



## 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 **15<sup>th</sup> largest trading partner**, and India is Vietnam's **8<sup>th</sup> 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)**

	<b>River</b>	<b>Flows into</b>
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)**