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# U.S.-Vietnam Relations: Background and Issues for Congress

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# U.S.-Vietnam Relations: Background and Issues for Congress


## Summary

After communist North Vietnam's victory over U.S.-backed South Vietnam in 1975, U.S.-Vietnam relations remained essentially frozen until the mid-1990s. Since then, bilateral ties have expanded remarkably, to the point where the relationship has been virtually normalized. Indeed, since 2002, overlapping strategic and economic interests have compelled the United States and Vietnam to improve relations across a wide spectrum of issues. Congress played a significant role in the normalization process and continues to influence the state of bilateral relations. Voices favoring improved relations have included those reflecting U.S. business interests in Vietnam's reforming economy and U.S. strategic interests in expanding cooperation with a populous country — Vietnam has over 85 million people — that has an ambivalent relationship with China. Others argue that improvements in bilateral relations should be conditioned upon Vietnam's authoritarian government improving its record on human rights. The population of over 1 million Vietnamese Americans, as well as legacies of the Vietnam War, also drive continued U.S. interest.

Economic ties are the most mature aspect of the bilateral relationship. Since the United States extended conditional normal trade relations (NTR) to Vietnam in 2001, bilateral trade — primarily imports from Vietnam — has increased more than sixfold, to the point where the United States is now Vietnam's largest export market. The final step toward full economic normalization was accomplished in December 2006, when Congress passed and President Bush signed H.R. 6111 (P.L. 109-432), extending permanent normal trade relations (PNTR) status to Vietnam. For years, the United States has supported Vietnam's market-oriented economic reforms, which many credit with Vietnam's extraordinary economic performance; annual gross domestic product (GDP) growth has averaged over 7% for the past twenty years. Since the early 1990s, poverty levels have been halved, to less than 30%.

Since 2002, the United States and Vietnam have expanded political and security ties, symbolized by reciprocal summits that have been held annually since 2005. In 2005, the United States and Vietnam signed an international military education training (IMET) agreement. Vietnam is one of the largest recipients of U.S. assistance in East Asia; estimated U.S. aid in FY2007 surpassed $90 million, much of it for health-related activities. In September 2007, the House passed the Vietnam Human Rights Act, H.R. 3096, which would freeze some non-humanitarian U.S. assistance programs at existing levels if Vietnam does not improve its human rights situation. A wave of arrests of dissidents in 2006 and 2007 heightened U.S. concerns about human rights in Vietnam.

Vietnamese leaders have sought to upgrade relations with the United States due in part to worries about China's expanding influence in Southeast Asia and the desire for continued U.S. support for their economic reforms. Many argue, however, that there is little evidence that Hanoi seeks to balance Beijing's rising power. Also, some Vietnamese remain suspicious that the long-term U.S. goal is to end the Vietnamese communist party's monopoly on power through a "peaceful evolution" strategy.

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## Major Developments in 2007[1]

**June 2007 Summit.** Against a backdrop of a gradual expansion of U.S.-Vietnam relations, Vietnamese President Nguyen Minh Triet met with President Bush in Washington on June 22, 2007. It was the first such visit by a Vietnamese head of state since the end of the Vietnam War. Triet also met with some Members of Congress. As expected, economic ties and human rights were the dominant issues. The two countries signed a trade and investment framework agreement (TIFA) to expand trade and resolve outstanding disputes. President Triet, who traveled with a contingent of Vietnamese business officials, visited the New York Stock Exchange and the U.S. Chamber of Commerce, and oversaw the signing of billions of dollars worth of private commercial deals.

**Vietnam Country Data**

**Area:** 329,560 km$^2$ (slightly larger than New Mexico)

**Population:** : 85.2 million (July 2007 est.)
**Population Growth Rate:** 1.0% (U.S. = 0.89%)
**Median Age:** 26.4 years (U.S. = 36.6 yrs.)
**Life Expectancy:** 71.1 years (U.S. = 78 yrs.)
**Literacy Rate:** 90.3%
**Ethnic Groups:** Kinh (Viet) 86.2%

**Per Capita GDP:** $3,100 (2006) purchasing power parity basis (U.S. = $43,800)
**Primary Export Partners*:** US 21.2%, Japan 12.3%, Australia 9.4%, China 5.7% (2006)
**Primary Import Partners***: China 17.7%, Singapore 12.9%, Taiwan 11.5%, Japan 9.8%, South Korea 8.4% (2006)
**Dong:Dollar Exchange Rate** (avg.): 16,079 (2007), 15,983 (2006), 15,746 (2005)

Sources: CIA World Factbook, December 13, 2007; 2007 exchange rate estimate is from the Economist Intelligence Unit.
* figures represent commodity trade

On human rights, during the leaders' joint public appearance, President Bush stated that he and Triet had "frank and candid" discussions, and stated that "in order for relations to grow deeper ... it's important for our friends to have a strong commitment to human rights and freedom and democracy." President Triet said that he and Bush had a "direct and open exchange of views" on human rights, and stated that "we are also determined not to let those differences afflict our overall, larger interest." Protestors criticizing Vietnam's human rights record followed President Triet during his visit.

