



USAID Support for Vietnam's Implementation of the U.S.- Vietnam Bilateral Trade Agreement and WTO Accession

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Overview

- Vietnam Development Context
- How USAID's *STAR*-Vietnam Project is Making a Difference
- Economic Impact of the BTA
- Remaining Challenges



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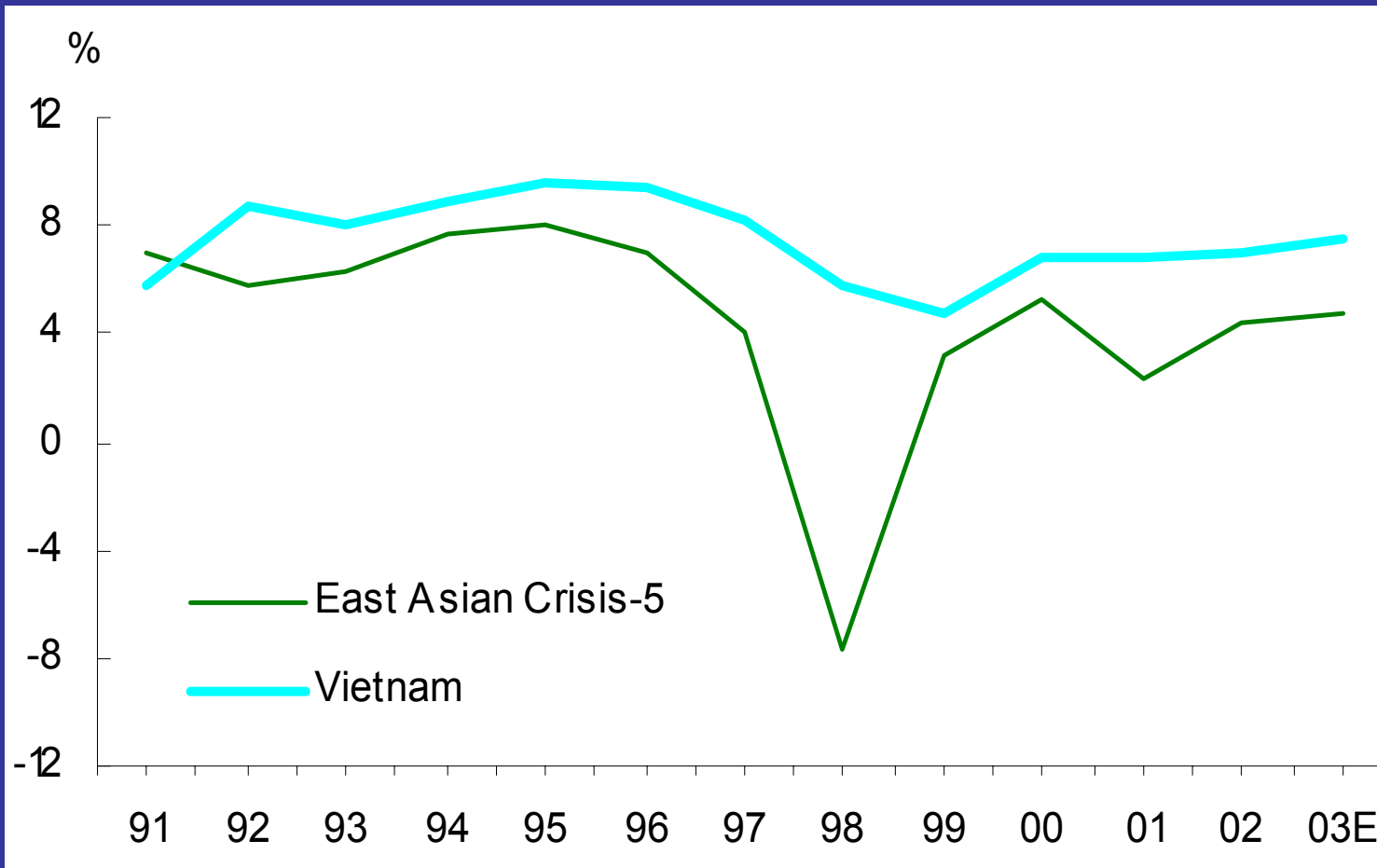


Vietnam Development Context

- **The Demographic Bubble:** 1.5 million new entrants a year and existing underemployment in rural areas
- **Early Stage of Industrialization:** GDP per capita income around US\$500
- **Abnormal Trade Structure Before the BTA:** Primary exports dominate, exports to US almost non-existent
- **Political Will:** political and social stability requires broad-based, rising standards of living



