law was passed last year, and since that time, there are 53,000 new private enterprises creating over a million jobs in Vietnam.

Also important was the opening of a stock market in July 2000. It is still a tiny stock market. There are only 15 companies listed, but the government has plans to expand this year and to include joint stock companies.

American involvement in this process of economic reform is welcome in Vietnam and is extremely important to overall bilateral relationships in the long run. Our business community, particularly with extensive involvement of the Vietnamese American business community, continues to play a key role in the economics and the normalization of commercial relations and in the implementation of the BTA.

The initial waiver of Jackson-Vanik in 1998 allowed trade support programs such as the Overseas Private Investment Corporation, Export-Import (Exim) Bank to get started, but now the waiver includes NTR status, and therefore it is even more critical that it be renewed.

In addition to great progress the United States and Vietnam have made on MIA and immigration work, our relationship has strengthened in many personal and more human ways. Many Americans are traveling to Vietnam. Vietnam veterans are returning on organized trips and individually. Vietnam veterans have led the way in the normalization process. Vietnamese Americans are traveling to Vietnam; 230,000 Vietnamese Americans returned to Vietnam last year for visits. Two to three billion dollars are remitted annually.

Additionally, the United States and Vietnam have signed a memorandum of understanding on labor issues that include a \$3 million support program for technical assistance. Many American companies are involved in these programs. Since our two countries set out on a path to normalize relations, Vietnam has had many successes while suffering a few setbacks. In the year 2000 and 2001, Vietnam became the second-largest coffee exporter after Brazil, yet coffee prices have plummeted and serious land rights disputes have emerged. Seafood exports have risen dramatically from Vietnam, while catfish farmers in the Mekong Delta, who now face an antidumping petition by the U.S. industry, and labeling rules were changed.

The point is the trade relationship is developing. A strong bipartisan policy of a step-by-step process of normalizing relations with Vietnam has produced positive results for Americans, Vietnamese, regional interests, and we encourage the continuation of this policy. On behalf of the U.S.-Vietnam Trade Council, we urge the renewal

of Jackson-Vanik again this year for the benefit of both American and Vietnamese interests. Thank you.

[The prepared statement of Ms. Foote follows:]

**Statement of Virginia B. Foote, President, U.S.-Vietnam Trade Council**

Mr. Chairman and Committee Members, I am pleased to be here today representing the U.S.-Vietnam Trade Council to testify before your Committee at this important time in U.S.-Vietnam relations as you assess extending the Jackson-Vanik waiver for Vietnam another year. We strongly urge you to vote against H.R. 101.

The U.S.-Vietnam Trade Council, founded in 1989, is a trade association with strong membership from the American business community and offices in Washington D.C., and Vietnam. We have worked through the Council and our Education Forum, to help improve relations between the United States and Vietnam with educational exchange programs, annual conferences, Congressional delegations and programs designed to provide technical assistance on international trade norms and standards. We chair a coalition of over 270 associations and companies who support trade relations with Vietnam and the renewal of Jackson-Vanik. I hope my full testimony can be submitted into the hearing record today.

Today I would like to discuss the importance renewing the Jackson-Vanik waiver and maintaining NTR status. The U.S.-Vietnam Trade Agreement and NTR status, which entered into force on December 10, 2001 and the process of normalizing relations overall have had positive impact on cooperation between the United States and Vietnam in a number of crucially important areas. This agreement and the granting of NTR status, marked the beginning of a new and extremely important—indeed hopeful—chapter in U.S.-Vietnam relations. December 10, 2001 may well be the most important day in U.S.-Vietnam relations since the war ended.

The reciprocal granting of NTR status is key to the economic development of Vietnam and for the successful involvement of American companies. Repeal of NTR status, only 6 months old, would be the economic equivalent of an act of war and is wholly unwarranted. The old war is over, a new one should not begin. While further steps of normalization lie ahead, these first 6 months of NTR have again showed that the 12 year path of step-by-step normalization has benefited bilateral relations, Vietnamese citizens, and American interests—impressively.

What other conflict, so bitter and so costly, has come to resolution and a new beginning so successfully.

In the late 1980's, the Vietnamese Government committed to ending its isolation and began working to normalize relations worldwide—including the United States. With great effort Vietnam has had tremendous diplomatic and commercial success in establishing relations in Europe, within Asia, and with the United States. Vietnam normalized with China in 1991, joined ASEAN in 1995, APEC in 1998, and now belongs to over a dozen international organizations and signed onto numerous international agreements. Vietnam has observer status in the WTO and has a stated commitment to join in 2005. And now, Vietnam and the U.S. enjoy the normal trade relations on tariffs.

The Reagan, Bush, Clinton and Bush Administrations have all followed a policy of normalizing relations with Vietnam through a step-by-step process pegged to cooperation on the U.S.'s principal goal of seeking the fullest possible accounting for our missing in action from the Vietnam War, and emigration issues. As the attached timeline shows, this process has proceeded successfully, albeit slowly through four administrations. Overall it has led to the lifting of the trade embargo in 1994, the establishment of diplomatic relations in 1995, the exchange of ambassadors in 1997. Economic normalization includes the initial waiver of the Jackson-Vanik amendment in 1998, signing of the Bi-lateral Trade Agreement (BTA) in July 2000, and the granting of NTR status in December 2001. Other bilateral steps such as an aviation agreement, a textile agreement, PNTR, and WTO accession lie ahead. BTA implementation and WTO accession will go hand in hand over the next several years with important U.S. involvement.

Throughout the process of normalization, Vietnam has greatly enhanced its efforts on issues of high priority to the U.S. including MIA efforts, emigration goals, and economic integration. Vietnam and the U.S. have also developed important bilateral dialogue on regional issues, human rights and labor standards. Vietnam is the second most populous nation in Southeast Asia, the 13th largest in the world, and with a population of 78 million it has enormous growth potential.

The entry into force of the U.S.-Vietnam Trade Agreement last year was a key step to further progress in normalizing relations. The U.S.-Vietnam Trade Agree-

ment is the most comprehensive trade agreement Vietnam has ever signed, and the most comprehensive NTR trade agreement the U.S. has ever negotiated. In exchange for sweeping commitments from Vietnam including providing greater market access for trade in goods and services, protecting intellectual property rights, improvements in the investment regime, and far greater transparency, the U.S. granted Vietnam normal trade tariffs—moving Vietnam from column two in the U.S. tariff code to column one.

The results were immediate. Over the first reporting period of 2002, January–April, two-way trade between the U.S. and Vietnam was up over 60% from the same period last year. Two-way trade has grown steadily from \$666 million in 1997, \$827 million in 1998, \$899 million in 1999, \$1,189 million in 2000, to \$1,513 million in 2001.

Equally important, the Vietnamese Government has committed to important reform in the areas of trading rights, transparency, customs, investment, services, and intellectual property rights. Moreover, approval of the trade agreement ensured that exports from U.S. companies receive treatment in Vietnam no less favorable than products of foreign competitors. Vietnam has signed bilateral trade agreements and granted reciprocal NTR to 72 countries, including the European Union and its Asian neighbors.

The entry into force of the U.S.-Vietnam trade agreement was a watershed event. While the negotiations between the U.S. and Vietnam were long and difficult, it was the discussions between and among the Vietnamese that were the most important. The result is that the BTA is an important blueprint or roadmap for Vietnam to follow while tackling some of the more difficult issues of economic reform which lie ahead. It is a roadmap of economic reform commitments that the Vietnamese Government reached consensus on before signing.

Towards this end, commercial law reform is already underway. To help track these efforts since the BTA was signed in 2000, the Trade Council's Education Forum has been publishing a *Catalog of Legal Updates*, which compiles summaries of new laws, decrees and regulation that address commercial law reform and with possible impact on BTA implementation. Our July 2002 *Catalog* is 33 pages long. In the last two months Vietnam has passed laws and ordinances on MFN and NT, Safeguards, Customs Valuation, and is drafting Commercial Arbitration, Transparency and Auditing laws and regulations to mention just a few. Private companies, multilateral donors and governments, and U.S. organizations such as the Trade Council are providing technical assistance and comments on each of these new laws. The *Catalog* can be found on our website.

Some examples: Vietnam passed a new Insurance Law in December 2000 and is finalizing the implementing regulations. The General Department of Customs drafted a new Customs law, which passed overwhelmingly in the National Assembly on last year. The new law is based on WTO valuation procedures and has been favorably reviewed by international customs experts. Vietnam is also addressing competition policy, the elimination of burdensome registration and licensing procedures, intellectual property protection, administrative procedures, and increased transparency. A new database of Vietnamese law is now available on the internet and the Ministry of Planning and Investment in Ho Chi Minh City will offer online licensing for foreign investment projects that do not require appraisal.

With respect to IPR issues, Vietnam has recently made significant legal reforms in its implementation of the trade agreement. A system has been put in place for patent and trademark registration. In the year 2000 several important decrees protecting trade names, trade and business secrets, patent registration, and protection of industrial designs were issued.

The Enterprise Law, which came into effect in January 2000, marked a turning point in Vietnam's efforts to reform the domestic private sector. According to the World Bank, more than 30,000 private small and medium sized enterprises (SMEs) were registered under the new Enterprise Law in the first year compared to only 3,000 registrations a year for the previous three years. These figures are very significant given the small size of Vietnam's fledgling private sector. The number of enterprises founded in the six months after the law went into effect in January 2000 equals the total number of enterprises founded in the previous nine years. By the end of 2001 there were an estimated 53,000 new enterprises creating over a million jobs.