For weeks, the meeting reportedly had been in jeopardy because of U.S. concerns over Vietnamese authorities' arrest of a number of Vietnamese dissidents since late 2006. According to one report, the United States extended a formal

[1] Information for this report not otherwise sourced came from a variety of news articles, scholarly publications, government materials, and interviews by the author.

invitation to Triet only in early June 2007, after Vietnam agreed to release some dissidents.

**A Wave of Arrests of Vietnamese Dissidents.** Vietnam is a one-party, authoritarian state ruled by the Vietnamese Communist Party (VCP). For the past several years, the VCP appears to have followed a strategy of permitting most forms of personal and religious expression while selectively repressing individuals and organizations that it deems a threat to the party's monopoly on power. For instance, those who call for multi-party democracy are arrested and/or harassed, and in 2006 a number of groups appeared and publicly called for peaceful democratic change. The government responded by arresting many participants, with estimates of the number ranging from dozens to hundreds. The arrests, which appear to have peaked between March and April 2007, may have been part of a strategy to decapitate the dissident organizations, some of which have connections to Vietnamese Americans. It is unclear how much support these groups have within the broader population or to what extent the groups reflect and influence ongoing debates that are believed to be taking place within the VCP. In comments to reporters during his trip to the United States, President Triet defended Vietnam's human rights record and legal regime.[2]

The White House and the State Department criticized the arrests, most notably by President Bush and Vice President Cheney's 45-minute meeting in late May 2007 with a group of Vietnamese-American human rights activists. Many Members of Congress also spoke out, including through the House's passage (by a vote of 404-0) of H.Res. 243, calling on Hanoi to release political prisoners. To protest the arrests, Congressman Earl Blumenauer resigned his position as chairman of the U.S.-Vietnam Congressional Caucus in May 2007.[3] In September 2007, the House passed the Vietnam Human Rights Act, H.R. 3096, which would freeze some non-humanitarian U.S. assistance programs to the Vietnamese government at existing levels if Vietnam does not make changes in its human rights situation. The bill has not seen action in the Senate. (See "The Vietnam Human Rights Act," below.)

**Military Ties Expand.** In early April 2007, the United States modified International Traffic in Arms Regulations (ITAR) regarding Vietnam by allowing licenses for trade in certain non-lethal defense items and services to Vietnam. Such transactions will be reviewed on a case-by-case basis. In May 2007, U.S. Pacific Command Deputy Commander, Lieutenant General Dan Leaf, led a military delegation to Hanoi and the Vietnamese Air Force Academy in Nha Trang. During his visit, the two sides discussed possible joint search and rescue exercises, possible Vietnamese attendance at U.S. military academies, future military medicine and information technology training programs, and Vietnam's request for replacement parts for existing equipment.[4] In its budget request to Congress, the Bush

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[2] Foster Klug, "Vietnamese President Discounts Criticism," Associated Press, June 23, 2007.

[3] "Blumenauer quits the US - Vietnam Caucus," *OregonLive.com*, May 27, 2007.

[4] David Griesmer, "Vietnam Visit Strengthens Military Ties," U.S. Pacific Command (continued...)

Administration requested about $200 million in International Military Education Training (IMET) funding, double the estimated FY2007 level.

**Vietnam's Bid for a U.N. Security Council Seat.** In the fall of 2007, the United Nations General Assembly elected Vietnam to be the Asian group's non-permanent representative on the U.N. Security Council for the 2008-2009 term. This will provide numerous opportunities for the United States and Vietnam to engage one another on a range of strategic issues, including sensitive ones such as Burma. After Vietnam's election to the Security Council, the Vietnamese Foreign Ministry broke from its traditional supportive public stance toward the Burmese regime to issue a statement calling on Burmese authorities to cooperate with the U.N. and its special envoy to Burma.

**Trade and Investment Framework Agreement (TIFA) Talks Held.** In December 2007, United States and Vietnamese trade officials held their first meeting under the new bilateral TIFA. The two sides reportedly discussed Vietnam's compliance with its WTO commitments in distribution and other service sectors, as well as other issues. The U.S. urged Vietnam to improve enforcement of intellectual property protection, a perennial point of friction. Vietnamese officials requested additional technical assistance for their reform efforts, which the United States aid programs have supported.[5] The talks were held against the backdrop of a steadily expanding bilateral trade; in the ten months after Vietnam joined the WTO in January 2007, year-on-year merchandise trade between the two countries increased by over 25%.