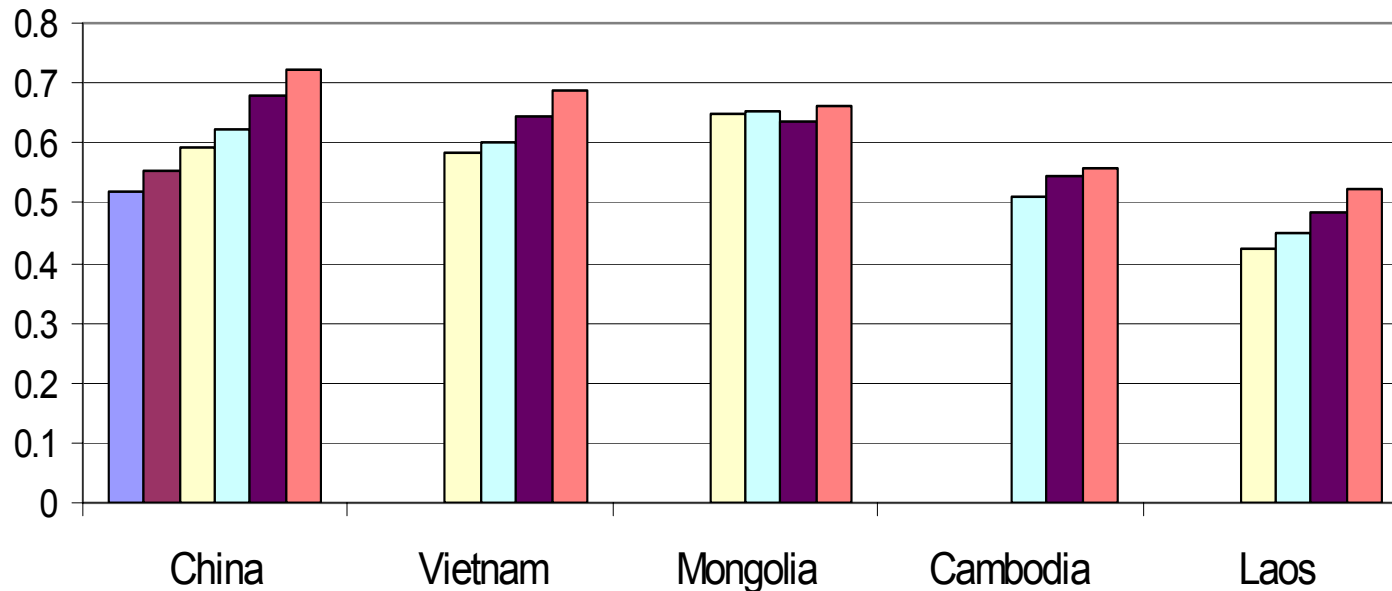
Economic Growth: Vietnam and the Asian Crisis