The number of private enterprises engaged in trade has multiplied five times between 1997 and 2000. As a result the share of private domestic firms has increased from 4 percent to 16 percent of total imports and from 10 percent to 17 percent of total exports. For non-oil exports the percentage is higher at 22 percent. Total non-oil exports grew by 42 percent from 1997 to 2000. Private domestic exports grew

by 161 percent during this time period and accounted for 46 percent of the overall increase.

And Foreign Direct Investment continues to grow as well. New reforms in licensing procedures were partially responsible for an upsurge in foreign investment last year. Total FDI to date by May 2002 is \$38.3 billion, with over one billion coming from the U.S. \$3.4 billion in new investment was committed in 2001. \$19.8 billion has been disbursed. Overseas Development Assistance has been generous as well. From 1993 when Vietnam first became eligible to the end of 2001, total ODA equaled over \$9.0 billion.

Also important was the opening of a stock market in July 2000. The tiny stock market started with treasury bonds and shares of only five listed companies, which has now increased to fifteen and the government plans to open a second transaction center in Hanoi and develop the OTC market (Over-the-Counter) for companies prior to listing. Additional companies are expected to be listed on the market this year.

The United States should continue to be involved in this process. It is in our interest to see an economically healthy and internationally engaged Vietnam. The Economist Intelligence Unit foresees annual GDP growth of 6–7% over the coming years. With fully normalized economic relations, the United States could well join the top ranks of investors in Vietnam, up from our rank in 13th position.

The agreement includes important benefits for American business, consumers and farmers. Trade rights will be liberalized for U.S. firms, current tariff rates on key agricultural and industrial goods have been reduced and will be reduced further; and quantitative restrictions will be removed on steel and cement after six years and petroleum products after seven years. Other immediate improvements were made in trading, IPR, transparency, investment and services. In the services sector, Vietnam is providing American companies with greater access in many sectors, and entry into and equity in banking services will be increased. WTO consistent intellectual property rights will be introduced in 12–18 months after the date of entry into force of the BTA, and all WTO inconsistent trade related investment measures will be eliminated within five years. The chapter on transparency requires that all laws and governing decrees be published, and that the right of appeal and tribunals for review be established. The Trade Council's *Summary of the U.S.-Vietnam Trade Agreement* will be available on our website later this month.

The BTA is not only strengthening market access for American companies in Vietnam, it is also greatly benefiting the people of Vietnam. With a per capita GDP of \$395 in 2001, Vietnam is still one of the poorer nations in the world. In a comprehensive report, the World Bank concluded the significant achievements on reducing poverty that were made in the period between 1993 and 1998, continue today. Indeed per capita rose from 370 to 395 in one year. The proportion of people with per capita expenditures under the total poverty line dropped impressively from 58 percent in 1992/93 to 37 percent in 2000. The number of people below the much lower "food poverty line," has also declined from 25 percent to 15 percent, indicating that the very poorest segments of the population have experienced improvements in their living standards between 1993 and 1998. The poverty rate has fallen by half in the past ten years, one of the sharpest declines for any country.

The BTA could contribute to lifting Vietnam out of endemic poverty by increasing trade, investment, and development in Vietnam, as well as promoting market reforms, including greatly expanded trading rights. Furthermore, by expanding trade and extending the rule of law in Vietnam, the BTA will encourage access to information and greater transparency for domestic enterprises as well. Vietnam has great potential for development as a significant trading partner worldwide. Over half the population is under the age of 25 and the literacy rate is over 90%. The work ethic, entrepreneurial talent, and emphasis on education is strong.

American involvement in the process of economic reform is welcome in Vietnam and could be extremely important to overall development in the long run. American companies set a high standard for trade, investment, labor and business practices. American technology is greatly admired in Vietnam. American companies are actively involved in training and technical assistance programs in Vietnam, through the Trade Council and individually. American products are popular. Our business community, particularly with the extensive involvement of the Vietnamese-American businesses, continues to play a key role in the normalization of economic relations and BTA implementation.

In the absence of NTR status, a trade agreement, and initially without trade support programs, American companies and individuals nonetheless began traveling, investing and trading with Vietnam when the embargo was lifted in 1994. Given that the U.S. normalized relations far more slowly than other nations did, American business involvement in Vietnam has lagged behind other nations and still operates

with handicaps. The U.S. fell from the fifth largest investor in 1995, to the 12th largest investor in 2001 with slightly under one billion committed to foreign investment projects, and one billion in two-way trade.

But following the initial “road map” for normalization laid out under the Bush Administration in April 1991, the bilateral relationship has made a great deal of progress. In 1998 President Clinton issued the first waiver of the Jackson-Vanik Amendment, which Congress upheld by a vote of 260 in favor and 163 opposed. Congress renewed the waiver in 1999 by a vote of 297 in favor and 130 opposed. In 2000 the margin increased positively again to 332 in favor and only 91 opposed. The 2001 vote was 324–91 in favor of renewing the waiver. We hope this year’s vote will be equally strong.

The initial Jackson-Vanik waiver in 1998 allowed trade support programs, such as loans from the Overseas Private Investment Corp (OPIC), the Export-Import Bank (Exim) and other credits for American business to establish operations in Vietnam. In December 1999 Exim and the State Bank of Vietnam completed the framework agreements, which allowed Exim to begin operations in Vietnam. Now the waiver is necessary for the continuation of normal tariffs as well.

Initially, U.S. policy pegged the Jackson-Vanik waiver to progress on the Resettlement Opportunity for Vietnamese Returnees (ROVR) program specifically and immigration in general. Although it was extremely difficult to reach agreement initially, the implementation of the ROVR program has been fairly smooth and rapid. The State Department reports that the Government of Vietnam has cleared all but a handful of the nearly 20,000 ROVR cases. The Orderly Departure Program overall has also been successful. Approximately half a million Vietnamese have come to the United States under ODP and only a small number of ODP cases remain to be processed. Since the initial waiver of Jackson-Vanik, the Vietnamese have allowed all remaining ODP cases—including the Montagnard cases which are of particular concern to the U.S.—to be processed under the new more responsive system developed by the Vietnamese initially just for ROVR cases.

The U.S. and Vietnam are jointly pursuing the 913 missing in Vietnam, of the 1,363 missing in Southeast Asia. Since 1973, 578 Americans have been accounted for, including 412 in Vietnam. Since January 1993, the remains of 258 individuals have been repatriated, identified and returned to their families. Additionally, the Department of Defense has confirmed the fate of all but 39 of 196 individuals who fall in the “last known alive” discrepancy cases. The U.S. has maintained a permanent staff to visit crash sites and interview witnesses throughout the country since 1993, with teams of experts coming to Vietnam monthly. The U.S. and Vietnam have provided reciprocal access to information on MIAs from the war and have conducted 68 Joint Field Activities on POW/MIA cases since 1988. Vietnam has unilaterally undertaken case specific investigations in 216 cases since 1996. President Bush most recently certified Vietnam issuing a determination that Vietnam “is fully cooperating in good faith with the United States.” It is a model program.

Our relationship has strengthened in other areas as well. Americans are traveling to Vietnam in great numbers. In 1997 Vietnam issued 98,000 visas for Americans to travel to Vietnam, over 66,000 for Vietnamese Americans. In 2000 the total was 152,928 visas, approximately 137,000 of which were for Vietnamese Americans. In 2001 this number grew to 230,470. Remittances from overseas Vietnamese are estimated at \$2–3 billion annually. Vietnam veterans are traveling, working and involved in charitable activities in Vietnam. Veterans groups organize visits for their members and their families.

In November 2000, President Clinton became the first U.S. President to visit Vietnam since the end of the war. During the President’s trip ten new business partnerships were announced and our two countries concluded numerous bilateral agreements. One of these was an Agreement on Scientific and Technological Cooperation to facilitate cooperation between American and Vietnamese scientists in areas such as health, technological innovation and entrepreneurship, disaster mitigation and marine and water resource management. Increased cooperation in the prevention and treatment of infectious diseases, including typhoid fever and HIV/AIDS, will strengthen Vietnam’s ability to meet critical health challenges. Environmental projects operate through the U.S.-Asia Environmental Partnership and cooperation on Agent Orange research. The Vietnam Education Foundation was established.

Equally important, the U.S. and Vietnam also signed a Memorandum of Understanding on Labor in November 2000. The MOU was the result of a dialogue over labor that the U.S. and Vietnam have developed. The MOU includes \$3 million in technical assistance working with the ILO to strengthening labor protection, skills training, employment services, social insurance and safety nets, employment of the disabled, industrial relations and child labor. The child labor provisions focus on



street children and child trafficking. Workplace education and prevention programs on HIV/AIDS are also including in the MOU. These projects are ongoing.

The 2002 Labor Code, incorporating standards of internationally recognized worker rights. A complete English translation of the Labor Code can be found at <http://www.ivietnam.com/Eng/> in the iVietnam Law database. The labor code stipulates the requirements for the formation of unions. In addition to trade unions, the Labor Code stipulates a number of workers' basic rights including: freedom to choose employer (Article 30), standard work week (Article 68), overtime limits and pay (Article 61), leave, holidays, and rest (Article 71, 73, 74 & 78), minimum wage, bonuses (Article 64), maternity leave (Article 114 & 144), severance entitlements (Article 17 & 42), workplace safety (Article 97 & 100), etc. In recent years, the Government of Vietnam has sent labor experts to the U.S., the U.K., Singapore, New Zealand, South Korea, and Hong Kong in its efforts to update the 1994 Labor Code.

