



Vietnam Push for Non-Market Economy Status

For Prelims: Economic and Social Development, [Anti-dumping duties](#), Types of Economies, [World Trade Organisation \(WTO\)](#).

For Mains: Recent development in [India US relations](#), geopolitical challenges and way forward, [India-Vietnam Relations](#).

[Source: IE](#)

Why in News?

Vietnam has urged the **United States** administration to promptly reclassify its status from "**non-market economy**" to "**market economy**".

- This would provide relief to Vietnam, as currently goods imported from Southeast Asian nations are **facing high taxes** on imports.

What is USA's Concept of Non-Market Economies (NME)?

- **About:**
 - In US, a **Non-Market Economy (NME)** refers to any foreign country that the **US Department of Commerce** determines **does not follow market-based cost or pricing structures**. Consequently, sales of goods in such countries may not accurately reflect their fair value.
 - Countries in this list are Armenia, Azerbaijan, Belarus, China, Georgia, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Vietnam.
- **Criteria:**
 - The **United States** designates a country as **non-market economy** based on several factors namely:
 - If the country's currency is **convertible**.
 - If wage rates are determined by free bargaining between labour and management.
 - If joint ventures or other **foreign investment** are allowed
 - Whether the means of production are owned by the state.
 - If the state controls the allocation of resources and price and output decisions.
 - Other factors like **human rights**.
- **Anti-Dumping Duty on Non-market Economy:**
 - The designation of a '**non-market economy**' allows the US to levy **Anti-dumping duties** on products imported from designated countries.
 - **Dumping** in international trade occurs when a country deliberately sets its **export prices lower than its domestic prices**, causing **harm to industries in the importing country**.
 - **Anti-dumping duties** are tariffs imposed by a country's government on imported goods that are sold at unfairly low prices, typically below their market value or the cost of production.

- These duties are intended **to protect domestic industries from the harmful effects of dumping**, which can include undercutting prices, harming domestic producers, and distorting competition.
- **Determining the Level of Anti-Dumping Duty:**
 - The US determines anti-dumping duties for non-market economies like Vietnam **by comparing the product's value to a third country**, such as Bangladesh, which is considered a market economy, and that value is then assumed to be the production cost for the company in the non-market economy.
 - This method is used because **non-market economies may not have transparent pricing mechanisms**, leading to reliance on surrogate countries for comparison.
- **NME and World Trade Organisation (WTO):**
 - The [WTO](#) **does not explicitly recognize or endorse the NME status**. However, it allows members to use alternative methodologies to calculate normal values in antidumping investigations.
 - The [WTO Antidumping Agreement](#) provides flexibility for members to choose an appropriate methodology for NMEs. It does not prescribe a specific approach.

What is market Economy?

- It is a system in which **production decisions and the prices of goods and services** are **guided primarily by the interactions of consumers and businesses**, i.e. the law of supply and demand is allowed to determine what is available and at what price.
 - A market economy gives entrepreneurs the freedom to pursue profits by creating new products, and the freedom to fail if they misread the market.

What are Vietnam's Arguments Regarding its Non-Market Economy (NME) Status?

- **Vietnam's Arguments:**
 - **Currency Convertibility:** Vietnam's currency is **convertible** into other currencies transparently based on market principles.
 - **Wage Determination:** Wage rates result from **free bargaining** between labour and management.
 - **Foreign Investment:** Foreign investment is **permitted**, and Vietnam has become an attractive destination for it.
 - **Means of Production:** The government does not **own or control** the means of production significantly.
 - **Resource Allocation:** The government does not have significant control over **resource allocation** or price/output decisions.
 - **Market Principles:** Vietnam's economy operates on **market principles**, including legal frameworks, corporate governance, and diversified foreign relations.
 - **Flaws in Calculations:** **Vietnam's Center for WTO and International Trade** has said that the method used to calculate anti-dumping duties is flawed because it results in artificially high dumping margins, which do not accurately reflect the actual practices of Vietnamese companies.
- **US Apprehensions:**
 - The US Commerce Department is currently reviewing Vietnam's status.
 - The US steelmakers and the American Shrimp Processors Association have asked the US administration not to change Vietnam's status to a market economy.
 - They cited Vietnam's restrictions on land ownership, weak labour laws, and lower shrimp duties that would hurt their members as reasons for their request.
 - The change in Vietnam could benefit Chinese state firms invested in Vietnam by allowing them to bypass US tariffs more easily.



What is the Status of India and Vietnam's Bilateral Trade?

- India and Vietnam share **traditionally close and cordial bilateral relations**. Over the years, their economic ties have strengthened significantly.
- **Financial Year (FY) April 2020 - March 2021:**
 - Bilateral trade between India and Vietnam reached **USD 11.12 billion**.
 - Indian exports to Vietnam amounted to **USD 4.99 billion**.
 - Indian imports from Vietnam stood at **USD 6.12 billion**.
- **Recent Trends:**
 - In **2022**, bilateral trade continued to grow, reaching **USD 15 billion**.
 - Vietnam is India's **15th largest trading partner**, and India is Vietnam's **8th trading partner** globally.

Read more: [India and Vietnam Relations](#)

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. In the Mekong-Ganga Cooperation, an initiative of six countries, which of the following is/are not a participant/ participants? (2015)

1. Bangladesh

2. Cambodia
3. China
4. Myanmar
5. Thailand

Select the correct answer using the code given below:

- (a) 1 only
(b) 2, 3 and 4
(c) 1 and 3
(d) 1, 2 and 5

Ans: (c)

Q. Consider the following pairs: (2020)

| | River | Flows into |
|----|--------------|-------------------|
| 1. | Mekong | Andaman Sea |
| 2. | Thames | Irish Sea |
| 3. | Volga | Caspian Sea |
| 4. | Zambezi | Indian Ocean |

Which of the pairs given above is/are correctly matched?

- (a) 1 and 2 only
(b) 3 only
(c) 3 and 4 only
(d) 1, 2 and 4 only

Ans: (c)

Mains:

Q. 'What introduces friction into the ties between India and the United States is that Washington is still unable to find for India a position in its global strategy, which would satisfy India's National self-esteem and ambitions'. Explain with suitable examples. **(2019)**