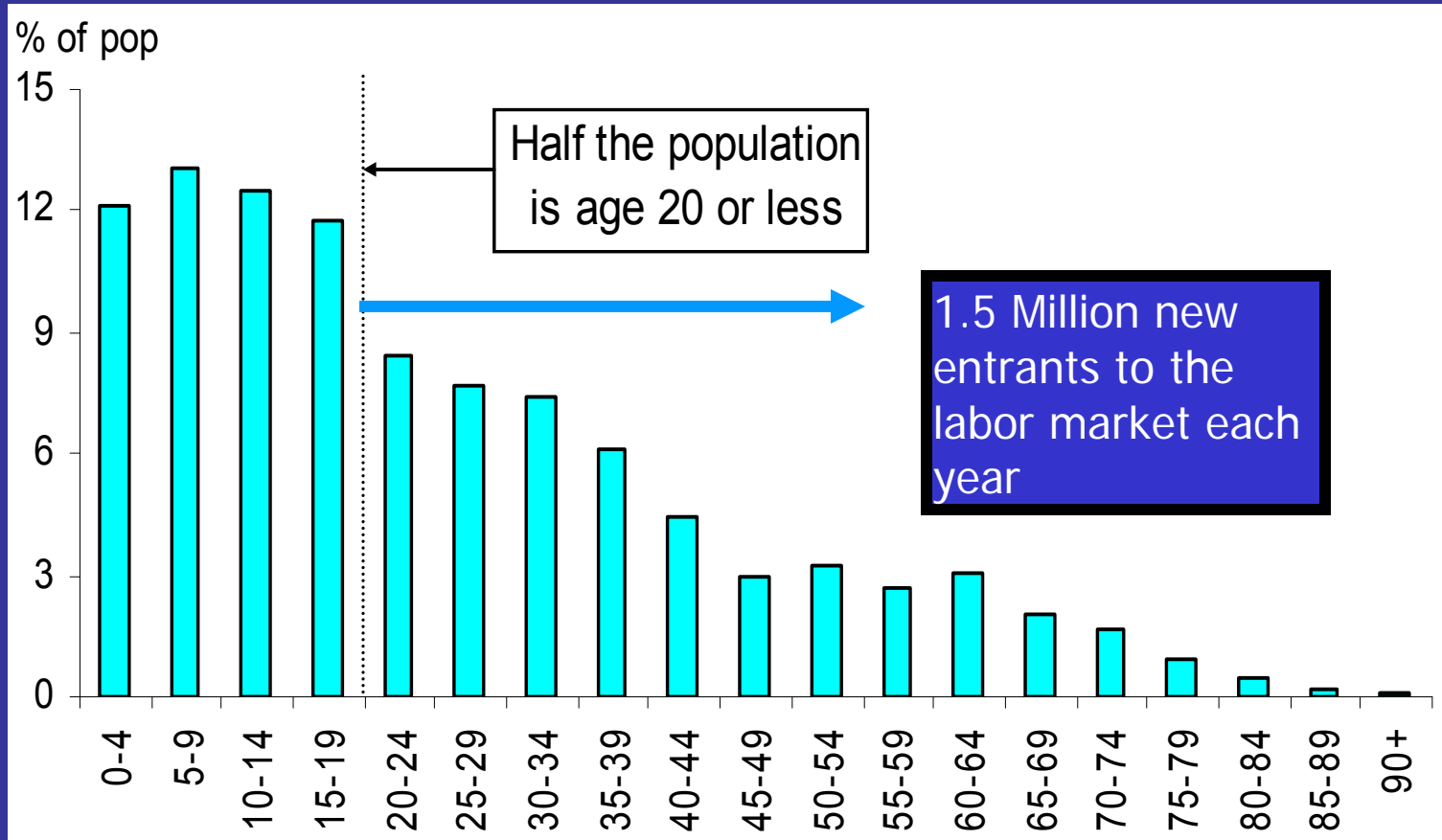
Human Development Index

HDI Trend (75, 80, 85, 90, 95, 01)