**Renewed Sino-Vietnamese Tensions over South China Sea Claims.** Disputes between Vietnam and China over the Paracel and Spratly Islands resurfaced in 2007, most notably in December when the Vietnamese government allowed anti-Chinese demonstrations outside the Chinese embassy in Hanoi and consulate in Ho Chi Minh City. The protestors were angered by reports that Beijing had created a new municipality in Hainan Province that would have jurisdiction over three islets claimed by Vietnam. China reportedly also has told international oil companies they will be excluded from the Chinese market if they participate in Vietnamese exploration projects in the disputed waters.[6]

# Introduction

Since the early 1990s, U.S.-Vietnam relations have gradually been normalizing, as the end of the Cold War erased the need for the United States to attempt to isolate the communist government that defeated the U.S.-backed South Vietnam in 1975.

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[4] (...continued)
Public Affairs, May 16, 2007.

[5] United States Trade Representative, "United States and Vietnam Hold First Meeting Under Trade and Investment Framework Agreement," December 17, 2007.

[6] Roger Mitton, "Vietnam Sees Second Weekend of Anti-China Protests," *Straits Times*, December 17, 2007.

Currently, factors generating interest in the relationship include growing trade and investment flows, the large ethnic Vietnamese community in the United States, the legacy of the Vietnam War, increasing interaction through multilateral institutions, and shared concern over the rising strength of China. U.S. goals with respect to Vietnam include developing more amicable relations, bringing the country more into the mainstream of nations, opening markets for U.S. trade and investment, furthering human rights and democracy within the country, and maintaining U.S. influence in Southeast Asia. The array of policy instruments the United States employs in relations with Vietnam includes trade incentives, foreign assistance, cooperation in international organizations, diplomatic pressures, and educational outreach.

For Vietnam's part, since the mid-1980s, Hanoi essentially has pursued a three-pronged national strategy, in which the United States has loomed large: (1) prioritize economic development through market-oriented reforms; (2) pursue good relations with Southeast Asian neighbors that provide Vietnam with economic partners and diplomatic friends; and (3) repair and deepen its relationship with China, while simultaneously buttressing this by seeking a great power counterweight to Chinese ambition.[7] There are a number of possible reasons Vietnam has sought to upgrade its relationship with the United States. Vietnam had an interest in facilitating its application to join the World Trade Organization (WTO), a move that required U.S. (and congressional) approval and was accomplished in 2007. At the strategic level, Vietnam may be seeking to offset China's increased economic, political, and cultural influence in Southeast Asia. Additionally, the Vietnamese undoubtedly hoped to smooth the way for President Bush's trip to Hanoi in 2006, when Vietnam hosted the Asia-Pacific Economic Cooperation (APEC) forum summit, as well as President Triet's visit to Washington in 2007. With no summits on the horizon and WTO accession secured, it will be interesting to see if Vietnam continues its outreach to the United States, particularly in the area of human rights.

Ultimately, the pace and extent of the improvement in bilateral relations likely is limited by several factors, including Hanoi's concerns about upsetting Beijing, U.S. scrutiny of Vietnam's human rights record, the Vietnamese military's historical wariness of working with the United States, and Vietnamese suspicions that the United States' long-term goal is to end the Vietnamese Communist Party's (VCP) monopoly on power through a "peaceful evolution" strategy.

Throughout the process of normalizing relations with Vietnam, Congress has played a significant role. Not only has Congress provided oversight and guidance, but it has shaped the interaction by imposing constraints, providing relevant funding, or by its approval process for agreements.

This report provides an overview of U.S. relations with Vietnam, including policy issues, the economic and political situation in Vietnam, and a list of pertinent legislation. The key issues in the relationship include how far to pursue strategic and military-to-military ties; whether to impose curbs on surges in imports of certain

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[7] Marvin Ott, "The Future of US-Vietnam Relations," Paper presented at The Future of Relations Between Vietnam and the United States, SAIS, Washington, DC, October 2-3, 2003.

items from Vietnam; how much and what types of bilateral economic assistance to provide; whether and how to try to improve the human rights situation in Vietnam; and how to clear up legacy issues from the Vietnam war.

# U.S.-Vietnam Relations, 1975-2000

U.S.-Vietnam diplomatic and economic relations were virtually nonexistent for more than 15 years following communist North Vietnam's victory in 1975 over U.S. ally South Vietnam. During that time, the United States maintained a trade embargo and suspended foreign assistance to unified Vietnam.

## Policy Initiatives During the Carter Administration

Early in his term, President Carter's Administration took several steps to improve relations with Vietnam. In 1977, the United States dropped its veto of Vietnam's application for U.N. membership, and the United States proposed that diplomatic relations quickly be established between the United States and Vietnam, after which the United States would lift export and asset controls on Vietnam. The Vietnamese responded that they would neither agree to establish relations nor furnish information on U.S. POW/MIAs until the United States pledged to provide several billion dollars in postwar reconstruction aid, which they claimed had been promised by the Nixon Administration. Subsequently, they modified this position and provided some limited information on MIAs, even though the United States provided no aid. In 1977, both houses of Congress went on record as strongly opposing U.S. aid to Vietnam.