In April 2002, Vietnam's National Assembly passed the Law on Amendment of and Addition to a Number of Articles of the Labor Code. The Assembly made changes and revisions to 56 articles of the Labor Code, updating and amending existing law and clarifying points, which had been unclear in the previous regulations. In a major shift, foreign enterprises will be allowed to directly recruit and hire staff without going through employment agencies and middlemen. The new Code also clarifies regulations on wage and salary scales, which had been the subject of some dispute under existing Circular 11. Private and foreign-invested enterprises are not required to follow State Enterprise wage scale systems under the new Code. However they are required to establish and make public a salary scale system, which must be registered with the Labor Department. Some 56 amendments were made including articles 17, 27, 41, 69, 85, 140 and 166. The new Labor Code will require additional implementing regulations to take effect and will come into force January 1, 2003.

Since 1992, Vietnam has ratified 15 ILO conventions, including three of the ILO's eight core human rights conventions: No. 100, equal pay for men and women for work of equal value (ratified by Vietnam in 1997); No. 111, prohibiting discrimination in employment (1997); and No. 182, prohibiting the worst forms of child labor (2000). Currently, the Vietnamese are working on a plan to gradually ratify the remaining core ILO conventions and hope to ratify both forced labor conventions and the minimum age convention. With offices in Hanoi, the ILO has 24 ongoing projects, 6 of which the ILO defines as promoting fundamental principles and rights.

On commercial law reform, the U.S. also pledged six million in technical assistance to Vietnam over a three-year period to assist with implementation of the bilateral trade agreement. Through a grant from the U.S. Agency for International Development (USAID) and the support of our members, and in coordination with USAID's STAR project, the Council's Education Forum has provided technical assistance on commercial and legal reform to Vietnamese Ministries and government branches with economic portfolios on the issues raised by the BTA and WTO standards. For example, just last week the Department of Commerce, three prominent U.S. insurance companies, and the Trade Council held two days of seminars in Hanoi with the Ministry of Finance. Other training has been ongoing with the Ministries of Trade, Justice, Labor, Finance, Planning and Investment, with effective public/private partnerships.

Unique to this agreement, the U.S.-Vietnam BTA establishes a Joint Committee to monitor implementation, to guarantee enforcement, and to make recommendations. This Committee will meet at a minimum of once a year and should be a very effective mechanism for both sides on implementation and in shaping technical assistance and monitoring compliance. The Committee met for the first time in May this year in Hanoi, with Ambassador Jon Huntsman, Deputy USTR as chair on the US side.

Since our two countries set out on the path to normalized relations, Vietnam has enjoyed many successes, while suffering a few setbacks. The bold economic reform program that Vietnam embarked on in the late eighties showed impressive results almost immediately. Vietnam went from near famine to become the third largest rice exporter behind Thailand and the United States in a matter of a few years. In the year 2000, Vietnam was the second largest coffee exporter after Brazil, while coffee prices have plummeted and serious land right disputes emerge. Seafood exports have risen dramatically from Vietnam while catfish farmers in the Mekong Delta face an anti-dumping petition by the U.S. industry and labeling rules change.

But the strongly bipartisan policy of a step-by-step process of normalizing relations with Vietnam has produced positive results for American, Vietnamese, and regional interests, and we encourage a continuation of this policy into the future.

Vietnam and the U.S. share a tragic history, which both countries remain mindful of as we build a new future. Normalization of relations, matched with a growing

economy and commitment to a market based economy will continue to contribute to Vietnam's increased openness, increased transparency in government, a rise in living standards, and greater international economic and political integration. But more important to the U.S., this policy of normalization has also ensured that American business, diplomatic, and regional interests are met. The past ten years are proof.

On behalf of the members of the U.S.-Vietnam Trade Council, we urge the renewal of the Jackson-Vanik waiver for the benefit of Vietnamese and American interests, again this year.

#### Chronology of U.S.-Vietnam Relations

April 30, 1975	North Vietnamese forces take over the southern part of Vietnam, ending the war. Washington extends an embargo to all of Vietnam and breaks diplomatic relations.
1978	Talks between Hanoi and Washington on normalizing relations break down.
1988	Under the Reagan Administration, Vietnam begins cooperation with the United States to resolve the fate of American servicemen missing in action (MIA).
September 1989	Vietnam completes its withdrawal from Cambodia.
April 1991	Under the Bush Administration, Washington presents Hanoi with a "roadmap" plan for phased normalization of ties. The two sides agree to open a U.S. Government office in Hanoi to help settle MIA issues.
April 1991	U.S. begins humanitarian aid projects for war victims to be administered by the U.S. Agency for International Development (USAID).
October 1991	The Senate Select Committee on POW/MIA Affairs established with Senator John Kerry as Chair and Senator Bob Smith Vice Chair.
October 1991	Vietnam supports U.N. peace plan for Cambodia. Secretary of State James Baker announces Washington is ready to take steps toward normalizing relations with Hanoi.
December 1991	Washington lifts the ban on organized U.S. travel to Vietnam.
1991	U.S. Congress authorizes the United States Information Agency (USIA) to begin exchange programs with Vietnam.
February 1992	Joint Task Force—Full Accounting founded to conduct field activity on MIA accounting with General Thomas Needham in command.
February 1993	The work of the Senate Select Committee concludes.
July 2, 1993	President Clinton clears way for resumption of international lending including IMF and World Bank to Vietnam.
January 26, 1994	Senate amendment (S.AMDT.1266) re: the lifting of sanctions being contingent upon a resolution of all cases or reports of unaccounted for U.S. personnel lost or captured during the war in Vietnam fails by a vote of 42–58.
February 3, 1994	President Clinton lifts trade embargo.
January 28, 1995	United States and Vietnam sign agreements settling property claims and establishing liaison offices in each other's capitals.
May 15, 1995	Vietnam gives U.S. presidential delegation batch of documents on missing Americans, later hailed by Pentagon as most detailed and informative of their kind.

## Chronology of U.S.-Vietnam Relations—Continued

June 1995	Veterans of Foreign Wars announces support of U.S. normalization of diplomatic relations with Vietnam.
July 11, 1995	President Clinton announces “normalization of relations” with Vietnam.
August 6, 1995	Secretary of State Warren Christopher visits Hanoi and officially opens U.S. embassy. Vietnam opens embassy in Washington.
September 20, 1995	Senate amendment (S.AMDT.2723) re: prohibiting financial assistance to Vietnam unless certain conditions relating to Americans unaccounted for from the Vietnam War are met fails by a vote of 39–58 (3 NV).
May 1996	U.S. presents Vietnam with trade agreement blueprint.
July 25, 1996	Senate amendment (S.AMDT.5027) re: striking funds made available for the Socialist Republic of Vietnam for technical assistance fails by a vote of 43–56 (1 NV).
April 7, 1997	U.S. Treasury Secretary Robert Rubin and Finance Minister Nguyen Sinh Hung sign accord in Hanoi for Vietnam to repay debts of \$145 million, from the former Government of South Vietnam.
April 10, 1997	Senate confirms Douglas “Pete” Peterson, Vietnam War veteran and former prisoner of war (POW), as Ambassador.
April 16, 1997	United States and Vietnam reach agreement on providing legal protection for copyright owners.
May 9, 1997	Peterson takes up post as U.S. Ambassador in Hanoi, Le Van Bang becomes Ambassador in Washington, DC.
August 1997	U.S. Government, under the U.S. Agency for International Development (USAID), begins a commercial law program.
October 1997	Vietnam institutes new processing procedure in ROVR program significantly improving progress.
March 11, 1998	President Clinton issues waiver of Jackson-Vanik Amendment for Vietnam, paving the way for OPIC, Ex-Im, TDA, USDA and MARAD.
March 26, 1998	Minister of Planning & Investment Tran Xuan Gia and Ambassador Pete Peterson finalize signing of the OPIC bilateral for Vietnam.
July 23, 1998	The U.S. Senate votes 66–34 to continue funding for the U.S. Embassy in Vietnam based on ongoing cooperation on the POW/MIA issue.
July 30, 1998	The U.S. House of Representatives renews the Jackson-Vanik waiver for Vietnam by a 260–163 vote.
October 1998	U.S. and Vietnam agree to negotiate Science & Technology Agreement.
June 30, 1999	President Clinton re-extends the Jackson-Vanik waiver for Vietnam.
July 25, 1999	USTR Ambassador Richard Fisher and Vietnam Trade Minister Tuyen agree to a bilateral trade agreement in principle in Hanoi, Vietnam.
August 3, 1999	The Jackson-Vanik waiver passes the House by a vote of 297–130.
December 9, 1999	Ex-Im and the State Bank of Vietnam complete the framework agreements which allow Ex-Im to begin operations in Vietnam.
March 13, 2000	Secretary of Defense William Cohen becomes the first U.S. Defense Secretary to visit Vietnam since the end of the War.