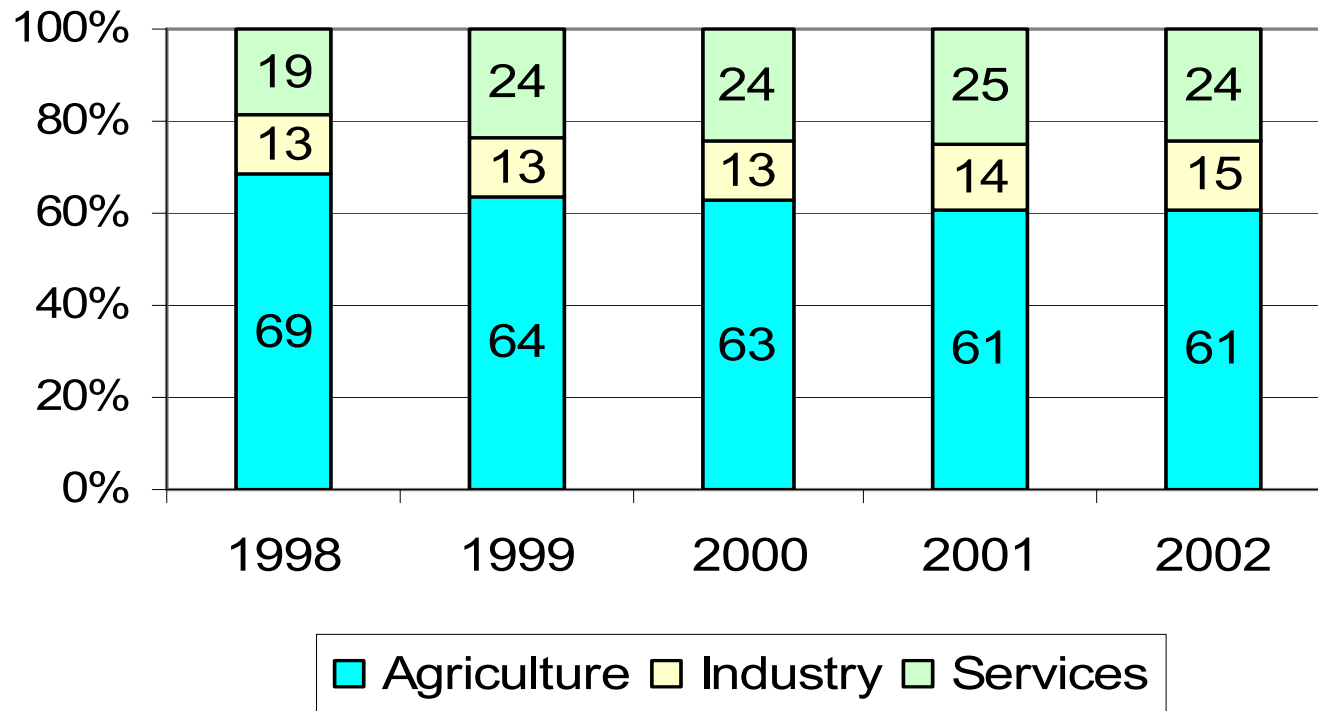
The Demographic Bubble





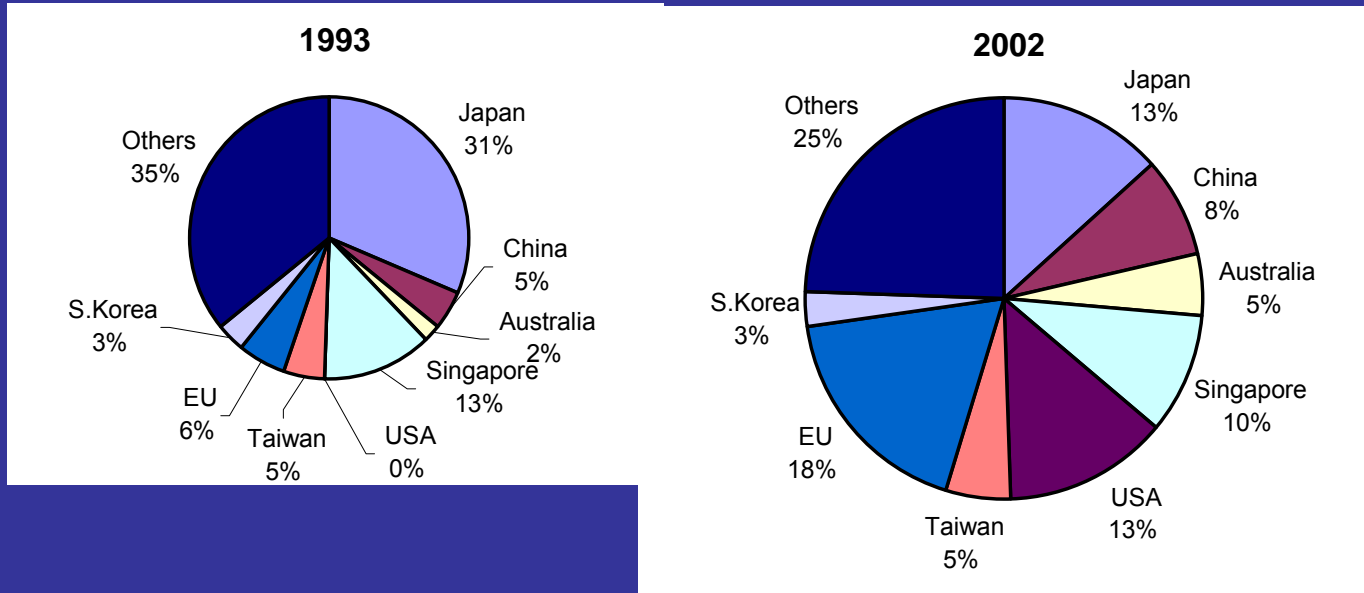
Early Stage of Industrialization

Employment by Economic Sector





Abnormal Trade Structure



Total exports: US\$3.0bn

Total exports: US\$16.5bn

In 2003: USA becomes Vietnam's largest export market (19.5%)

Manufacturing becomes Vietnam's largest export sector



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Accelerating Reform and the BTA

- **Broad-Based Economic and Legal Reforms – Accelerating in 2000**
 - Building on **Steady 7 Percent Growth**
 - Still, the **Need to Create Several Million New Jobs Each Year**
 - **New Policy Focus in 2000 on Building the Private Sector and Advancing International Integration – the Enterprise Law and the BTA**





Vietnam Policy Reform Trends

The U.S.-Vietnam Bilateral Trade Agreement (BTA) - Part of a Larger Reform Effort



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Major reform with STAR support





BTA Characteristics

- The BTA, effective on **December 10, 2001**, is built upon a WTO framework and positioned as a stepping stone for WTO accession
- BTA contains **comprehensive requirements** on:
 - trade in goods
 - commercial law and dispute settlement
 - intellectual property right protection
 - trade in services
 - investment (WTO Plus)
 - business facilitation
 - transparency and the right to appeal





Implementing the BTA

- **U.S. Implementation** -- U.S implements BTA upon entry into force by extending NTR/MFN treatment to Vietnam
→ lowers tariffs for Vietnamese exports from an average of 40% to 4%
- **Vietnamese Implementation** – BTA, recognizing Vietnam as a developing economy, has numerous requirements due upon entry into force, but a number of other requirements can be phased in (up to ten years)
→ BTA requires systematic changes in Vietnam's economic policies and legal system
→ BTA has limited tariff reductions, so limited affect on market access for goods
→ BTA has major requirements on access for services, investment and IPR
- **The Two Governments Implement the BTA** – BTA negotiators agreed that the USG would provide TA to support implementation of the BTA