Vietnamese actions in 1978 in particular had a long-term negative effect on U.S.-Vietnamese relations. Vietnam expelled hundreds of thousands of its citizens (many of Chinese origin) who then became refugees throughout Southeast Asia; aligned itself economically and militarily with the USSR; and invaded Cambodia, deposing the pro-Chinese Khmer Rouge regime and imposing a puppet Cambodian government backed by 200,000 Vietnamese troops. China conducted a one month military incursion along Vietnam's northern border in 1979 and kept strong military pressure on the North until 1990. In the face of these developments, the Carter Administration halted consideration of improved relations with Vietnam. It worked closely with the members of the Association of Southeast Asian Nations (ASEAN — then made up of Indonesia, Malaysia, the Philippines, Singapore, and Thailand) to condemn and contain the Vietnamese expansion and to cope with the influx of refugees from Indochina.

## Developments During the Reagan and Bush Administrations

The Reagan Administration opposed normal relations with Hanoi until there was a verified withdrawal of Vietnamese forces from Cambodia, a position amended in 1985 to include a verified withdrawal in the context of a comprehensive settlement. Administration officials also noted that progress toward normal relations depended on Vietnam fully cooperating in obtaining the fullest possible accounting for U.S. personnel listed as prisoners of war/missing in action (POW/MIAs).

As Vietnam withdrew forces from Cambodia in 1989 and sought a compromise peace settlement there, the Bush Administration decided in 1990 to seek contacts with Hanoi in order to assist international efforts to reach a peace agreement in Cambodia. Regarding the issue of the POW/MIAs, following a visit to Hanoi in 1987 by General John Vessey, President Reagan's Special Emissary for POW-MIA Issues, Vietnam returned hundreds of sets of remains said to be those of U.S. MIAs. Some, but not most, were confirmed as American. Altogether, from 1974 to 1992, Vietnam returned the remains of more than 300 Americans. Virtually all U.S. analysts agree that the Vietnamese "warehoused" several hundred remains and tactically released them in increments.

In April 1991, the United States laid out a detailed "road map" for normalization with Vietnam, welcomed Vietnam's willingness to host a U.S. office in Hanoi to handle POW/MIA affairs, and pledged $1 million for humanitarian aid (mainly prosthetics). The U.S. office began operation in mid-1991. Also in 1991, the United States eased travel restrictions on Vietnamese diplomats stationed at the United Nations in New York and on U.S. organized travel to Vietnam.

In 1992, Vietnamese cooperation on POW/MIA matters improved, especially in the area of allowing U.S. investigators access to pursue "live sightings" reports. That year, the United States provided $3 million of humanitarian aid (mainly prosthetics and aid to abandoned or orphaned children) for Vietnam; restored direct telecommunications with Vietnam; allowed U.S. commercial sales to meet basic human needs in Vietnam; and lifted restrictions on projects carried out in Vietnam by U.S. nongovernmental organizations. The United States provided aid to Vietnamese flood victims and provided additional aid for combating malaria problems.

Coinciding with these developments, the Senate Select Committee on POW/MIA affairs conducted what many consider the most extensive independent investigation of the POW/MIA issue ever undertaken. The committee, chaired by John Kerry and vice-chaired by Bob Smith, operated from August 1991 to December 1992. In early 1993, the committee issued its report, which concluded that there was "no compelling evidence" that POWs were alive after the U.S. withdrawal from Vietnam, and that although there was no "conspiracy" in Washington to cover up live POWs, the U.S. government had seriously neglected and mismanaged the issue, particularly in the 1970s. The committee's televised hearings arguably helped lay the domestic political foundation for the incremental breakthroughs in U.S.-Vietnam relations that followed.

Apart from Cambodia and the POW/MIA matter, the Reagan and Bush Administrations concerned themselves with a third problem — humanitarian issues. Major progress in negotiations with Vietnam resulted in plans to: (1) facilitate emigration from Vietnam of relatives of Vietnamese-Americans or permanent Vietnamese residents of the United States; (2) regulate the flow of Vietnamese immigrants to the United States and other countries under the so-called Orderly Departure Program (ODP) managed by the U.N. High Commissioner for Refugees; (3) resolve the issue of the estimated several thousand Amerasians (whose fathers are Americans and whose mothers are Vietnamese) who reportedly wished to immigrate from Vietnam to the United States; and (4) obtain release from Vietnamese prison

camps and the opportunity to immigrate to the United States of thousands of Vietnamese who worked for the United States in South Vietnam or were otherwise associated with the U.S. war effort. Meanwhile, U.S. officials in Congress and the Administration expressed repeatedly their concern about the large numbers of political prisoners said to be in Vietnam.

