

July 14, 2021

The Honorable Katherine Tai
U.S. Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Tai:

The undersigned organizations write today to convey concerns about persistent reports that the Office of the U.S. Trade Representative (USTR) may soon issue a list of goods imported from Vietnam from which the Biden administration would propose to levy Section 301 tariffs pursuant to the Trump administration's "currency manipulation" and "illegal timber" investigations. We urge USTR not to do so for either investigation.

Treasury's congressionally-mandated "Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States" issued in April concluded there is "insufficient evidence" that Vietnam manipulates its exchange rate. Treasury instead pledged "enhanced engagement" with Vietnam. Such engagement offers significant benefits: Financial diplomacy can help finance ministries and central banks mitigate imbalances and work together to guard against balance of payments problems.

Imposing Section 301 tariffs at a time when Treasury recently stated Vietnam is not manipulating its currency would undermine efforts to develop a more coherent framework for financial diplomacy. Such a move would leave foreign governments understandably confused — and less likely to heed Washington's advice.

To this point, the IMF's July 1 "[Concluding Statement](#)" from its 2021 Article IV Mission to the United States warned against the "entanglement of trade and currency issues," including the Section 301 investigation into Vietnam's alleged currency practices. It states in part: "Treating currency undervaluation as a subsidy to be countervailed raises concerns both in the finance and trade spheres and risks increased trade tensions and retaliation (with other countries replicating a similar approach, perhaps using their own standards and methodologies)... Instead, the U.S. should work constructively with its trading partners to better address the underlying macro-structural distortions that are affecting external positions."

In addition, there are questions about the current investigation into the use of illegally harvested timber. We believe an investigation by the Animal and Plant Health Inspection Service under the Lacey Act would be the more appropriate tool to use and not a Section 301 investigation.

The increase in imports from Vietnam over the past several years is largely an artifact of the U.S. application of substantial Section 301 tariffs on hundreds of billions of dollars' worth of imports from China. This has led importers to look to Vietnam, perhaps more than any other country in Asia, as a sensible, trustworthy alternative to China. Imposing Section 301 tariffs on goods from Vietnam in either investigation would be a peculiar response to developments that

are, in a sense, the hoped-for outcome of U.S. policy. In addition, imports of raw materials and industrial components are critical inputs used by U.S. manufacturers of finished goods, and Section 301 tariffs on these products would undermine U.S. manufacturers' competitiveness. Further, it would create additional global supply chain disruptions during one of the worst logistics crises by raising costs for U.S. workers, families, and businesses.

In addition, Vietnam is a major export market for U.S. job-creating manufacturing industries like textiles, chemicals, hardwood, aerospace and environmental and energy products as well as key agricultural products. Imports of raw materials from Vietnam are critical inputs used by U.S. manufacturers of finished goods. These American exports will almost certainly be subject to retaliatory tariffs if the Administration imposes tariffs on Vietnamese products.

Indeed, Vietnam has emerged as a valued partner of the United States in the context of the challenging U.S. relationship with China and more broadly. Since the normalization of U.S.-Vietnam relations more than two decades ago, multiple U.S. administrations have prioritized closer ties with a willing partner in Vietnam. If the United States were to impose Section 301 tariffs on goods from Vietnam, the Biden-Harris administration's efforts to strengthen alliances and partnerships across the Indo-Pacific region would suffer a serious setback.

A strong relationship with Vietnam is an important element of the administration's efforts to address geostrategic challenges and reassert American diplomatic and economic leadership in the region. If the administration has concerns about elements of the U.S. trading relationship with Vietnam, then engagement is required — not more tariffs.

Thank you for considering our views. We stand ready to engage with you and your team on these important issues.

Sincerely,

[names of associations in alphabetical order]

cc: The Honorable Janet Yellen, Secretary of the Treasury
The Honorable Gina Raimondo, Secretary of Commerce
The Honorable Antony Blinken, Secretary of State
The Honorable Tom Vilsack, Secretary of Agriculture
The Honorable Jake Sullivan, National Security Advisor
The Honorable Brian Deese, Director of the National Economic Council