USAID Creates *STAR*

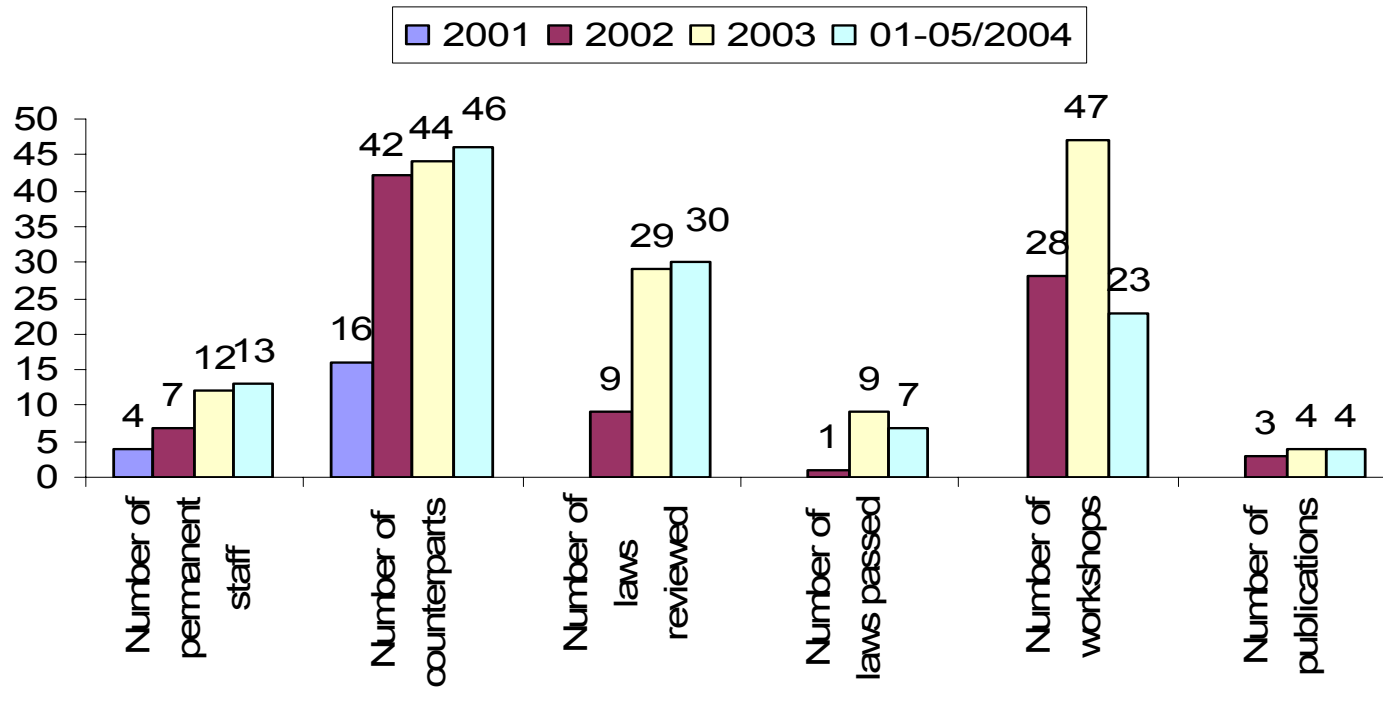
- **Rapid Mobilization** -- USAID, in coordination with USTR, expedites mobilization of the *STAR-Vietnam* in October 2001 to support Vietnam's BTA implementation and accession to the WTO
- **Gov't Steering Committee** -- Supervised by USAID and a Steering Committee (SC) chaired by the Prime Minister's Office
- **Unprecedented Access** -- SC assigns 46 state counterparts to work with *STAR*, representing all stages of policy reform and implementation (Gov't drafting teams, National Assembly Committees, Supreme Court, Party, local governments, business leaders)
- **Demand-Driven** – *STAR*'s TA responds to requests by counterparts responsible for BTA implementation
- **Systematic Legal Reform** – With the far-reaching BTA serving as *STAR*'s scope of work, demand-driven requests from 46 counterparts involve *STAR* in reforming almost every (non-tax) law affecting commercial activity



STAR-Vietnam → A Major Legal Reform, Trade Liberalization and Governance Project



STAR-Vietnam Activities



The prime contractor for STAR-Vietnam is IBM Business Consulting Services, with Development Alternatives, Inc. (DAI) serving as the technical lead.