## Developments During the Clinton Administration

Early moves to improve relations during the Clinton Administration included the President's announcement on July 2, 1993, that the United States would no longer oppose arrangements supported by France, Japan, and others allowing for resumed international financial institution aid to Vietnam; however, he said the U.S. economic embargo on Vietnam would remain in effect. A high-level U.S. delegation visited Hanoi in mid-July to press for progress on POW/MIAs. The delegation also disclosed that U.S. consular officials would henceforth be stationed in Hanoi. President Clinton's September 13, 1993 renewal of his authority to maintain trade embargoes included a less restrictive version of the one on Vietnam that allowed U.S. companies to bid on development projects funded by international financial institutions in Vietnam. Also in September 1993, the Administration approved $3.5 million in U.S. aid to extend two humanitarian programs (prostheses and orphans) in Vietnam. Members of Congress played an important behind-the-scenes role in encouraging the Clinton Administration to take many of these, and subsequent, steps.[8]

On February 3, 1994, President Clinton ordered an end to the U.S. trade embargo on Vietnam. The action came after many months of high-level U.S. interaction with Vietnam on resolving POW/MIA cases, and a January 27, 1994 vote in the Senate urging that the embargo be lifted, language that was attached to broad authorizing legislation (H.R. 2333 of the 103rd Congress). The language was controversial in the House, but H.R. 2333 passed Congress and was signed into law (P.L. 103-236) in April 1994.

On January 25, 1995, the United States and Vietnam settled bilateral diplomatic and property claims and opened liaison offices in Washington and Hanoi. In early August 1995, the two countries opened embassies in Washington and Hanoi. The following month, an attempt in the Senate to restrict trade ties with Vietnam failed. The FY1996 State Department Appropriations bill (H.R. 2076 of the 104th Congress) included language barring funding for full diplomatic relations with Vietnam until more progress was made on POW/MIA issues. President Clinton vetoed H.R. 2076 in December 1995. Controversy continued in 1995 and 1996 over provisions in legislation (H.R. 1561 of the 104th Congress) that would place conditions on upgrading U.S. relations with Vietnam, and that would admit additional boat people from camps in Hong Kong and elsewhere to the United States. H.R. 1561 passed Congress in March 1996, but was vetoed by the President, and the veto was sustained on April 30, 1996. A modified version of the Vietnam provisions in H.R. 2076 was signed by President Clinton on April 26, 1996, as part of H.R. 3019, the Omnibus

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[8] 2001 conversations with senior congressional staffers involved in the normalization debates of the 1990s.

Appropriations bill (P.L. 104-134). To comply with the provisions, President Clinton issued Presidential Determination 96-28 on May 30, 1996, saying that Vietnam was cooperating in full faith with the United States on POW/MIA issues. On April 10, 1997, the Senate approved former Vietnam War POW and Member of Congress Pete Peterson as U.S. Ambassador to Vietnam.

Economic relations steadily improved over the next several years, culminating in the signing of the landmark U.S.-Vietnam bilateral trade agreement (BTA) in 2000 (see below). While visiting Vietnam in late June 1997, Secretary of State Madeleine Albright urged greater economic reform and better human rights. In December 1997, National Security Adviser Sandy Berger said the Administration was consulting with Congress on granting Vietnam a waiver from the Jackson-Vanik amendment that would smooth the way for the Overseas Private Investment Corporation (OPIC) and Export-Import Bank to support U.S. business activities in Vietnam. On March 11, 1998, President Clinton granted the waiver, and a formal agreement on OPIC was signed eight days later. In each subsequent year of his term, President Clinton granted a Jackson-Vanik waiver to Vietnam. In November 1999, OPIC signed its first financing agreement for an American business in Vietnam since the end of the Vietnam War, a $2.3 million loan to Caterpillar Inc.'s authorized dealership in Vietnam.

# U.S.-Vietnam Relations, 2000-2006

## Reciprocal Summits

In the future, Vietnamese Prime Minister Phan Van Khai's June 2005 trip to the United States may be viewed as a landmark in the improvement of relations between the two countries. Not only was the trip the first such visit to the United States by a Vietnamese Prime Minister since the end of the Vietnam War, but also it — combined with President Bush's November 2006 visit to Vietnam — appeared to focus the attention of the leaders in Washington and Hanoi upon how they could improve the overall relationship. While Khai was in Washington, he and President Bush issued a joint statement expressing their "intention to bring bilateral relations to a higher plane." President Bush expressed "strong support" for Vietnam's accession to the WTO, pledged to attend the November 2006 Asia Pacific Economic Cooperation (APEC) summit in Hanoi, and welcomed Vietnam's efforts on human rights and religious freedom issues, about which the two leaders agreed to continue "an open and candid dialogue."[9] The two countries signed an agreement on implementing a bilateral International Military Education Training (IMET) program to send two Vietnamese officers to the United States for training, under which two Vietnamese officers attend English classes at the U.S. Air Force's Defense Language Institute at Lackland Air Force Base in San Antonio. The two sides also announced an agreement to resume U.S. adoptions of Vietnamese children, which Hanoi halted in 2002. Protesters, mainly Vietnamese-Americans, appeared at every stop on Khai's trip.

