

Vietnam's Nonmarket Economy (NME) Status

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Shortly after [extending normal trade relations \(NTR\) status](#) to Vietnam in 2001, the United States designated Vietnam as a “[nonmarket economy](#)” (NME) for the purposes of antidumping (AD) and countervailing duty (CVD) investigations. The government of Vietnam has [long sought to remove](#) the designation, [arguing](#) it may hinder closer bilateral ties. During President Joseph Biden’s September 2023 visit to Hanoi, where he and then-Communist Party of Vietnam (CPV) Secretary-General Nguyen Phu Trong elevated the U.S.-Vietnam relationship to a “[comprehensive strategic partnership](#),” Biden agreed to review Vietnam’s request to review its NME status. The following month, the Department of Commerce [initiated an official review](#). During the review period, [some Members of Congress raised concerns](#) over whether Vietnam meets the conditions to be designated as a market economy. On August 2, 2024, [Commerce announced its decision](#) to sustain Vietnam’s NME designation, citing the Vietnamese government’s involvement in the economy, despite “substantive reforms,” as a factor for not lifting the designation.

U.S.-Vietnam Relations

Since 2010, the United States and Vietnam have forged a strategic partnership on many regional security and economic issues, prompted in part by shared concerns about China’s increased assertiveness in the region, and by burgeoning economic links. Over the last decade, Vietnam has become a major manufacturing center and one of the United States’ top ten trading partners. Top U.S. imports from Vietnam include consumer electronics, furniture, semiconductors and parts, apparel, and footwear. Vietnam is the second-largest source of U.S. apparel imports, after China. The September 2023 upgrade in relations was accompanied by several initiatives, including U.S. [pledges](#) to support Vietnam’s development of its semiconductor industry (including with \$2 million in U.S. government funds) and digital infrastructure (\$12 million). Additionally, agreements under the U.S.-led, 14-country [Indo-Pacific Economic Framework for Prosperity \(IPEF\)](#) negotiations, which includes Vietnam, may further deepen U.S.-Vietnam economic ties.

Under the *doi moi* (renovation) economic reforms that began in 1986, the Vietnamese government abandoned many aspects of central state planning, cut subsidies to state enterprises, reformed the price system, and opened the country to foreign direct investment (FDI). In a [2022 report](#), the Organisation for Economic Cooperation and Development (OECD) noted that the number of state-owned enterprises (SOEs) has decreased significantly, but SOEs still account for roughly 30% of the GDP. The [U.S. government](#) also actively monitors Vietnam’s currency practices, which were subject to U.S.

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investigations before the countries reached a [bilateral agreement](#) in July 2021. Vietnamese authorities limit daily fluctuations in the Vietnamese *dong* to [5% against the dollar](#), adjusted from 3% in 2022.

Nonmarket Economy Status under U.S. Trade Laws

The Commerce Department has the authority to designate countries as NMEs for the purpose of U.S. [AD/CVD laws](#). An [NME](#) is a country that Commerce determines “does not operate on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of merchandise.” In designating a country as an NME, Commerce considers the extent to which (1) the country’s currency is convertible; (2) its wage rates result from free bargaining between labor and management; (3) joint ventures or other foreign investment are permitted; (4) the government owns or controls the means of production; and (5) the government controls the allocation of resources and price and output decisions. Commerce may also consider other factors that it considers appropriate. An NME designation remains in effect until revoked by Commerce. There are currently [12 countries](#), including Vietnam, designated as NMEs.

While considering whether an NME is engaged in [dumping](#), Commerce uses factors of production from a comparable market economy country to calculate the normal value for merchandise alleged to have been dumped in the United States. An affirmative NME designation may lead to higher tariffs. These methods have raised concerns at the WTO that a subsidy may be offset twice when [both antidumping and countervailing duties](#) are applied to NME products.

After Commerce published the notice initiating [the review](#) of Vietnam’s NME status, interested parties submitted comments to [Regulations.gov](#) and Commerce held a public hearing on May 8, 2024. Some U.S. manufacturing groups urged Commerce to [maintain](#) Vietnam’s NME status, arguing that Vietnam has not met the statutory conditions (above) to lift the NME designation. [Others](#) promoted removal of the designation, citing the country’s [overall reforms](#), including openness to foreign investment, free bargaining of wages, and currency convertibility.

Considerations for Congress

In conducting oversight, Congress may consider the potential implications of an NME designation on U.S.-Vietnam trade, and overall bilateral relations. According to [press accounts](#), Vietnamese government officials have expressed regret over Commerce’s decision to sustain Vietnam’s NME status and some analysts have stated that the decision might hinder bilateral relations.

Congress may consider the extent to which Vietnam’s economic reforms might be sufficient to satisfy the statutory conditions should Vietnam submit future requests for review. During the review period, some Members of Congress argued that Vietnam does not meet the conditions, including the prominence of [state-owned enterprises \(SOE\)](#) in Vietnam’s economy, [“severe deficiencies” in Vietnam’s labor laws](#), and potential [harm to U.S. industries and workers](#). The Commerce Department stated in its [decision](#) that despite Vietnam’s market-oriented reforms, the government “remains entrenched in many aspects of the Vietnamese economy,” including foreign exchange intervention, control of labor unions, and “significant state ownership and control over the means of production.”

Other options for Congress might include linking the decision to other policy areas, such as Vietnam’s human rights records, which some [observers say](#) is poor and worsening, and/or foreign assistance. The Vietnam Human Rights Act (H.R. 3172), which would prohibit U.S. assistance to Vietnam’s Ministry of Public Security and require the executive branch to put more emphasis on ensuring internet freedom in Vietnam, could be a potential vehicle for Members of Congress who would like to maintain the NME status irrespective of economic policy changes.

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