## Chronology of U.S.-Vietnam Relations—Continued

July 13, 2000	Vietnam Trade Minister Vu Khoan and USTR Ambassador Barshefsky sign an agreement on trade relations at USTR. President Clinton announces the conclusion of a bilateral trade agreement with a White House Rose Garden ceremony.
July 26, 2000	The U.S. House of Representatives renews the Jackson-Vanik waiver for Vietnam by a 332–91 vote.
November 16–20, 2000	President Clinton visits Vietnam, with Commerce Secretary Norman Mineta, USTR Ambassador Charlene Barshefsky, Senator John Kerry (D–MA), Congressmen Earl Blumenauer (D–OR), Vic Snyder (D–Ark), Mike Thompson (D–CA) and Congresswoman Loretta Sanchez (D–CA). Business delegations and the leadership of the Veterans of Foreign Wars attend.
November 17, 2000	The U.S. Department of Labor and Vietnam’s Ministry of Labor, Invalids, and Social Affairs sign a Memorandum of Understanding on Labor cooperation.
January 15–18, 2001	House Minority leader Dick Gephardt (D–MO) and Congressman Ray LaHood (R–IL) lead a Congressional delegation to Vietnam.
June 1, 2001	President Bush renews the Jackson-Vanik waiver for Vietnam.
June 8, 2001	President Bush transmits the request for NTR for Vietnam and implementation of the trade agreement to Congress.
July 17, 2001	Senate Finance Committee consideration and mark-up session held. BTA ordered to be reported by voice vote.
July 26, 2001	House Committee on Ways and Means consideration and mark-up session held. BTA ordered to be reported by voice vote.
July 26, 2001	The U.S. House of Representatives renews the Jackson-Vanik waiver for Vietnam by a 324–91 vote.
September 6, 2001	BTA passes by voice vote in the U.S. House of Representatives.
October 3, 2001	BTA passes without amendment by 88–12 vote in the U.S. Senate.
October 10, 2001	Ambassador Nguyen Tam Chien presents Letter of Credence to President George W. Bush at the White House.
October 16, 2001	President George W. Bush signs BTA into Public Law No: 107–52.
November 28, 2001	BTA Ratified by Vietnam National Assembly, 278–85.
December 3, 2001	Ambassador Raymond Burghardt sworn in as U.S. Ambassador to Vietnam.
December 7, 2001	BTA signed into law by Vietnamese President Tran Duc Luong.
December 9–14, 2001	Permanent Deputy Prime Minister Nguyen Tan Dung heads a high level delegation to Washington, DC, New York and San Francisco, accompanied by Vu Khoan—Minister of Trade, Tran Xuan Gia—Minister of Planning and Investment, Nguyen Manh Kiem—Minister of Construction, and other government officials and over 60 members from the Vietnamese private sector.
December 10, 2001	U.S.-Vietnam Bilateral Trade Agreement signed into force at a Blair House ceremony with Deputy Prime Minister Dung, Trade Minister Vu Khoan and USTR Ambassador Robert Zoellick. Conference and banquet hosted by US–VTC.

## Chronology of U.S.-Vietnam Relations—Continued

May 6–7, 2002	Deputy USTR Ambassador Jonathan Huntsman in Hanoi to open BTA Joint Committee.
May 10, 2002	Vice President Nguyen Thi Binh visit to Washington, DC.
May 13, 2002	Farm bill including catfish provision requiring Vietnam to rename its catfish product signed by the President Bush.
May 18, 2002	Vice Minister Luong Van Tu of Ministry of Trade Delegation to the U.S.
June 1–8, 2002	Minister of Justice Nguyen Dinh Loc visit to the U.S. on BTA implementation.
June 3, 2002	Jackson-Vanik waiver signed by the President Bush.
June 12–22, 2002	Deputy Prime Minister Nguyen Manh Cam visits to Texas, New York, Massachusetts and Washington DC.
June 28, 2002	The Catfish Farmers of America filed an anti-dumping petition against Vietnam.
July 18, 2002	Ways and Means Committee hearings on Jackson-Vanik renewal.

Chairman CRANE. Mr. Clark.

**STATEMENT OF BARRY L. CLARK, PRESIDENT, PACIFIC VENTURES, INCORPORATED, TULSA, OKLAHOMA, AND DIRECTOR, VIETNAM TRADE OFFICE, OKLAHOMA DEPARTMENT OF COMMERCE**

Mr. CLARK. Thank you, Mr. Chairman and Members of the Subcommittee, and Congressman Watkins, thank you for that very kind introduction, sir.

Thank you for the opportunity to testify before you today. My name is Barry Clark, and I am the President of Pacific Ventures, which is an Oklahoma-based consulting and private equity company. Headquarters are in Tulsa, Oklahoma with field offices in Ho Chi Minh City and Hanoi, Vietnam.

The focus of our consulting business has been to assist American companies entering the Vietnamese market. We have been in Vietnam since 1995, 1 year after President Clinton lifted the trade embargo.

From my first visit to Vietnam in 1993 to moving there in 1995 for 3 years, I have witnessed firsthand the dramatic changes as Vietnam took the first uncertain steps toward a market economy. These changes are providing new economic and civic hopes for many Vietnamese people and new business opportunities for American companies.

Similar to most people doing business in Vietnam, our challenges have been frequent and time-consuming, but nevertheless we are seeing real and significant successes as a result of the improved trade relations between the United States and Vietnam.

In addition to our private endeavors, Pacific Ventures also represents the State of Oklahoma Department of Commerce. In September 1996, the State of Oklahoma became the first State of any nation to open a trade office in Vietnam. Through our company in-

frastructure, Oklahoma now has offices in Hanoi and Ho Chi Minh City with a staff of 10 Vietnamese and 2 Americans.

Oklahoma is still the only American State to have a trade office there, and the reason the State of Oklahoma opened the trade office was because many of the major industries matched those of Vietnam. Some of those industries are agriculture, oil and gas, education, and the need for building infrastructure.

Through businesses we represent directly and through our ties with the State of Oklahoma, we manage the daily challenges of arranging meetings, securing licenses, conducting market research, and identifying potential partners, distributors, and agents. It is significant that Oklahoma ranked 38 in overall international exports, ranks 13 in exports to Vietnam with over \$10 million in export sales. Through our contract with the State of Oklahoma, Pacific Ventures has led 14 delegations of Oklahoma businesses and institutions to Vietnam to sell Oklahoma goods and services, as well as 8 delegations from Vietnam that have come to Oklahoma to purchase equipment and look for potential business partners.

The goods and services sold to Vietnam have included oil field service equipment, biotech products for shrimp farming, assistance in building environmentally friendly landfills, beef and dairy cattle genetics, and infrastructure building equipment.

One major export for which the State of Oklahoma has great pride is education. Oklahoma has more than 9,000 foreign students studying in its colleges and universities. Oklahoma is second in the Nation in the number of Vietnamese students that are studying in higher education in our State. This next month our Governor, Frank Keating, will travel to Vietnam to sign a major education agreement between 12 Oklahoma universities and Vietnam National University.

Currently, Petro Vietnam, the Vietnamese national oil company, has 65 students, young people, that they feel will be its future leaders, as full-tuition-paying graduate and undergraduate students at the world famous Sarkeys Energy Center at the University of Oklahoma. These students will go back to Vietnam not only with a world-class education, but also a better understanding of the American way of life.

The Jackson-Vanik waiver has brought about dramatic changes that are indeed part of the rising tide that is floating more hopes and dreams for Vietnamese companies and entrepreneurs. As the Vietnamese economy continues to emerge, the middle class is growing, the population is becoming more educated and exposed to more free market realities, and Vietnam continues to evolve in a more open and transparent society.

A good example of Vietnam's new efforts toward the development of an open market is reflected in its new enterprise law. This law allows Vietnamese citizens to freely establish enterprises in most industries without restriction. Because of this new law, within the first 2 years there were over 35,000 new registered enterprises. This number exceeded the total number of registered enterprises established during the past 9 years. The number of new jobs created directly through the enterprise law encompassed over one-third of Vietnam's annual increase in the labor force.

However, changes come in increments. There now exists a critical moment of opportunity between the United States and Vietnam, and by extending the Jackson-Vanik waiver, continued implementation of the Bilateral Trade Agreement, the United States can best support Vietnam's ongoing transition to a sustaining market economy.

In conclusion, I want to express my appreciation to Oklahoma's business and government leaders for continuing their pioneering spirit of opening up and building valuable trade relationships in global markets that will benefit future generations of Oklahomans. I would like to thank the U.S. Embassy in Vietnam and the U.S.-Vietnam Trade Council for their continued efforts and support and leadership on behalf of all the American businesses with interests in Vietnam. They have made our work much more productive than we could have been otherwise. Thank you again for the privilege to be here today.

[The prepared statement of Mr. Clark follows:]

**Statement of Barry L. Clark, President, Pacific Ventures, Incorporated, Tulsa, Oklahoma, and Director, Vietnam Trade Office, Oklahoma Department of Commerce**

Thank you, Mr. Chairman, Members of the Subcommittee, for the opportunity to testify before you today. My name is Barry Clark and I am President of Pacific Ventures, which is an Oklahoma-based consulting and private equity company. Our headquarters is in Tulsa, Oklahoma with field offices in Hanoi and Ho Chi Minh City, Vietnam. The focus of our consulting business has been to assist American companies entering the Vietnamese market. We have been in Vietnam since 1995, one year after President Clinton lifted the trade embargo. From my first visit to Vietnam in 1993, to moving there in 1995 for three years, I have witnessed firsthand the dramatic changes as Vietnam took the first uncertain steps towards a market economy. These changes are providing new economic and civic hopes for many Vietnamese people—and new business opportunities for American companies. Similar to most people doing business in Vietnam, our challenges have been frequent, and time-consuming, but never the less, we are seeing real and significant success as a result of the improved trade relations between the United States and Vietnam.

In addition to our private endeavors, Pacific Ventures also represents the State of Oklahoma, Department of Commerce. In September 1996 the State of Oklahoma became the first State of any nation to open a trade office in Vietnam. Through our company infrastructure Oklahoma now has offices in Hanoi and Ho Chi Minh City with a staff of ten Vietnamese and two Americans. Oklahoma is still the only American State to have a full-time presence in Vietnam. The reason the State of Oklahoma opened this trade office was due to several of Oklahoma's major industries matching those of Vietnam's. The industries are of vital importance to both economies. Some of those industries include, but are not limited to, oil and gas, agriculture, education, and infrastructure development. For the businesses we represent directly and through our ties to the State of Oklahoma, we manage the daily challenges of arranging meetings, securing licenses, conducting market research, and identifying potential partners, distributors, and agents. It is significant that Oklahoma, ranked 38th in overall international exports, ranks 13th in exports to Vietnam with over ten million dollars in export sales.