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Making a Difference: Completed Legal Reforms Supported by *STAR* as of May 2004

- 1) **Improving access for legal services** (Decree on Foreign Lawyers)
- 2) **Improving transparency of laws and regulations** (revisions to “Law on Laws,” and Decree on Official Gazette and other implementing regulations)
- 3) **Improving court procedures**, especially for IPR and commercial disputes (a new Civil Procedure Code)
- 4) **Strengthening the commercial banking system** (revisions to the Law on Credit Institutions)
- 5) **Liberalizing commercial arbitration procedures** (a new Ordinance on Commercial Arbitration and implementing regulations)
- 6) **Bringing customs procedures into conformance with WTO requirements**, especially the Customs Valuations Agreement (key Customs circulars)
- 7) **Establishing the basis for the right to appeal administrative actions with due process and court review** (revisions to the Law on Complaints and Denunciations)
- 8) **Other laws** with less direct BTA implications (Bankruptcy Law and Ordinance on Anti-Dumping)





Making a Difference: **Legal Reforms Scheduled for Completion in 2004-05 Supported by STAR**

- 1) **A complete overhaul of investment law** (developing a Common Investment Law and Unified Enterprise Law)
- 2) **A full revision of contract law** (revising key commercial elements of the Civil Code and Commercial Law)
- 3) **Strengthening IPR laws and regulations** (revising Part 6 of the Civil Code, developing a new Law on IPR, adjusting law and regulations to accede to international IPR conventions, enhancing Customs border measures, increasing penalties for infringement)
- 4) **Improving the enforcement of court decisions** (a new Code on Judgment Enforcement)
- 5) **Developing a set of independent administrative tribunals with due process and judicial review** (a new Law on Complaints to meet right to appeal requirements, still in development)
- 6) **Enhancing transparency** (elimination of the use of opaque official letters, publication of court decisions, enhanced reporting on National Assembly activities, development of an electronic Official Gazette, the use of web pages to encourage public comments on drafts laws and regulations)



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Making a Difference: **Legal Reforms Scheduled for Completion in 2004-05 Supported by STAR**

- 7) **Creating a legal framework for E-commerce and E-customs** (developing a new Electronics Transactions Law)
- 8) **Improving implementation of international treaties** (developing a new Law on International Treaties)
- 9) **Enhancing a legal framework for competition** (developing a new Competition Law)
- 10) **Developing securities markets** to mobilize capital more effectively (developing a new Securities Law)
- 11) **Implementing banking law reforms and developing 100% subsidiaries** (guidelines for revisions to Law on Credit Institutions)
- 12) **Opening wholesale and trade distribution networks** (circulars on trade and distribution)
- 13) **Revising the Customs Law**, supporting a large World Bank Funded Customs Modernization Program
- 14) **Supporting legal reforms** to bring the **telecommunications sector** into BTA and WTO compliance (Decree on Telecommunications)



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Making a Difference: **STAR** Support for Effective Implementation of New Laws

- 1) Systematic and on-going training programs for **judges, lawyers and enforcement agents** on IPR and commercial dispute resolution procedures
- 2) Support for improving **coordination of IPR enforcement efforts at local levels**
- 3) Training and technical workshops for key **National Assembly members and staff**
- 4) Training and technical workshops for **local government officials** in larger provinces
- 5) Publication and wide distribution of regular **Economic Reports on BTA Implementation**





Economic Impact of the BTA

- The Spectacular Trade Response to the BTA in 2002 and 2003:
 - Vietnam increases exports to the U.S. over 400% from \$1.0 to \$4.5 billion in just two years
 - Mostly export creation – leading to increased job opportunities
 - Major increases in manufacturing exports, largely clothing, in line with comparative advantage
 - U.S. becomes largest market for Vietnamese exports and manufactured exports become largest export sector
 - U.S. exports to Vietnam doubles in two years, spurred by sale of aircraft





Economic Impact of the BTA

- Spectacular Vietnamese export growth moderates in late 2003 and into 2004
 - effect of US-Vietnam Textile Agreement applying export quotas on Vietnamese clothing
 - anti-dumping cases applied against Vietnamese “catfish” and expected for shrimp
- Critical need to diversify types of exports to the US (and other developed markets), requiring new domestic and foreign investment and an ever-improving domestic business environment
- Full implementation of the BTA and speedy accession to the WTO – key to improving investment and business environment



