

US-Vietnam Trade Forum

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- Thank you for inviting me to participate in this year's Vietnam-US Trade Forum.
- I have enjoyed participating in this event in the past and appreciate the chance to join today, although I very much wish I could be there with you in person.
- It is an exciting time in US-Vietnam relations.
- The announcement by Leaders in September that the two countries were elevating their relationship to a Comprehensive Strategic Partnership reflected the continued strong and growing ties between them since the normalization of relations 28 years ago and the enormous value the two sides place on their partnership.
- It also signified that neither side sees this as a static relationship, but a dynamic and growing one, with abundant promise of further cooperation and opportunities out into the future.

Summary of Economic Ties to Dates

- Of course, economic ties have been a big part of this story and a central pillar of the relationship.
- Trade grew quickly after the conclusion of our bilateral trade agreement and after Vietnam's accession to the WTO.
- It grew further still in anticipation of the benefits of the Trans-Pacific Partnership, even though the US ultimately withdrew from the agreement.
- In more recent years, Vietnam's strong and stable market, young and educated labor force, entrepreneurial spirit, and free trade network have made it a top beneficiary of the interest by many countries and companies in diversifying supply chains to ensure greater resilience and economic security.

- As a result of this shift of supply chains, among other factors, Vietnam saw the largest gain in market share in the US of any country. And the US became Vietnam's largest export market, accounting for nearly one-third of its goods exports.
- Vietnamese exports to the US this year continued to surge, growing by almost 15 percent just through September.
- US exports to Vietnam have not seen similarly strong growth, leading to a growing US trade deficit with Vietnam, and an issue worth keeping an eye on.
- But foreign direct investment continues to grow, with US companies across a range of sectors looking at the dynamic Vietnamese market, and increasing numbers of Vietnamese companies, including EV producers, seeing investment opportunities in the US market.

What Next?

- We welcome this remarkable growth in economic relations and its contribution to the overall relationship.
- At the same time, many are asking what's next and where do we go from here? How do we build on what has been achieved and promote further trade and investment that will fuel future competitiveness, growth, and development.
- I remain firmly of the view that best and most direct way to promote supply chain resiliency, the clean energy transition, the digital transformation, high labor and environment standards and our respective commercial and strategic interests would be through a free trade agreement, but that is not likely, at least for the time being.
- Still, there are other initiatives that could advance the Vietnam-US economic partnership and specific priorities of both.
- Let me outline a range of possibilities, which I believe should be pursued simultaneously because none are mutually exclusive.

IPEF

- The most obvious place to start is the Indo-Pacific Economic Framework, or IPEF, the initiative on which Vietnam and the US have been most focused over the past year.
- The 14 countries – including Vietnam and the US – are still working on the trade pillar of IPEF but have just concluded the three other pillars on supply chains, clean economy, and fair economy.
- The text of the agreement on these three pillars has not been made public but based on what has been released publicly so far, there may be some potential avenues to pursue in the supply chain and clean energy pillars.
- And in my experience, Vietnam has always been eager to seize the opportunities before it, be a first mover, and take risks to advance its economic goals for the country.
- The months ahead provide another chance to do just that and for Vietnam and the US to help try to translate the general commitments in IPEF into concrete benefits for both countries as well as other IPEF partners.
- Supply Chain Pillar. First, on the supply chain pillar, where the IPEF countries will establish new bodies to facilitate cooperation on supply chain issues.
- As envisioned under the Supply Chain Pillar, action plans would be developed to increase the resilience and competitiveness of critical sectors or key goods.
- Vietnam and the US should actively work together to lead the way in developing specific and detailed action plans to increase the resilience and competitiveness of sectors they both see as priorities, including semiconductors and critical minerals.
- And they should carefully link their efforts to advance the work in IPEF to bilateral work the two sides have agreed to pursue under the Comprehensive Strategic Partnership and other bilateral initiatives.
- On semiconductors, for example, the State Department announced in September that it is partnering with Vietnam to explore ways to grow and diversify the global semiconductor ecosystem under the International Technology Security and Innovation Fund created by the US CHIPS Act of 2022 --a \$100 million fund

over five years intended to promote the development and adoption of secure and trustworthy telecommunications networks and ensure semiconductor supply chain security and diversification.

- Under this partnership, the State Department said this work will begin with a review of Vietnam's current semiconductor ecosystem, regulatory framework, and workforce and infrastructure needs. And it said the outcome of this review will inform potential future collaboration on developing this critical sector.
- US and Vietnamese officials should closely coordinate this bilateral effort with the work under the Supply Chain pillar in IPEF, ensuring synergies that maximize benefits of these various supply chain initiatives.
- Similarly, on critical minerals, the IPEF countries announced a Critical Minerals Dialogue to strengthen the competitiveness and diversification of IPEF critical mineral supply chains, although we are awaiting further details on the agenda of this dialogue.
- In the meantime, in September, Vietnam and the US announced a bilateral Memorandum of Understanding strengthening technical cooperation to support Vietnam's efforts to quantify its rare earth elements resources and economic potential, attract investment, and meet high environmental social and governance standards.
- Following through on these initiatives and developing clear objectives for the work ahead is especially important because, according to the US Geological Survey, Vietnam has the second largest rare earth deposits after China, although they remain largely unmined.
- With the seemingly limitless demand for critical minerals, these various bilateral and plurilateral initiatives must be carefully coordinated and further developed to ensure they help mobilize the financing needed to enable development of secure supply and create the conditions necessary to ensure secure demand.
- In addition, Vietnam and the US should lead the way by agreeing to address barriers that could restrict trade in critical minerals and by establishing supply chain standards, drawing on existing international standards covering security, sustainability, and labor practices and principles many companies already have adopted.