Through our contract with the State of Oklahoma, Pacific Ventures has led fourteen delegations of Oklahoma businesses and institutions to Vietnam to sell Oklahoma-made goods and services as well as eight delegations from Vietnam, that have come to Oklahoma to purchase equipment and look for business partners.

The goods and services sold to Vietnam from Oklahoma have included oil-field service equipment, which you might expect, but also biotech products for shrimp farming, assistance in building environmentally sound landfills, beef and dairy cattle genetics, and infrastructure building equipment.

One major export for which the State of Oklahoma has great pride is education. Oklahoma has more than 9,000 foreign students studying in its colleges and universities. Oklahoma is second in the nation in the number of Vietnamese students in higher education. This next month our Governor, Frank Keating, will travel to Viet-

nam to sign a major education agreement between twelve Oklahoma higher education institutions and Vietnam National University. Currently, Petro Vietnam, the Vietnamese national oil company, has 65 students (young people which the company sees as its future leaders) as full-tuition paying undergraduate and graduate students at the world-famous Sarkeys Energy Center of the University of Oklahoma. These students will go back to Vietnam not only with a world-class education in petroleum science and engineering, but also with a better understanding of the American way of life. We are also hopeful that they will take back a knowledge of and an appreciation for the products and services of Oklahoma companies.

The Jackson-Vanik waiver has brought about dramatic changes that are indeed part of the rising tide that is floating more hopes and dreams for Vietnamese entrepreneurs and small business owners. As the Vietnamese economy continues to emerge, the middle class is growing, the population is becoming more educated and exposed to more free market realities, and Vietnam continues to evolve into a more open and transparent society. A good example of Vietnam's new efforts towards the development of an open market economy is reflected in its new enterprise law. This law allows Vietnamese citizens to freely establish enterprises in most industries without restriction. Because of this new law, within the first two years, 2000–2002, there were over 35,000 new registered enterprises. This number exceeded the total number of registered enterprises established during the previous nine years. The number of new jobs created directly through the enterprise law encompassed over one-third of Vietnam's annual increase in the labor force. However, changes come in increments. There now exists a critical moment of opportunity between the United States and Vietnam and by extending the Jackson-Vanik waiver and continuing the implementation of the Bilateral Trade Agreement (BTA), the U.S. can best support Vietnam's ongoing transition toward a sustaining market economy.

In conclusion, I want to express my appreciation to Oklahoma's Government and business leaders for continuing their pioneering spirit of opening and building valuable trade relationships in global markets that will benefit future generations of Oklahomans. I would also like to thank the U.S. Embassy in Vietnam and the U.S.-Vietnam Trade Council for their continued efforts, support, and leadership on behalf of all American businesses with interest in Vietnam. They have made our work much more productive than we could have been otherwise.

Again, thank you for the privilege to be here today.

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Chairman CRANE. Mr. Sauvageot.

**STATEMENT OF ANDRE SAUVAGEOT, CHIEF REPRESENTATIVE, GENERAL ELECTRIC COMPANY, HANOI, VIETNAM**

Mr. SAUVAGEOT. I am Andre Sauvageot, residing in Hanoi as the Chief Representative for General Electric (G.E.) in Vietnam. In fact I met you, Mr. Chairman, in Hanoi a couple of years ago. I have held this position for over 9 years, and we greatly appreciate the opportunity to present testimony before your Subcommittee this morning.

As one of the first 10 American companies to establish a representative office in Vietnam and as an active player in the Vietnam market for over 9 years, General Electric strongly supports the President's Jackson-Vanik waiver.

First, our 9 years' experience certainly is indicative that Vietnam is committed to and inexorably moving toward a market economy, as has been testified this morning in greater detail.

I would like to say this morning, sir, that the waiver of the Jackson-Vanik amendment is more important to us this year than it has ever been before, and it has been important every year. And the reason for that is that the waiver, or the lack thereof, will have an immediate, direct effect on project opportunities that—whether we win or not—will greatly affect the number of exports, American exports, into the Vietnam market in the very near future.



And I would just like to point out a couple of dramatic ones. One of the most—the most successful G.E. business in Vietnam is G.E. Power Systems based in Atlanta, Georgia. The Vietnamese are soon going to invite four companies to bid on a 720-megawatt combined cycle power plant. The only competitors we have are going to be foreign, because they will restrict the bidding to those companies in the world who can provide high-level technology—we call F level technology for big gas turbines. There are only four in the world that can: Alstom from France, Siemens from Germany, Mitsubishi Heavy Industries from Japan, and General Electric.

Now, since this project is going to be fully run by the Vietnamese—in other words, this is not like some of the other projects where the prime contractor was Sumitomo from Japan. This is strictly a Vietnam operation, so they either fund it themselves or they demand supplier credit. In this case, I am quite sure they are going to need supplier credit. Our foreign competitors can all arrange it. We can arrange it with the waiver of the Jackson-Vanik amendment. We cannot without.

We have significant technical advantages because we have the best turbines, the most firing hours, by any measure, we are the best. They can't acquire our technology without recourse to American financing option. Now, should we win this, sir, that is not only an opportunity for General Electric but for—as many, depending upon our specific sourcing arrangements, for as many as 190 American companies based in 38 States. You know, that includes Oklahoma, by the way, Texas, and California, but I have listed those States in my testimony.

Also, we have a current proposal to the Vietnam railway to provide upgrades for 25 old G.E. locomotives, and these kits would be made in Erie, Pennsylvania, and also offer opportunities for other suppliers. Right now, the feedback I am getting from the railway, they like our technical proposal a lot, but they are not so enamored with our partner's financing proposal. I would like to be able to assure them that we could arrange U.S. Ex-Im Bank financing, and I think that would put us over for this opportunity.

We are also provided leasing arrangements. We have three Boeing 767s on lease to the airlines now for over 6 years into the lease, with our engines manufactured in Cincinnati, Ohio. Again, our relationship with the airline has a strong commitment with a Vietnamese major company to the implementation of their contractual obligations to General Electric. We are very impressed.

Medical systems, x-ray machines, ultrasound, we have very good opportunities there. We continue to expand our market share. Very soon we are going to take advantage of the Vietnamese liberalization of their laws to form 100-percent-owned General Electric Company, to provide after-market service for our MRI machines, our high-technology stuff that we make in Milwaukee, Wisconsin, and other locations.

So we really need this waiver, Mr. Chairman, and we appreciate your Committee's support in the past years, but this year it is more important than ever. We will continue to work closely, of course, with the U.S. Government every step of the way.

We greatly appreciate the active support received from Ambassador Burghardt and his fine staff in Hanoi, and we are going to

continue our active involvement with the U.S.-Vietnam Trade Council and the American Chamber of Commerce. Clearly, as the U.S.-Vietnam relationship continues to improve on the basis of mutual respect and mutual benefit, progress will continue on all fronts. Thank you so much.

[The prepared statement of Mr. Sauvageot follows:]

**Statement of Andre Sauvageot, Chief Representative, General Electric Company, Hanoi, Vietnam**

I am Andre Sauvageot, residing in Hanoi as the Chief Representative for General Electric in Vietnam. I have held this position for over 9 years. As I have for several years, I am again submitting the following updated information to assist the Committee in its decision regarding the renewal of the Jackson-Vanik waiver for Vietnam.

My 38 years of involvement in Vietnam began in 1964 with a U.S. Army assignment in South Vietnam and continues as General Electric's Chief Representative resident in Vietnam.

**Reasons for Supporting the President's Jackson-Vanik Waiver**

**I. Vietnam continues its development of a market economy**

Vietnam continues its steady development of a market economy, notwithstanding the difficulties in moving from feudalism through Soviet-style state socialism after years of fighting for independence and national unity. Some of the milestones on this road include:

- A. Sixth Party Congress—(December 1986) Committed Vietnam to begin economic reform—every Party Congress since has augmented and strengthened this process.
- B. Agricultural reform—(1989) Made Vietnam a rice exporter (after importing since the 1930's). Vietnam is currently the second largest rice exporter in the world after Thailand.
- C. Constitution of Socialist Republic of Vietnam—(1992)
  - a. Commits Vietnam (Article 15) to develop a diversified market economy.
  - b. Provides constitutional guarantee (Article 25) against nationalization of foreign invested enterprises.
- D. Investment Law passed by National Assembly—(1997) Improved incentives/ protections for investors.
- E. Enterprise Law—(2000)
  - a. Helps level playing field between state and privately held companies—more private companies now being licensed.
  - b. Achievements acknowledged by World Bank, UNDP during donor meeting in Ho Chi Minh City in June 2002.
- F. U.S.-Vietnam Bilateral Trade Agreement—(2001) Ratification committed Vietnam to extensive, measurable reform.

**II. Vietnam provides stable, friendly, predictable environment**

The Vietnamese have forged a society in which 80 million people of some 54 different ethnic groups with a wide variety of religions all live peacefully together, free of the ethnic and religious strife with which so many other countries are afflicted.

After the September 11, 2001 attacks on the World Trade Center and the Pentagon, the Political and Economic Research Company (PERC) based in Hong Kong upgraded its assessment of the security among 14 Asian Pacific countries to reflect the changing post-9/11 perceptions of entrepreneurs. The new assessment ranks Vietnam as the most secure of those 14 countries.