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[9] White House Office of the Press Secretary, "Joint Statement Between the United States of America and the Socialist Republic of Vietnam," June 21, 2005.

From November 17-20, 2006, President Bush visited Hanoi and Ho Chi Minh City Vietnam. While in Hanoi, in addition to meeting various APEC leaders, the President met with Vietnam's leadership troika: President, Prime Minister, and General Secretary of the Vietnamese Communist Party. President Bush also visited an ecumenical church and the Joint P.O.W./M.I.A. Accounting Command, which searches for the remains of Americans still listed as missing in the Vietnam War. In Ho Chi Minh City, Vietnam's economic and financial capital, the President met with business leaders at the country's stock exchange and toured a Vietnamese government-run Pasteur Institute to highlight work on avian flu and AIDS prevention and treatment.

President Bush's visit appears to have generated little in the way of tangible developments in U.S.-Vietnam relations, with the exception of the Administration's decision to remove Vietnam from the list of the world's worst violators of religious freedom (see below). Throughout his visit, the President praised Vietnam's economic development and "reiterated his firm support for the earliest possible Congressional approval of Permanent Normal Trade Relations."

## Economic Ties

Economic ties are the most mature aspect of the bilateral relationship.

**PNTR/WTO Membership.** The final step toward full economic normalization between the United States and Vietnam was accomplished in December 2006, when Congress passed and President Bush signed H.R. 6111 (P.L. 109-432), extending permanent normal trade relations (PNTR) status to Vietnam. Previously, Vietnam had *conditional* NTR status, in that it was subject to annual Presidential and congressional review under the U.S. Trade Act of 1974's Jackson-Vanik provisions, which govern trade with non-market economies.[10]

The decision to extend PNTR status to Vietnam was debated in the context of Vietnam's bid to enter the World Trade Organization (WTO), which occurred in January 2007. Under WTO rules, it was necessary for the United States to extend PNTR in order for it to enjoy the benefits of the trade concessions that Vietnam grants to all WTO members. The United States was a major player in Vietnam's accession process; Hanoi's bilateral WTO accession agreement with Washington was the last — and according to most observers, the most difficult — of the 28 bilateral agreements Vietnam completed. Vietnam's entry into the WTO did not establish any new obligations on the part of the United States, only on the part of Vietnam. However, Vietnam's accession to the WTO requires the United States and Vietnam to adhere to WTO rules in their bilateral trade relations, including not imposing

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[10] Every year between 1998 and 2006, Vietnam received a presidential waiver from the restrictions of the Jackson-Vanik provisions. From 1998 to 2002, congressional resolutions disapproving the waivers failed in the House. Disapproval resolutions were not introduced from 2003-2006. The passage of H.R. 6111 effectively "graduated" Vietnam from the list of countries affected by the Jackson-Vanik provisions. See CRS Report RS22398, *The Jackson-Vanik Amendment and Candidate Countries for WTO Accession: Issues for Congress*, by William Cooper.

unilateral measures, such as quotas on textile imports, that have not been sanctioned by the WTO.[11] Thus, Vietnam's accession required the United States to terminate the quota program it negotiated with Vietnam in 2003, under which quotas were placed on 38 categories of Vietnam's clothing exports. For more on the legislative history of the PNTR legislation, see "Congressional Debate Over PNTR," below.

**U.S.-Vietnam Trade Flows.** U.S.-Vietnam trade flows have soared since December 2001, when a landmark bilateral trade agreement (BTA) between the two countries went into effect.[12] Under the BTA, both sides extended normal trade relations (NTR) to one another, thereby lowering tariff levels on the other country's imports. Total merchandise trade flows in 2006 were $9.4 billion, more than six times the level before the BTA came into effect (see **Table 1**). Bilateral trade flows likely exceeded $12 billion in 2007. Over 80% of the increase in trade since 2001 has come from the growth in imports from Vietnam. The United States is now Vietnam's largest export market and according to one study, U.S. firms constitute the single largest source of foreign direct investment (FDI) in Vietnam.[13] In the ten months after Vietnam joined the WTO, year-on-year bilateral trade flows increased by over 25%, including a 75% increase in U.S. exports and a 22% increase in U.S. imports.

