



# Trade Facts

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## **Vietnam's Accession to the World Trade Organization (WTO) Fact Sheet on Bilateral Market Access Agreement on Agricultural Goods**

U.S. agricultural exports to Vietnam exceeded \$192 million in 2005, almost 17 percent of total U.S. exports to Vietnam and over 20 percent more than in 2004. With a fast-growing economy and population, Vietnam represents a market of opportunity for U.S. agricultural exporters. As part of its accession, Vietnam has agreed to significantly reduce tariffs on a number of U.S. exports once it joins the WTO. It also agreed to adopt numerous improvements in its implementation of sanitary and phytosanitary measures, including on shelf-life requirements and other non-tariff measures that have the potential to hinder U.S. agricultural exports. For example, Vietnam now recognizes the U.S. system of approving beef, pork and poultry as 'equivalent' to its own. As part of the agreement, it is also eliminating BSE restrictions on all U.S. beef under 30 months of age immediately.

**Tariffs:** Vietnam's current average applied tariff on agricultural products is 27 percent. However, upon accession, tariffs on more than three-fourths of U.S. agricultural exports to Vietnam will be bound at a rate of 15 percent or less. These products include cotton, beef and pork offals, boneless beef, whey, almonds, grapes, apples, pears, raisins, cherries, and frozen fries.

**Sanitary and Phytosanitary Measures:** In the multilateral process, Vietnam has agreed to implement the WTO Agreement on Sanitary and Phytosanitary Measures upon accession. As a result, Vietnam will apply science-based sanitary and phytosanitary standards to all agricultural goods. Vietnam has already established an SPS inquiry point, ensuring transparency and responsiveness with regard to SPS regulatory affairs. As part of its WTO bilateral agreement with the United States, Vietnam has also taken steps to immediately address key issues of importance to the U.S. farmers and ranchers such as:

- **Equivalence:** Vietnam will recognize the U.S. food safety inspection systems for beef, pork and poultry as equivalent to its inspection systems.
- **Shelf-life and Biotechnology:** Vietnam will implement its regulations governing shelf-life and biotechnology in a non-trade disruptive manner, and committed to consult with the United States before implementing any changes to its current practices.
- **BSE:** Vietnam has agreed to allow bone-in beef and beef offal trade to resume upon signing of the bilateral agreement. This means Vietnam now will accept all U.S. beef and beef products from animals under 30 months of age.

## **Specific Products**

**Beef:** Tariffs on U.S. beef offals will be reduced from the MFN rate of 20 percent to 15 percent immediately and phased down to 8 percent over four years. Boneless beef will be cut from 20 percent to 14 percent over five years. The MFN duty on beef sausages, currently at 50 percent, will drop to 40 percent immediately and will be reduced to 22 percent over five years.

**Pork:** Tariffs on pork offals will be immediately cut from the MFN level of 20 percent to 15 percent with further reductions to 8 percent over four years. Tariffs on other key pork and pork products will be reduced by 50 percent over five years, including tariffs on hams and carcasses, which will fall from 30 percent to 15 percent in that timeframe. Rates on processed pork products will be reduced from 20 percent to 10 percent over five years.

**Dairy:** Whey tariffs will be reduced from 20 and 30 percent to 10 percent over five years, and will be harmonized early in the implementation period increasing the competitiveness of U.S. whey. MFN rates on cheese will be reduced from 20 percent to 10 percent immediately, and on ice cream from 50 percent to 20 percent over five years.

**Fruits:** Apples, grapes, and pear tariffs will be cut immediately from 40 percent to 25 percent and will be reduced further to 10 percent over five years. The rate on cherries will go from 40 percent to 10 percent over five years. The MFN duty on raisins will fall from 40 percent to 25 percent immediately with additional cuts to 13 percent over five years.

**Nuts:** Tariffs on nuts will be reduced significantly as a result of this agreement. The rate on almonds, walnuts and pistachios is currently 40 percent. The tariffs for shelled almonds and in-shell walnuts will be 10 percent after five years. Pistachios and in-shell almonds will face tariffs of 15 percent after three and five years, respectively.

**Processed Products:** The majority of U.S. processed product exports will be cut 50 percent or more. For example, Vietnam will reduce the MFN tariff on frozen fries and potato chips from 50 percent to 40 percent immediately. The rate on fries will be further reduced to 13 percent over six years and the rate for chips will fall to 18 percent over five years. Vietnam also will reduce the MFN rate on peanut butter from 50 percent to 40 percent immediately and then continue reductions to 18 percent over five years. Chocolates will be cut from 40 percent to 20-13 percent. Tariffs on cookies and cereals will fall from 40 percent to 15 percent over five years. The MFN duty on tomato paste will be reduced from 50 percent to 40 percent immediately and will then be cut to 20 percent over five years.

**Soybean Products:** Tariffs on soybeans will fall from 15 percent to 5 percent over three years. Tariffs on soybean oil also will be significantly reduced, from the MFN rate of 50 percent to 30 percent, with additional reductions to 20 percent over five years. Tariffs on soybean flour will be reduced from 30 percent to 8 percent over five years.

**Cotton and Hides and Skins** – Tariffs on cotton and hides and skins, currently two of the United States largest exports to Vietnam, will be bound at zero immediately.

**Grains** – Vietnam will bind its applied rate of 5 percent for both corn and wheat.