2002/03 – Boom Years for Bilateral Trade Between Vietnam and the United States

Vietnam's Exports to the U.S. in 2002 and 2003 by Commodity Category

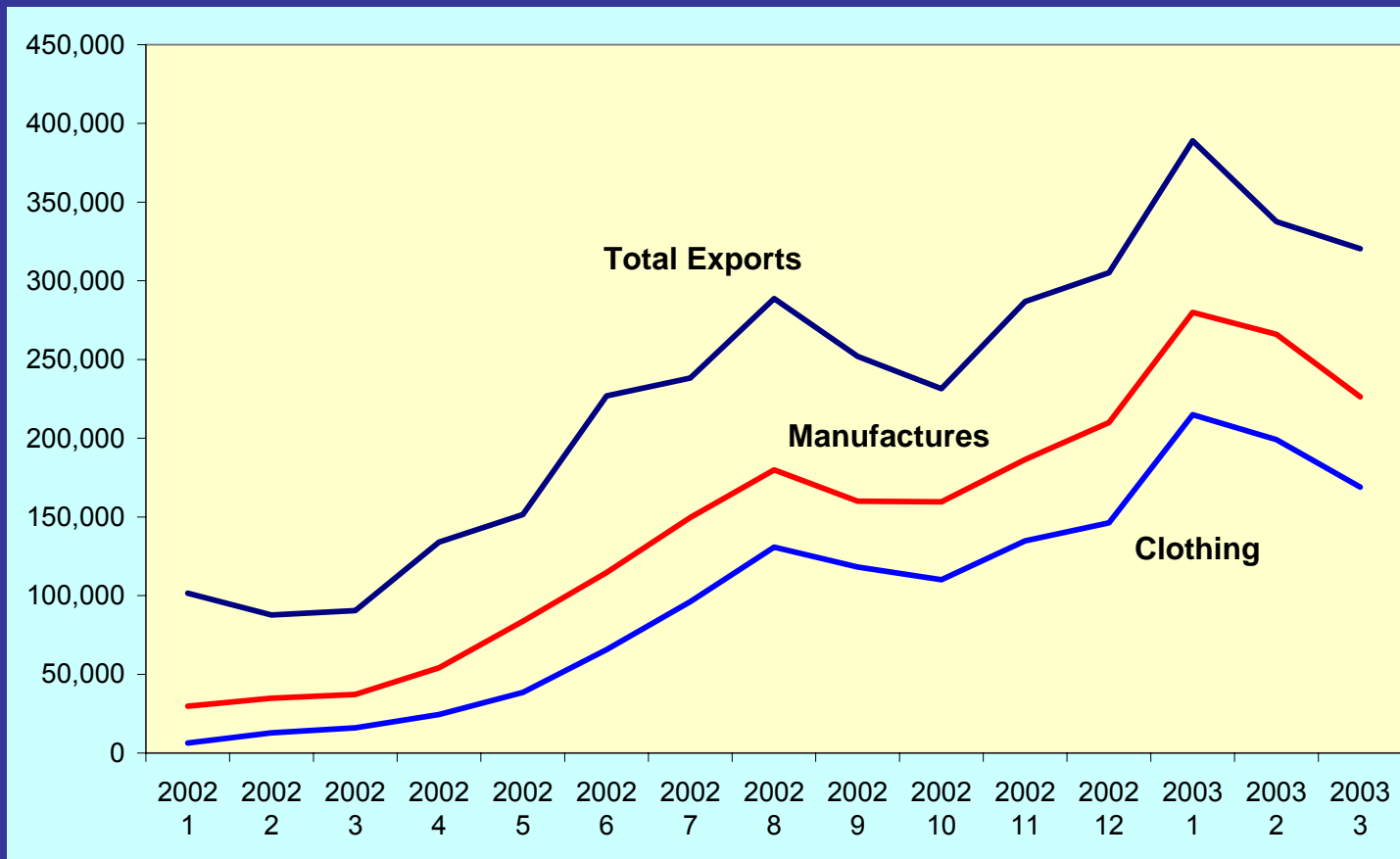
	2002 Exports (US\$ '000)	2002 Rate of Growth (%)	2003 Exports (US\$ '000)	2003 Rate of Growth %
VN Exports to US	2,394,745	128	4,554,860	90
Primary Products	994,286	21	1,274,979	28
Fish & seafood	616,028	29	732,135	19
Vegetables & fruit	76,000	52	106,001	39
Coffee	53,061	-30	76,301	44
Crude rubber	11,232	300	13,282	18
Petroleum	181,125	-1	277,565	53
Other primary	56,840	92	69,695	23
Manufactures	1,400,461	502	3,290,930	135
NM mineral products	19,590	115	27,939	43
Metal manufactures	8,381	137	15,559	86
Electrical appliances	4,950	270	4,141	-16
Furniture	80,441	499	187,774	133
Travel goods	49,535	5,422	85,955	74
Clothing	900,473	1,769	2,380,249	164
Footwear	224,824	70	327,300	46
Misc. manufactures	28,238	847	48,541	72
Other goods	84,029	297	213,472	154
NC Manufactures*	499,988	162	910,681	82
NCF Manufactures**	275,164	424	583,381	112