Rising imports have led to trade disputes over imports of Vietnamese clothing, catfish, and shrimp. Additionally, some in the United States also have complained about Vietnam's currency policies, under which the Vietnamese *dong* does not float freely against the U.S. dollar and other currencies. Instead, the State Bank of Vietnam maintains a "managed float" via a daily trading band limiting the fluctuation of the *dong* to plus or minus 0.75%, a spread that is up from the 0.1% that was maintained in 2001.[14] Under the terms of its entry into the WTO, Vietnam will retain its designation as a "nonmarket economy" until 2019, making it procedurally easier in many cases for U.S. companies to initiate and succeed in bringing anti-dumping

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[11] For more information on the issues of PNTR for Vietnam and accession to the WTO, see CRS Report RL33490, *Vietnam PNTR and WTO Accession: Issues and Implications for the United States*, by Mark E. Manyin, William H. Cooper, and Bernard A. Gelb.

[12] Under the BTA, which required congressional approval, the U.S. extended conditional normal trade relations (NTR) status to Vietnam, a move that significantly reduced U.S. tariffs on most imports from Vietnam. In return, Hanoi agreed to undertake a wide range of market-liberalization measures, including extending NTR treatment to U.S. exports, reducing tariffs on goods, easing barriers to U.S. services (such as banking and telecommunications), committing to protect certain intellectual property rights, and providing additional inducements and protections for foreign direct investment. For more, see CRS Report RL30416, *The Vietnam-U.S. Bilateral Trade Agreement*, by Mark Manyin.

[13] Vietnamese Ministry of Planning and Investment, *The Impact of the U.S.-Vietnam Bilateral Trade Agreement on Overall and U.S. Foreign Direct Investment in Vietnam*, (Hanoi: National Political Publisher, 2005). USAID provided funding and technical support for the development of the Vietnamese report. Economist Intelligence Unit, *Vietnam Country Report*, April 2006; USTR, *2006 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2006.

[14] "Vietnam Widens Trading Band for Dong," *South China Morning Post*, December 25, 2007.

cases against Vietnamese exports. Since 2002, Vietnam has run an overall current account deficit with the rest of the world.

**Table 1. U.S.-Vietnam Merchandise Trade**

(millions of dollars)

| | U.S. Imports from Vietnam | U.S. Exports to Vietnam | Total Trade | | Trade Balance |
|---|---|---|---|---|---|
| | | | Volume | Change from prior yr. | |
| 1994 | 50.5 | 172.2 | 222.7 | — | 121.7 |
| 2000 | 827.4 | 330.5 | 1,157.9 | — | -496.9 |
| 2001 | 1,026.4 | 393.8 | 1,420.2 | 23% | -632.6 |
| 2002 | 2,391.7 | 551.9 | 2,943.6 | 107% | -1,839.8 |
| 2003 | 4,472.0 | 1,291.1[a] | 5,763.1 | 96% | -3,180.9 |
| 2004 | 5,161.1 | 1,121.9[a] | 6,283.0 | 9% | -4,039.2 |
| 2005 | 6,522.3 | 1,151.3 | 7,673.6 | 22% | -5,371.0 |
| 2006 | 8,463.4 | 988.4 | 9,451.8 | 23% | -7,475.0 |
| Jan - Oct 2006 | 7,068.8 | 789.2 | 7,858.0 | — | -6,279.6 |
| Jan - Oct 2007 | 8,679.9 | 1,382.9 | 10,062.8 | 28% | -7,297.0 |
| Major Imports from Vietnam | clothing, petroleum products, footwear, wooden furniture, frozen shrimp, coffee, electrical machinery | | | | |
| Major Exports to Vietnam | machinery and office equipment, plastics, electrical machinery, wood, motor vehicles, raw cotton, concentrated milk | | | | |

**Source:** U.S. International Trade Commission. Data are for merchandise trade on a customs basis.

a. U.S. exports from 2003 include Vietnam Airlines' $700 million purchase of several Boeing 777s. Subsequently, U.S. aircraft exports to Vietnam were around $350 million in 2004 and 2005, and dropped to around $6 million in 2006. Aircraft exports for the first ten months of 2007 were under $6 million.

**Imports of Vietnamese Clothing.**[15] Most of the increase in U.S.-Vietnam trade since 2001 has come from a sharp rise in clothing imports from Vietnam, which were over $2.6 billion in 2005, up from the $45 million-$50 million range that Vietnam recorded in 2000 and 2001. By dollar value, clothing is the largest item the United States imports from Vietnam. In 2006, Vietnam was the fifth largest exporter of clothing to the United States, providing over 4% of total U.S. clothing imports (up from about 1.4% in 2002 and 0.1% in 2001, before the BTA went into effect). In 2006, clothing and textile products were Vietnam's second-largest export item by value (after crude oil), generating around $5.8 billion.[16]

The BTA contained no restrictions on Vietnamese clothing exports to the United States, but a safeguard provision allowed the United States to impose quotas on textile imports in the event of a surge of imports. Similarly, Vietnam's WTO accession agreement does not contain a special safeguard provision. However,

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[15] For more, see CRS Report RL34262, *U.S. Clothing Imports from Vietnam*, by Michael Martin.

