Information Technology Industry Council (ITI) Testimony
"Vietnam's Acts, Policies, and Practices Related to Currency Valuation," USTR 2020-0037
Submitted by Sam Rizzo, Senior Director of Policy
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Thank you for the opportunity to testify today with regard to the U.S. Trade Representative's (USTR) Section 301 Investigation of Vietnam's Acts, Policies, and Practices Related to Currency Valuation. My name is Sam Rizzo and I am Senior Director of Policy at the Information Technology Industry Council (ITI), where I lead on trade policy matters.

ITI represents the world's leading information and communications technology (ICT) companies. Our members are key drivers of growth and innovation in the U.S. economy. They depend on coherent, transparent approaches to trade policy that expand market access while respecting the complexity and investment required to operate ICT supply chains.

Vietnam is a key regional partner of the United States. It is of central importance to evolving global ICT supply chains in addition to being a significant market in and of itself.

Vietnam's role as a growing hub for trusted supply chain partners can be attributed to structural factors, its approaches to trade and investment policy, and recent U.S. and Chinese trade policy actions that have – at least in part by design – accelerated the diversification of supply chains in the Asia Pacific region, particularly as companies – including ITI member companies – have sought to shift supply chains out of China.

It is against this backdrop that we raise urgent substantive and procedural concerns with the use of Section 301 in this policy and bilateral context. While we recognize there may be legitimate concerns regarding Vietnamese currency valuation, the application of tariffs on goods imported from Vietnam – and ICT goods and components in particular – would prove counterproductive to addressing underlying policy concerns and would have far-reaching negative commercial and strategic repercussions for the United States.

Most immediately, a determination leading to the application of trade remedies would raise costs on U.S. consumers and firms for a wide range of products including consumer ICT devices such as mobile phones, tablets, laptops, scanners, printers, consoles, and associated components, at a time when these products are most critical to sustaining remote work, online learning, and U.S. economic activity more broadly.

With diversification of elements of the ICT supply chain out of China, companies have significantly increased reliance on Vietnam as a major source of suppliers. Imposing tariffs on products and components exported from Vietnam would pose immense challenges for the manufacture and export of critical ICT equipment and components, including semiconductors, microprocessors, 5G network equipment, and WIFI-enabling devices – which are often used in public buildings such as schools and hospitals.

These components and the stability of the supply chain are crucial to U.S. competitiveness with China as relates to advanced and emerging technology. At a time when the Administration is seeking to encourage the deployment of trusted technology, imposing tariffs on these products would undermine that policy.

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The notion that product component supply lines can be shifted and re-shifted overnight ignores the complexity, interconnectedness, and significant investment required to operate ICT supply chains.

Terminating a relationship with a supplier and establishing a contract with another of equal quality (assuming one exists) typically results in significant lost time and added costs. In these situations, market share could be lost and never regained. Moreover, the disruption of supply lines for intermediate components could in turn decrease U.S. exports of finished products.

All of these challenges have a direct impact on U.S. global competitiveness in key innovative technology sectors.

Where U.S. firms are already seeking to diversify their operations outside of China, the USG should take particular care to ensure that measures that may influence these business investment decisions are undertaken in a coordinated, strategic manner that takes into account the impact of such policies on the ability of U.S. technology firms to compete globally.

Finally, as Treasury's recent release of its latest *Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States* Report underscores, there are clearly defined and better-suited policy mechanisms for addressing Vietnam's alleged currency manipulation. Having labeled Vietnam a currency manipulator, the Secretary of the Treasury is in fact compelled to pursue enhanced bilateral engagement with Vietnam, and, barring sufficient progress, is afforded by law a range of policy actions for addressing U.S. concerns.

We believe the application of Section 301 tariffs would undermine this bilateral engagement and would fail to address the underlying concerns identified in both USTR's *Federal Register* notice and Treasury's Report.

In conclusion, the use of trade policy action in this context – and the application of tariffs in particular – would fail to account for the realities of the global marketplace, detract from the realization of broader U.S. strategic objectives in the region, and undermine U.S. government efforts to increase security of ICT supply chains. This comes at a time when the U.S. is already contending with the challenges of the pandemic and in which companies are recalibrating and diversifying supply chains in the region.

We urge USTR to refrain from imposing trade remedies and to contribute to a whole-of-government approach to tackling concerns around Vietnamese currency valuation that features bilateral engagement as the sole means of resolving substantive concerns.

We thank USTR and the interagency for its consideration of this testimony and look forward to continuing to work with U.S. policymakers should this investigation continue.