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U.S. to Investigate Vietnam for Currency Manipulation



10/02/2020 | 10:00pm EDT

By Josh Zumbrun

The Trump administration is launching an investigation into the trade practices of Vietnam, faulting the country for currency practices and invoking the same trade law the U.S. used in imposing sweeping tariffs on Chinese imports.

The Office of the U.S. Trade Representative Friday evening said it would pursue an investigation into Vietnam's "acts, policies, and practices that may contribute to the undervaluation of its currency and the resultant harm to U.S. Commerce."

The USTR cited its authority under Section 301 of the Trade Act of 1974 -- the same legal justification that allowed the Trump administration to impose tariffs on around \$370 billion a year of imports from China, the primary tool used in a U.S.-China trade face-off that has lasted more than two years.

In a statement, the USTR also said it would investigate Vietnam's import and use of illegally harvested or traded timber. The investigation into lumber could be limited in scope. Lumber is an input in Vietnam's burgeoning furniture manufacturers, but it isn't a factor for Vietnam's large textile or technology industries. An investigation into currency practices, however, potentially affects many items imported to the U.S. from Vietnam.

The Vietnam Trade Office in the U.S. didn't immediately respond to a request for comment.

Imports from Vietnam have grown rapidly in recent years, rising from \$14.9 billion a decade ago to \$66.6 billion last year, according to Commerce Department data. The country has been a popular destination for manufacturers looking to move out of China, either to avoid tariffs and other tensions between the U.S. and China or to seek lower labor costs.

"President Trump is firmly committed to combating unfair trade practices that harm America's workers, businesses, farmers, and ranchers," said Robert Lighthizer, the president's top trade adviser, in a statement. "Unfair currency practices can harm U.S. workers and businesses that compete with Vietnamese products that may be artificially lower-priced because of currency undervaluation."

Before tariffs can be authorized, the U.S. must conduct an investigation, give the public time to comment and write a report -- a process that takes months. In the case of the investigation into China, it took over six months to complete the report, and another three months before tariffs took effect. That means a decision on whether to move forward on tariffs against Vietnam will likely fall to whoever wins the U.S. presidential election in November.

The trade investigation is part of an intensifying U.S. critique of Vietnam's management of its currency. In August, the Treasury Department determined that Vietnam took actions that led to

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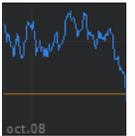


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The case is ongoing. The Treasury Department's determination paves the way for tariffs, but those tariffs would only have applied to passenger-vehicle tires.

The USTR's action on Friday didn't say what specific currency practices would be investigated, but when the Treasury Department examined the issue in the passenger-tire case, it said that the State Bank of Vietnam had depressed the exchange rate by purchasing \$22 billion of foreign-exchange reserves. Such actions can make a country's currency weaker, and therefore make its goods cheaper on international markets. The Treasury Department said Vietnam's currency was undervalued by 4.7%.

In a response to the earlier trade court case, Vietnam's trade minister Tran Tuan Anh disputed claims that Vietnam devalued its currency. In a letter filed as part of that case, he said that Vietnam has simply conducted normal monetary policies and that the policies are "not designed for the purpose of creating a competitive advantage for exports."

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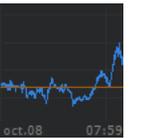
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