**III. American business needs Jackson-Vanik waiver to compete**

- A. GE was one of the first American companies to enter Vietnam. GE was among the first ten American companies to establish a representative office, obtaining a license on June 18, 1993. Several of GE's 11 major businesses, each with its own separate headquarters in the United States, have already successfully entered the Vietnamese market.
- B. GE businesses in Vietnam and effect of the waiver:

### **GE Power Systems (GEPS)**

GE Power Systems (headquartered in Atlanta, Georgia) manufactures steam turbines and generators in New York; gas turbines in Greenville, South Carolina; and turbine and generator control equipment in Salem, Virginia. During tough international bidding, GEPS won the following contracts in Vietnam:

- First ever gas compressors for the White Tiger field transporting gas from offshore (1995);
- Two hydro turbines for Song Hinh 72MW hydro plant—plant already commissioned (March 2000);
- Two generators, governors, exciter units for Ham Thuan 300MW hydro plant—generators commissioned and handed over (May 2002);
- Two steam turbines and two hydrogen-cooled generators for Pha Lai 2 600MW thermal, coal fired power plant—nearing completion;
- Two gas turbines for the Phu My 2.2 combined cycle power plant.

Many more bidding opportunities lie just ahead.

GEPS field engineers from many countries (including the United States, Canada, Norway and Sweden) with great experience installing turbines, generators and other GE equipment in power plants praise the positive attitude, intelligence and work ethic of Vietnamese workers, as well as the eagerness of Vietnamese managers to improve productivity. Many have volunteered to return to Vietnam whenever we have a project.

### **Immediate Project Opportunity and Need for Jackson-Vanik Waiver**

Ca Mau is a 720MW combined cycle power plant on which GE is preparing to bid by the end of this year (2002). The Vietnamese are expected to restrict the bidding to manufactures of high (“F” level) gas turbine technology (i.e., Alstom—France; Siemens—Germany and Mitsubishi Heavy Industries—Japan). Although GE enjoys many technical advantages and hopes to provide its giant Frame 9A gas turbines from Greenville, South Carolina, the supplier may have to provide a financing package. *If the Congress were not to support the President’s Waiver for Vietnam from the Jackson-Vanik Amendment, GE and many of its American suppliers would lose this opportunity to foreign competition.*

*Depending on specific sourcing arrangements, if GE were to win the contract to provide two Frame 9A gas turbines, three generators, and a steam turbine for the Ca Mau power plant, as many as 190 American companies could benefit as suppliers to GE. These companies are located in the following 38 States: Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, and Wisconsin.*

### **GE Aircraft Engines (GEAE)**

GE Aircraft Engines (headquartered in Cincinnati, Ohio) regards Vietnam Airlines (VNA) as a strategic customer with significant growth potential. GE engines power three Boeing B767 aircraft and a GE joint venture’s engines power ten Airbus A320 aircraft in Vietnam Airlines current small fleet. These engines represent an aggregate value of some \$162 million.

Earlier this year, the Vietnam Airlines selected the GE90–94B engine to power two Boeing B777–200ER aircraft, which it will lease from another American company, the International Lease Finance Corporation (ILFC). The U.S. Trade Development Agency (TDA) offered Vietnam Airlines funds for training on the GE90 engine if it were to be selected. We believe this played an important supporting role in the selection of the GE90 for these two aircraft.

### **GE Capital Aviation Services (GECAS)**

GE Capital Aviation Services (headquartered in Stamford, Connecticut) has dry-leased three new Boeing 767–300ER aircraft to Vietnam Airlines (VNA) for a period of nine years. Now, over six years into the lease, GECAS is very favorably impressed with the management of VNA, a customer that has always paid its lease obligations on time, even after the currency crisis hit the Pacific nations in the late 1990s. We attach a high value to the commitment our Vietnamese customers bring to the implementation of their contractual obligations to GE.

#### **GE Transportation Systems (GETS)**

Headquartered in Erie, Pennsylvania, GETS manufactures locomotives, as well as parts and components. In Vietnam, GETS has won two international bids (1996, 1997) to provide parts/components to the Vietnam Railways (VR).

#### **Immediate opportunity and possible need for Jackson-Vanik waiver**

GETS recently submitted a technical proposal to VR to upgrade 25 old GE locomotives in VR's current inventory. If GE's current technical proposal is accepted but the financing proposal is not, the U.S. Eximbank could become the principal source for another financing proposal.

#### **GE Medical Systems (GEMS)**

Medical Systems, a global business (headquartered in Milwaukee, Wisconsin) was the first of GE's 11 major businesses to enter the Vietnamese market because medical equipment was included among certain humanitarian items exempted from the Trade Embargo by President George H.W. Bush in April 1992. Since 1993, GEMS has sold ultrasound and x-ray equipment in Vietnam against stiff foreign competition from long established companies.

Vietnam's leadership devotes considerable resources to upgrading the health of the people, with special attention to children, ethnic minorities and people living in remote areas. Vietnam is the leading Southeast Asian country in the number of eye specialists per capita, with one eye specialist for every 87,000 people. This far exceeds the United Nations standard of one doctor per 250,000 persons. Skilled Vietnamese eye surgeons traveled regularly to remote areas in a continuous campaign to prevent blindness and to restore sight to the blind.

GE has for a number of years contributed funding towards "Operation Smile" (headquartered in Norfolk, Virginia) to bring American doctors to countries like Vietnam to operate on children with facial deformities such as harelips and cleft palates.

We believe that GEMS can contribute significantly to the upgrade of healthcare in Vietnam.

#### **GE Lighting (GEL)**

GE Lighting (headquartered in Cleveland, Ohio) has gained a modest presence in Vietnam with annual sales running over \$1 million.

#### **GE Appliances (GEA)**

GE Appliances (headquartered in Louisville, Kentucky) has contracted with a private company to sell American (GE) manufactured appliances (refrigerators, air conditioners, washing machines, etc.) to the Vietnamese market.

#### **IV. Conclusion**

The Vietnamese leadership's commitment to economic reform and to the diversification of Vietnam's international relationships, coupled with a strong national work ethic far outweighs the country's well known difficulties like the weak banking system, underdeveloped body of law, and lack of infrastructure.

Vietnam is using its strengths to effectively address its shortcomings and successfully integrate into the global economy. The ultimate question is which companies from which countries will grow their businesses in Vietnam, and in turn, will grow with Vietnam by their engagement.

We deeply appreciate the support of your Subcommittee and ultimately of the entire Congress for renewing waiver of the Jackson-Vanik Amendment for the past several years. Because of this, General Electric is better positioned than ever to meet foreign competition and thereby create opportunities for our American workers to produce equipment for sale into Vietnam's growing market.

We will continue to work closely with the U.S. Government and we greatly appreciate the active support received from Ambassador Burghardt and his fine staff in Hanoi for American business and workers. We will also continue our active involvement with such organizations as the U.S.-Vietnam Trade Council and AMCHAM.

Clearly, as the U.S.-Vietnam relationship continues to improve on the basis of mutual respect and mutual benefit, progress will continue on all fronts.

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Chairman CRANE. I have a couple of questions I would like to put to anyone on the panel who feels inclined to respond. The first one is, how does the level of activity of U.S. companies in Vietnam compare with other countries' investment in the region? Second, do

foreign companies receive greater government-sponsored trade promotion and investment support than U.S. companies? Anyone?

Ms. FOOTE. I may be able to take a crack at that, sir. The United States is still—I think it is maybe 12th or 13th on the list of foreign investors in Vietnam. As I mentioned in my testimony, it has only been 6 months that the United States has extended NTR status. We are still behind the curve on the economic normalization process. We are catching up, but we have had a much slower start than other countries in the region and I think our numbers show that.

The U.S.—the companies who have been there now for some time have turned the corner in terms of profits and are looking at their second and third generations of investment. So, I think the United States is beginning to move up in the process.

Chairman CRANE. Thank you. Anyone else want to add anything to that?

If not, second question: Where has Vietnam been most successful in implementing the Bilateral Trade Agreement, and where is more work required? What are your priorities?

Ms. FOOTE. I could start that one.

Chairman CRANE. Ladies first.

Ms. FOOTE. One of maybe the model programs has been in the area of insurance technical assistance. We just last week had an insurance program in Hanoi that New York Life, ACE, and the American International Group (AIG) with the Department of Commerce and the Trade Council worked on. There are four chapters of the trade agreements, and different ministries are involved in different chapters. Things get phased in over time. I think probably the most technically difficult would be the intellectual rights chapter. The investment chapter is pretty straightforward and the rules and regulations are being implemented right now.

Chairman CRANE. You raised a question there. Let me follow up on that. Vietnam has one of the worst records on protecting intellectual property rights. What specific steps have they taken to improve IPR enforcement?

Ms. FOOTE. They have been very involved in some of the U.S. Government programs. We have been able to facilitate bringing Vietnamese officials to the United States and other programs. The drafting of the law and the writing of the regulation I think is going fairly well.

The problem is on the other side, which is enforcement. That is where I think a lot of work needs to be done, and there is an increasing amount of products coming in from their neighboring countries. This is not a problem of companies producing products in Vietnam. It is a smuggling and import problem.

Chairman CRANE. Anyone else want to comment? Mr. Levin?

Mr. LEVIN. Thank you. Welcome. I think most on the Subcommittee and the Committee share your basically positive approach. I admire your enthusiasm, Mr. Sauvageot. You have been in Vietnam a number of years, but you haven't forgotten how to look at the impact of programs on each State. Well done.

