NCTO
NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

May 27, 2009

BY HAND DELIVERY

Barbara E. Tillman
Director, AD/CVD Operations, Office 6
Room 1870
US Department of Commerce
14th Street and Constitution Ave., NW
Washington, DC 20230

RE: Request for Public Comment on the Application of the Countervailing Duty Law to Imports from Vietnam

Dear Ms. Tillman:

The National Council of Textile Organizations supports allowing the US to apply countervailing duties to goods imported from Vietnam when the conditions merit such a determination. As with China, Vietnam has liberalized much of its economy over the last decade, making it possible to determine the impact of subsidies on goods produced in the country. The US textile industry has been injured significantly by subsidized imports from China and Vietnam in recent years, and the application of countervailing duty laws offers the opportunity to redress the problem in a meaningful way.

There are two specific reasons why the US should allow the application of countervailing duties to goods from Vietnam. First, Vietnam agreed to eliminate such countervailable subsidies as part of its accession agreement to the WTO. Vietnam joined the WTO in 2007. Second, unlike the Soviet-style economies of years' past, Vietnam is much more open today. This allows the Department to determine the size and impact of subsidies on the production of goods in Vietnam.

When the Department of Commerce determined that countervailing duties could not be applied against non-market economies in the mid-1980s, the case in question involved a Soviet-style economy. It should be noted that this is a policy adopted, not a law passed by Congress. The Department has the authority to reverse this policy, and it should reverse it for countries like Vietnam because the economies of many socialist countries have changed dramatically

since the 1980s. Even though Vietnam remains a socialist country with much of the economy directed by the government, such a total command and control system no

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longer exists. It is possible to determine the impact of subsidies on prices. Further, Vietnam can be compared to neighboring countries with similar economic development, production costs, and wages to determine the impact of subsidies on prices.

Evidence of the changes in Vietnam's economy are obvious, such as a relatively free wage market, growth of private industry (within the goals set by the state), expansion of the right to foreign trade rather than utilizing state export companies, and some limited movement in allowing currency convertibility.

The US textile and apparel industry will be heavily affected by this case as the Vietnamese industry continues its rapid development. The textile and apparel sector in Vietnam remains governed by Five Year Plans and the Vietnamese government has made clear its intention to continue to subsidize and guide the development of its textile sector. Indeed, the state-owned Vietnamese textile and apparel company, Vinatex, boasts that it is the tenth largest producer of apparel products in the world.

Since receiving permanent Normal Trading Relations status, imports from Vietnam have grown from 358 million square meter equivalents (SME) in 2002 to 1.8 billion SME in 2008. Vietnam's import market share grew from less than one percent in 2002 to 4.7% through March 2009. It should also be noted that total imports of textile and apparel from the world fell by 11.34% during the first quarter of 2009 compared to first quarter 2008, but imports from Vietnam grew by 20.56% during this period.

As a favored industry, the production of textiles and finished products in Vietnam has grown dramatically since 2002. The US government took two actions to ensure that unfair and illegal trade practices would not harm the US industry. In 2003, the US and Vietnam negotiated a bilateral agreement governing the imports of textiles and apparel. All remaining quantitative restrictions on imports of textiles and apparel were removed on January 1, 2005 as part of the 1994 GATT agreement establishing the WTO. Alarmed by the rapid increase in low-priced textiles and apparel from Vietnam and the danger that government subsidies presented, the Bush Administration began an import monitoring program in 2007 to watch for illegal dumping.

The Bush Administration program expired in January 2009, but the House Ways and Means Committee has continued the program for imports from China. At the time the Administration decided to begin the monitoring program, the Department was still reviewing its policy on countervailing duties for non-market economies.

Vietnam is, and will continue to be, a large and growing trading partner. However, access to credit for favored industries and special subsidies are a threat to US manufacturers in many

industry segments. Vietnam has agreed to the international rules of trade, including the elimination of WTO prohibited subsidies, and the means exist to assess accurately the

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level of subsidies provided to industry. We strongly urge the Department to allow the application of countervailing duty rules to Vietnam.

Sincerely,

Cass Johnson
President