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Statement of
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Prepared for
The Office of the U.S. Trade Representative

Regarding Docket Number USTR–2020–0037
Initiation of Section 301 Investigation: Vietnam's Acts, Policies, and Practices Related to Currency Valuation

Founded in 1969, National Taxpayers Union (NTU) is the "Voice of America's Taxpayers." We fight to ensure that all Americans are able to pursue their dreams without the heavy hand of government holding them back.

NTU urges you not to impose tariffs on Americans who import goods from Vietnam in retaliation for that country's allegedly unfair currency practices.

Our understanding is that one of the Trump administration's policy goals is to encourage diversification of supply chains outside of China. Imposing tariffs on Vietnam would undermine these efforts. Companies are obviously less likely to locate in countries like Vietnam instead of China if the goods they make will be subject to U.S. tariffs.

A better approach for the Trump administration and future administrations seeking to encourage supply chain diversification would be to reduce tariffs on goods from other countries.

The administration's Section 301 investigation appears to be based on allegations that Vietnam manipulates its currency in order to secure an advantage in international trade. The theory is that Vietnam can benefit at our expense by devaluing its currency to encourage exports and discourage imports.

This is a flawed theory that does not reflect reality.

According to data from the United Nations Comtrade Database, nearly three-fourths of Vietnam's imports are intermediate goods. Another 13 percent of its imports are capital goods like machinery. If Vietnam attempted to manipulate its currency in order to make its exports more competitive, the primary result would be to increase the cost of intermediate and capital goods it needs to compete in the global economy.

In other words, if Vietnam intervened in exchange markets and took other related actions to contribute to the undervaluation of its currency, any potential boost to exports would be wiped out by increasing the cost of inputs and capital goods for firms producing in Vietnam. That's also true for U.S.-Vietnam trade, since 89 percent of Vietnam's imports from the United States are either intermediate goods or capital goods.

If the United States is going to take any action, one constructive approach would be to use diplomatic tools to encourage Vietnam to emulate other countries, including both developing countries and developed countries like the United States, that have successfully attracted foreign investment by reducing import barriers.

Finally, unilateral U.S. tariff actions often fail to achieve their intended results. Instead of bowing to U.S. threats, foreign governments are more likely to retaliate against American exports.

For these reasons, NTU urges you not to impose new tariffs on imports from Vietnam. Such tariffs would be contrary to U.S. interests.