Let me, though, comment, because I do think we have come far enough with Vietnam, even though it has been briefed that we can have kind of an honest dialog with them on outstanding issues. I

regret there is nobody here today to talk about human rights issues. The State Department report, as you know, the most recent report, essentially says that the human rights situation in Vietnam worsened in 2001. Then they go on to spell out why that is true. Then they say with respect to labor conditions, the annual human rights report reports that Vietnam restricts the ability of workers to form or join unions of their own choosing.

I think it is important to keep that in mind, Ms. Foote, in regard to your statement you cover labor issues.

Then, at the end, say the main criticism of Vietnam's labor code remains the requirement that all unions affiliate with a quasi-governmental entity. That is a major deviation, to put it mildly, from the labor standards and, as I discussed with the Ambassador yesterday, I think a critical issue that we need to discuss with them.

Each country is different. Cambodia is not the same as Vietnam, I acknowledge.

I wanted to say something, if I might, to our friend from General Electric about the annual process versus elimination of it. The waiver will continue, and I hope with a decisive vote. I think that is the way we should proceed. The issue of eliminating the Jackson-Vanik provisions as to Vietnam I think is more complicated than just saying that you do. It creates uncertainty. It also—there really isn't that much uncertainty in the sense that we are going to annually—presuming that there is a continued positive evolution, we are going to vote yes.

It also creates, I think, some useful pressure. That was true of our deliberations as to China. Remember, Jackson-Vanik did not start as an immigration provision. It started as a trade bill, and the immigration portion was added on to it. It was a vital addition.

We are facing this issue, for example, as to Russia, and I think we need to ask ourselves carefully how the annual process fits into the discussions of the terms of accession to WTO, as well as keeping the pressure—intellectual property, for example, has been mentioned.

I mean, the business community has a major stake in Vietnam, not only passing good laws but implementing them. You have a major stake in the workers back here who work for the companies—have a major stake in Vietnam developing a true rule of law, because if you get contracts and you can't enforce them through any transparent process, I mean you are not further ahead, and you may be further behind if any government entity is dealing underneath the table with some entity other than a U.S. company where there are restrictions on that.

So, I think your positive approach resonates, provided that we look at it in its full perspective. I mean, it is going to take time. There are going to be problems in our relationship. The catfish issue is just one example. I would not have voted, if I had a separate vote, the way the Senate did, and that is another issue.

Anybody want to spend—the red light is on—do you want to spend 15 seconds before the Chairman—

Mr. BENANAV. I agree with you that there are many issues inside Vietnam that we need to keep the pressure on—labor issues, human rights issues—and we are going to see progress be sort of two steps forward, one step back, and those are certainly issues

that the Government and the people of the United States have an interest in.

I also agree with you that Jackson-Vanik in the early days was an extremely effective tool for getting some progress for it. I do believe that we have reached the point in our relationship where the value of this, what I call kabuki dance, has really become minimal. There are many, many other mechanisms in place today to deal with those issues, the catfish issue, the enforcement of contract issues. There are lots of mechanisms that are in place.

The relationship has reached such a level of maturity and positiveness that I think the whole waiver process has become a tremendously inefficient utilization of your time and a lot of other people's time. We would, I think, serve ourselves much better by treating the relationship with Vietnam as a mature relationship, as we have with other countries where we have big issues, and not go through this annual kabuki dance, with the results almost being certain anyway.

Mr. LEVIN. My time is up. You know, we don't spend enough time talking about these relationships, really. I mean, you all come and visit us, but our institutions should spend more time rather than less, I think, understanding what is going on in Vietnam. We can argue whether this is the best way to do it. Thank you.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thanks, Mr. Chairman. I agree with Mr. Levin that it is too bad that we have to have this annual review of the Jackson-Vanik waiver, but it does afford us an opportunity to talk about some of our international relations. I tend to think that we as a country tend to sort of fall back in sort of an insular position and think that a lot of things we can do ourselves, or do, you know, within the continental limits. So, I think there is an opportunity for us to be able to have a conversation and dialog with people like yourself.

Mr. Benanav, I would like to ask you a question. You are obviously concerned about the Bilateral Trade Agreement and also I think you are interested in the World Trade Organization involvement, but you say something about your company going into Vietnam to try to increase the financial services sector there. You know, everybody's got his or her own participation here, and ultimately the financial services section, in addition to the whole concept of the rule of law, is going to be very, very important. So, what do you plan to do? Are there others doing this thing with you? What is going to be the impact?

Mr. BENANAV. Yes, sir. I think the financial service sector is a very important industry if we are going to see Vietnam's economic development continue. We actually, in one way, shape or form, provide a lot of the fuel, if you will, for a growing economy. Today in the life insurance sector, Vietnam has one state-owned company and three foreign companies operating. One is an American company, AIG; one is a British company, Prudential U.K.; and one is a Canadian company, Manual Life. Others, including my company, would like to enter that market, and we think we can bring significant value both to the consumers in Vietnam as well as the Vietnamese economy.

The Bilateral Trade Agreement requires Vietnam to open its market over a 5-year period to American insurance companies. We are encouraging the Vietnamese to move much more quickly than that. We think the market is a large enough market with great potential. We have tried to educate the Ministry of Finance on how life insurance in particular is a valuable, valuable tool. We collect the very small savings of the 80 million people in Vietnam, we can pool them together and reinvest them into the Vietnamese economy in long-term projects, not short-term projects, but long-term infrastructure projects that are absolutely essential if that country is going to develop.

The life insurance industry financed the infrastructure of the United States, railroads, many of the roads and housing. We can do the same for Vietnam, but we can't do so until they open the door to us. As I said, we think that a strong, positive relationship with the United States, the waiver of the Jackson-Vanik will encourage them to open doors to American companies.

Mr. HOUGHTON. Do you have the same restrictions in Vietnam in doing business that you would here in terms of the same financial walls against various financial institutions, commercial banking, insurance?

Mr. BENANAV. The first wall we have in Vietnam is that you are not allowed to do business in Vietnam until they give you a license, and they are not required to give you a license at this point. Once you are there, the companies operating there are operating in a regulatory structure that I would say is somewhat primitive, if you will. The regulations are not highly developed. They don't have the expertise. They do keep the industries separate—banking, insurance and whatever they have of securities at this point.

One of the things that my company is doing, and other companies, is really trying to provide expertise to the Government of Vietnam and its various regulatory bodies so they can develop their regulations and move them ahead. Whether they keep the financial pillars separate for many years I think will have to be a decision they have to make. They are a long way from making that decision. They are really significantly behind much of the world in developing solvency regulation and consumer protection regulation.

Mr. HOUGHTON. I guess what I was trying to get at, do you have more flexibility in terms of financial services in Vietnam than you would in the United States?

Mr. BENANAV. No, we don't. We have less.

Chairman CRANE. Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman, and members of the panel. I am listening with great interest to the various testimonies. I know, as Mr. Clark is there and I think—

Ms. Foote, you made the comment about our companies, more involvement with the companies. There is a great deal more dumping of solid waste, more problems, and that is one of the things that has been brought to my attention by several people; the problems that Vietnam has in pollution is one of the major problems.

That is why I was asking the other question of the other panel about the involvement of World Bank and the Asian Development Bank and the group there, are they participating? I was looking at some other testimony here earlier or reading some other document,



and we have the foreign—the United States Foreign Commercial Service, Foreign Agricultural Service. We have offices in Hanoi as well as in Ho Chi Minh City.

I am reading these groups, a number of priorities—they have got several, including about the sixth or seventh listed down there, the need for environmental and pollution control efforts, but some inquiries have been made from time to time; they haven't seemed as interested in trying to get involved, to getting it solved. Do you have any—I know I have one other major question about this. Do any of you have an answer of how we open that door to get more activity in there? Evidently they are getting the same problem. The water, the sanitation, pollution problems, are affecting drinking water and everything else in a big way.

Ms. FOOTE. I can tell you that the multilateral donor community is extremely active in Vietnam. I believe World Bank, ADB, United Nations Development Programme, some of the other organizations, have pledged about 9 billion in poverty reduction, development assistance funds in the last 5 to 7 years. The United States has—

Mr. WATKINS. United Nations made a commitment in the area?

Ms. FOOTE. The USAEP, the United States Asia Environmental Partnership, which is an USAID-funded program in Vietnam, it is small, I don't know what its annual budget is, but there is an environmental group there funded by the United States. There are also many bilateral donor-assisted programs such as building a new dike system in Hanoi, the water system in Hanoi which desperately needs it, as you point out. There is certainly a door very much open in Vietnam for environmental help, pollution control, waste management. There are donors who are working on that. Poverty reduction is the overall theme of the World Bank program, and pollution control is only one part of that.

Mr. WATKINS. A lot of that is probably in the agriculture. I know, Barry, you have done some things in that area. I assume there is a tremendous need of increase in their production in order for them to have some gainful income. Are they trying to increase the production of their land?

Mr. CLARK. Dramatically, sir, and they are doing it both in the production of—in the rice area, but also in shrimp farming. They have become the second-largest exporter of shrimp behind Thailand. A lot of it is because of the technology from a company there in Tulsa that provides biotech products to clean up the ponds and has been a dramatic improvement in their shrimp production, taking them to second place in the world.

Mr. WATKINS. Another thing in discussing with a number of people, their development depends a good deal on a great more involvement of training and the lack of training in job descriptions, job areas. Do you find this to be an area that needs some attention? Any of you got firsthand experience with that?

Mr. BENANAV. Definitely.

Mr. WATKINS. That is education, you know.