U.S. Exports to Vietnam in 2002 and 2003 by Commodity Category

	2002 Exports (US\$ '000)	2002 Rate of Growth (%)	2003 Exports (US\$ '000)	2003 Rate of Growth (%)
Total	580,155	26	1,324,440	128
Primary products	121,089	14	144,653	19
Food	49,330	0	48,281	-2
Textile fibers	30,213	0	39,660	31
Other primary	41,546	56	56,712	37
Manufactures	459,061	29	1,179,794	157
Fertilizer	26,004	34	24,231	-7
Plastics & products	25,035	26	35,216	41
Paper products	16,779	-5	21,131	26
Machinery	180,039	42	182,280	1
Transport equipment	91,268	51	739,259	710
Footwear parts	17,804	-8	22,627	27
Scientific equipment	15,440	-4	32,763	112
Other manufactures	86,692	16	122,287	41
Excluding Transportation Equipment				
Total Exports	488,887	23	585,181	20
Manufactured Exports	367,793	25	440,535	20



Vietnam's Exports to the U.S. in 2002/03 ('000 USD)

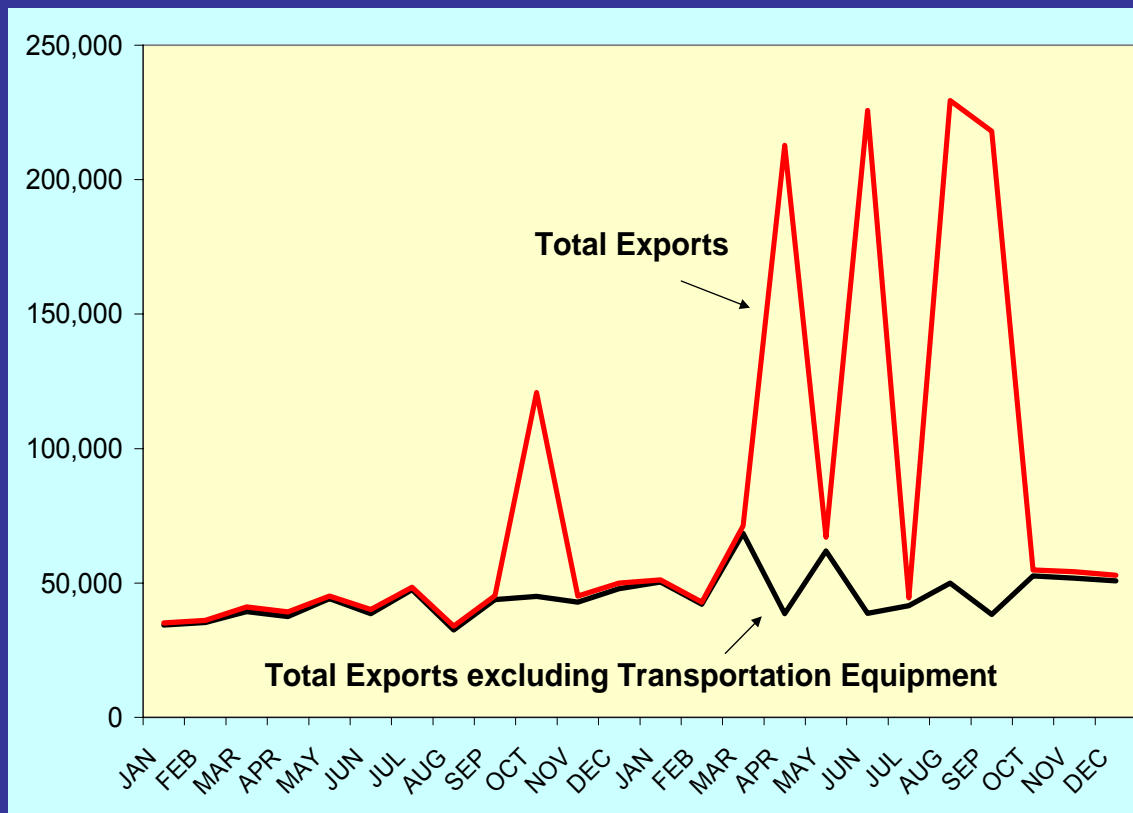


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Monthly U.S. Exports to Vietnam: 2002/03 ('000 USD)





Remaining Challenges

- A. Far more requests for TA support on major reforms than current Project resource levels can handle
- B. Building capacity for effective implementation of legal reforms
- C. Linking BTA implementation to pending WTO accession





Questions and Comments Welcomed!



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