- Clean Energy Pillar. Let me turn briefly to the IPEF clean energy pillar.
- IPEF envisions cooperation to support the development and deployment of clean energy technologies.
- The countries agreed to identify and advance economic clusters in the region that are focused on integrating innovative clean technologies, promoting clean energy supply chains, and engaging in decarbonization projects.
- One way they intend to do this is through cooperative work programs on specific technologies, starting with a regional hydrogen initiative, and exploring other topics such as sustainable finance, carbon markets, biofuels, clean electricity, and others.
- The US and Vietnam should also lead on these cooperative work programs to identify areas that are priorities to both. And they should work together closely to design them in a way that will attract the private sector finance needed for these initiatives to succeed.
- They also should lead collaboration on mutually recognized standards, methodologies, and certifications to promote interoperability between their economies.
- In addition, the two countries should ensure that these IPEF initiatives building on work already underway, including through the Just Energy Transition Partnership, an initiative involving many international partners to support Vietnam to deliver on its ambitious Net Zero 2050 goal, accelerate the peaking of its greenhouse gas emissions and transition away from fossil fuels to clean energy.

TIFA

- Beyond work the two sides may be able to do together under already announced bilateral initiatives and through IPEF, the US and Vietnam also should commit to reenergize their efforts to deepen trade ties through the Trade and Investment Framework Agreement, or TIFA.

- The TIFA provides a forum for resolving bilateral issues, and doing so can help boost trade and build trust between partners.
- But the two sides should not stop there. They should also use the TIFA to pursue new bilateral economic initiatives in areas not covered by IPEF or that build on and go beyond what will be included in IPEF.
- For example, they should consider negotiating detailed bilateral agreements on non-tariff barriers, customs, financial services, digital trade, intellectual property, and labor, which will further improve Vietnam's attractiveness as a trade and investment partner.
- The two countries also should consider negotiating sector-specific agreements to promote common regulatory approaches and standards in sectors where Vietnam and the US aim to increase trade and investment.
- Many sectors come to mind, but to name a few, automotive, information and communications technology, and pharmaceuticals and medical devices.
- By taking commitments that go beyond IPEF, the two countries can inject further momentum into the relationship, while Vietnam can further strengthen its regional and global competitiveness.
- Such cooperation would position Vietnam well were the opportunity to negotiate a Critical Minerals Agreement or even possibly a free trade agreement present itself in the future.

Conclusion

- Let me conclude with a few thoughts.
- First, there is no time to waste.
- Both the US and Vietnam need to move quickly to build on the momentum of recent months and ensure that the broad plans set out in the Comprehensive Strategic Partnership result in concrete and meaningful economic benefits for both sides.

- Both have many competing policy priorities, but it is critical not to let this work languish and risk missing the moment.
- Global companies are eyeing new investments in the region right now as they seek to diversify their supply chains and position themselves to respond to technology, environmental, and geopolitical developments.
- Second, it is important that the various economic initiatives on which Vietnam and the US are working together are considered coherently and as part of a clear, well organized, and systematic process.
- We already are pursuing a wealth of bilateral and regional initiatives across many areas, some overlapping and many which will require further development. They are run by different ministries and agencies, often in separate and stove piped channels, with no direct linkages between them.
- All of these initiatives may be potentially valuable and additive, but the governments need to establish a process for ensuring synergies between all these initiatives, and securing results that ideally are more than the sum of the various parts.
- It may be useful to name a senior official from each side to drive the bilateral coordination process and oversee efforts across workstreams. These officials could develop an annual roadmap on which they consult regularly to ensure the US and Vietnam are working toward common goals and can course correct if there are early signs that work is not on track to deliver tangible outcomes.
- Third, the US and Vietnams need to establish mechanisms for consulting closely and regularly with the private sector, whose expertise, advice, and resources will be needed to advance the governments' shared economic agenda.
- It may be useful to establish a cross-sectoral business advisory group to engage regularly with the governments on their priorities.
- Fourth, even as Vietnam and the US focus on opportunities for building the relationship out into the future, both need to be alert to indications of emerging trade frictions

- Both sides should commit to addressing expeditiously any bilateral issues that arise that could derail their broader efforts.
- And lastly, we have made much progress in strengthening our military, security, and political relations and now must focus on elevating our economic relations to an equal stature.
- Political developments may periodically pose challenges for the work ahead, but I believe the underlying common interests in building our commercial and broader strategic relationship are enduring.
- I am optimistic that we will succeed and have great hopes that together we can – as the theme of the conference – take our relationship to new heights.
- Again, thanks for inviting me and I hope today’s Forum is a great success.