Mr. BENANAV. Absolutely. Training is vital if they are going to move ahead, if they are going to open the economy. I think the Vietnamese recognize it, and they are willing to accept it.

For example, my own company is about to implement a program where two officials from the Vietnamese Ministry of Finance will come to New York for several months for training on insurance regulation. They are quite open about their need for it. They are not ashamed to admit that they need to move forward, and the best way to get it is through training. Other companies are providing the same kind of training in various industries, and the universities are really doing a wonderful job of training the younger people in general skills.

I do believe that the more Vietnamese that we can bring to this country either for short-term training or long-term training, the better off the relationship will be, as well as our ability to convince them that open markets and democratic societies are really the way to go.

Mr. WATKINS. How about technology and mechanical areas?

Mr. SAUVAGEOT. Sir, we have the same positive experience with our Vietnamese customers and their enthusiasm for getting technical training.

A couple of examples. Very recently we had a very tough competition against a British company, Rolls Royce, for selection of aircraft engines the Vietnamese are leasing to—they have already signed a lease agreement with International Leasing Finance Corporation, ILFC, to lease two brand new Boeing triple 7200 ER—for extended range—which will do heavy-duty service, nonstop between Vietnam and Paris with heavy payloads. The ILFC could offer either the Rolls Royce engine or could offer the General Electric engines. Tough competition.

One of the things that helped us get selected was the Trade and Development Agency offered approximately \$300,000, the exact amount we will know in a little bit, but about \$300,000 to the Vietnam airlines to provide training in the United States. We are now seeking other help from trade development agencies to bring some Vietnamese from Vietnam Oil and Gas Company, PetroVietnam, and maybe Lei Llama, the big construction company who is the prime contractor on this 720-megawatt combined cycle plant that I mentioned in my 5-minute remarks. We are seeking those funds to bring them to an orientation visit, and later maybe for some additional training. We are finding a lot of interest on technical training in the United States.

Mr. WATKINS. I have had some interest expressed to me and that is why I wanted to follow up on it. Mr. Chairman, I thank you. I know my time has run out. I appreciate the panel and I appreciate you hosting this particular hearing.

Chairman CRANE. Well, we all appreciate your testimony and your involvement in this effort that is one that I think our Committee on a bipartisan basis is supportive of.

We will be meeting in here at 2:30 this afternoon with the full Committee, and the objective is to renew Vietnam's Jackson-Vanik waiver. With strong bipartisan support, I am confident that we will report it out favorably; might take 15 minutes or so, but report it out favorably. It is in no small measure because of the constant ongoing input from people like you and your involvement and communicating that to us and we are grateful.

With that, the Subcommittee stands adjourned.

[Whereupon, at 12:00 noon, the hearing was adjourned.]  
 [Submissions for the record follow:]

American Chamber of Commerce in Vietnam  
 Hanoi, Vietnam  
*July 17, 2002*

Dear Member of Congress:

As members of the American business and development community, we strongly support action to continue normal trade relations with Vietnam. Renewal of the Jackson-Vanik waiver is a key step in this process. The American Chamber of Commerce in Hanoi opposes H.J. Resolution 101, which would overturn the waiver, and our membership urges you to vote against the resolution when it comes to the floor on July 18, 2002.

The United States has granted Vietnam a waiver of the Jackson-Vanik provisions of the Trade Act of 1974 since March 1998. Renewal of the Jackson-Vanik waiver will ensure that U.S. companies and farmers exporting to Vietnam will maintain access to critical U.S. export promotion programs, such as those of the U.S. Export-Import Bank, the Overseas Private Investment Corporation, and agricultural and maritime credit programs. Ultimately, the Jackson-Vanik waiver, plus the bilateral trade agreement, will continue to lead the way for normal trade relations, enabling American companies and products to compete effectively with European and Asian companies and products in the Vietnamese market.

The Administration's policy since the establishment of diplomatic relations in 1995 has been to work with Vietnam to normalize incrementally our bilateral political, economic and consular relationship. This policy builds on Vietnam's own policy of political and economic reintegration in the world. U.S. engagement will promote the development of a prosperous Vietnam integrated into world markets and regional organizations that, in turn, will contribute to regional stability. Our involvement has secured Vietnamese cooperation and engagement on a range of important U.S. policy goals. It is in the U.S. national interest for this progress to continue.

Important progress in the bilateral relationship has been made in the past year. After five years of negotiations, the U.S.-Vietnam Bilateral Trade Agreement (BTA) was activated on December 10 of last year. The BTA, which addresses issues relating to trade in goods and farm products, trade in services, intellectual property rights and foreign investment, creates more open market access, greater transparency and lower tariffs for U.S. exporters and investors in Vietnam.

U.S. business views Vietnam, the thirteenth most populous country in the world with nearly 80 million people, as an important potential market for U.S. exports and investment. Increased U.S. exports to and investment in Vietnam that result from progress towards an open, market-oriented economy, in turn, translate into increased jobs for American workers.

The American business and development community believes that a continued policy of economic normalization with Vietnam is in our national interest. Last year, the House defeated the resolution of disapproval on Jackson-Vanik by a vote of 324 to 91. We urge you to support the renewal of the Jackson-Vanik waiver this summer as an important step in positive relations between the two countries.

Without a Jackson-Vanik waiver, American businesses would lose access to U.S. Government trade promotion and investment support programs. This would restrict our ability to compete on a level playing field with our European and Asian competitors who have access to similar programs.

Accordingly, on behalf of the growing US business community in Vietnam, we appeal for your understanding and action in continuing the good work that you have already done to move the bilateral relationship forward.

Thank you in advance for your consideration.

Sincerely,

Chris S. Tragakis  
*Chairman*

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**Statement of the Boeing Company, Arlington, Virginia**

The Boeing Company appreciates this opportunity to comment on the U.S. trade relationship with Vietnam and commends the Chairman for his leadership on this important issue. Boeing strongly supports U.S.-Vietnam trade relations and ap-

plauds the Congress and the Administration for their efforts to implement the policies necessary to further expand trade with Vietnam.

The U.S.-Vietnam trade relationship is beneficial to both nations. Open trade with Vietnam provides a market for U.S. exports, creating high-paying jobs here at home, and gives the Vietnamese people an opportunity to experience the benefits of free enterprise. Commercial aviation is a key element of that relationship, increasing trade, tourism, and other types of commerce, promoting communication, and generating the foreign currency necessary for continued economic growth and development.

The Boeing Company supports renewal of Vietnam's waiver under the Jackson-Vanik amendment to the Trade Act of 1974 and recommends that Vietnam and the U.S. complete an air transportation bilateral agreement to accelerate Vietnam's progress toward a vital free market economy.

The waiver of Jackson-Vanik gives American companies selling to Vietnam access to crucial U.S. export promotion programs offered by the Export-Import Bank and the Overseas Private Investment Corporation. These programs are vital to meeting the challenges of doing business in Vietnam's emerging market.

Since the President lifted the trade embargo on Vietnam in 1994, the country has made significant free market reforms and has experienced substantial economic growth. Foreign companies have joined forces with the Vietnamese to undertake a major rebuilding of the economy in almost every sector. The aviation sector is no exception.

Vietnam Airlines has been working hard to make those changes necessary to compete in the increasingly competitive commercial aviation industry. Less than 10 years ago, the airline operated a small fleet of older, Russian-made aircraft generally considered unreliable and uncomfortable by today's standards. Vietnam Airlines now has replaced much of this fleet with modern equipment, allowing the airline to greatly improve its level of service and better meet the demands of today's sophisticated traveler. The results have been dramatic.

Most recently, after passage of the U.S.-Vietnam Bilateral Trade Agreement last year, Vietnam Airlines purchased four Boeing 777s in a deal worth \$680 million. The sale was historically significant, as it was the first time Vietnam Airlines purchased aircraft instead of leasing them. The deal marked a major step forward in the U.S.-Vietnam trade relationship.

Since then, Vietnam Airlines has leased two more 777s in order to expand and upgrade its fleet. Boeing will have to continue to compete aggressively for this business, but cannot do so in the absence of a strong trade relationship with Vietnam.

The Boeing Company believes that with the extension of annual NTR to Vietnam and the eventual accession of Vietnam to the World Trade Organization, that U.S.-Vietnam trade will be of significant benefit to both nations.

The potential for major economic growth in Vietnam is undeniable.

From 1992 to 1997, prior to the Asian financial crisis, Vietnam Airlines experienced annual traffic growth averaging 30 percent per year. This compares to an average for the industry worldwide of five percent per year, and for Asia as a whole, of seven percent. The financial turmoil that engulfed Asia in late 1997 and in 1998 did not have the same negative impact on Vietnam Airlines that it did on the airlines in neighboring countries. Some of these airlines suffered from double-digit percentage reductions in traffic, and significant erosion in profits. While Vietnam Airlines did lose profits, the carrier was able to hold on to a generally constant level of traffic during the depths of the crisis.

As these statistics indicate, the potential market for aircraft sales in Vietnam over the next 10 to 15 years is significant. Boeing projects Vietnam Airlines could require three to five billion dollars worth of modern aircraft during this period. Such growth means that Vietnam Airlines could develop an operation comparable to the size of Thai International Airways, Cathay Pacific, or Singapore Airlines, each with 60 to 80 aircraft.

Approval of annual NTR for Vietnam is essential to Boeing's ability to continue to compete for commercial aircraft sales to Vietnam.

The Boeing Company strongly supports the extension of NTR for Vietnam. Increased trade between our two nations will create jobs and economic opportunity both in the United States and Vietnam.