[16] "Vietnam's Trade Deficit Rises Before WTO Entry," *International Herald Tribune*, January 3, 2007.

criticism of the deal from textile interests and some Members of Congress led the Administration to establish a mechanism to monitor imports of textiles from Vietnam and have the Commerce Department self-initiate antidumping investigations when warranted. On October 26, 2007, the Department of Commerce announced the completion of its first six-month review of the monitoring data, finding that there was insufficient evidence to warrant the self-initiation of an antidumping investigation. The Department also announced it would continue the monitoring program and plans on conducting its second six-month review in March 2008.[17]

**Intellectual Property Rights (IPR).** Since 2002, the Bush Administration has placed Vietnam on its "Special 301 watch list" for poor protection of intellectual property rights, particularly in the areas of music recordings and trademark protection.[18] The BTA required Vietnam to make its IPR regime WTO-consistent in 2003, and as part of its efforts to accede to the WTO, Vietnam passed a new IPR law in late 2005. Despite this and other legal and regulatory changes, the Vietnamese government's IPR enforcement has been widely faulted.

## U.S. Bilateral Economic Assistance to Vietnam

As the normalization process has proceeded, the U.S. has eliminated most of the Cold War-era restrictions on U.S. aid to Vietnam, and U.S. assistance has increased markedly since around $1 million was provided when assistance was resumed in 1991. U.S. aid was over $75 million in FY2006, about three-and-a-half times the level in FY2000, and is estimated to have surpassed $90 million in FY2007, making Vietnam one of the largest recipients of U.S. aid in East Asia. For FY2008, the Bush Administration requested nearly $100 million, including $89 million for HIV/AIDS treatment and prevention programs.

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[17] "Commerce Completes First Review of Vietnam Import Data," press release, U.S. Department of Commerce, October 26, 2007.

[18] "Special 301" refers to Section 182 of the Trade Act of 1974. Since the start of the Special 301 provision in 1989, the USTR has issued annually a three-tier list of countries judged to have inadequate regimes for IPR protection, or to deny access: (1) priority foreign countries are deemed to be the worst violators, and are subject to special investigations and possible trade sanctions; (2) priority watch list countries are considered to have major deficiencies in their IPR regime, but do not currently warrant a Section 301 investigation; and (3) watch list countries, which maintain IPR practices that are of particular concern, but do not yet warrant higher-level designations. See CRS Report 98-454, *Section 301 of the Trade Act of 1974, As Amended: Its Operation and Issues Involving Its Use by the United States*, by Wayne Morrison.

**Congressional Debate Over PNTR**

The Administration's proposal to extend PNTR to Vietnam generated controversy in both chambers. Opposition primarily came from human rights advocates, Members sympathetic to the concerns of U.S. textile and clothing manufacturers, and those who argued that Vietnam has not done enough to account for U.S. prisoners of war/missing in action from the Vietnam War. On November 13, 2006, these groups succeeded in mustering enough votes in the House to prevent passage of the original PNTR bill (H.R. 5602); under suspension of the rules, the House voted 228-161 (Roll no. 519) in favor of H.R. 5602, short of the two-thirds vote necessary for passage. The vote came days before President Bush's trip to Vietnam and occurred on the first day of Congress' return from a recess for mid-term elections. Many observers and proponents of extending PNTR to Vietnam were critical of the way the bill was managed in the House.

In the Senate, Senators Elizabeth Dole (NC) and Lindsey Graham (SC) placed holds on the original Senate version of the PNTR bill, S. 3495, because of concerns about the potential impact of Vietnamese imports on the U.S. textile industry. The Bush Administration responded by establishing a mechanism to monitor imports of textiles from Vietnam and have the Commerce Department self-initiate antidumping investigations when warranted. However, other Senators, including Dianne Feinstein (CA) and Gordon Smith (OR), objected to this move because of its expected impact on U.S. clothing importers and retailers. They placed holds of their own on S. 3495, and removed their objections only in the days before the final PNTR bill was passed in December.

Human rights cases also played a role in Senate consideration of PNTR. The arrest of one Floridian, Thong Nguyen Foshee, was raised by Secretary of State Condoleezza Rice with her Vietnamese counterparts and led Florida Senator Mel Martinez to temporarily place a hold on the Senate version of the PNTR bill (S. 3495). Foshee and several other individuals, including two other Vietnamese Americans, were arrested in September 2005 while visiting family members in Vietnam on charges of plotting violence against the Vietnamese government. After U.S. concerns were raised, Vietnamese authorities announced that Foshee and the six other individuals would be brought to trial, ending their indefinite detention. On November 10, Foshee and the others were tried, found guilty, and sentenced to 15 months in prison, with credit given for their time in detention before the trial. This put the seven defendants in a position to be released in December 2006. On November 12, however, Foshee's daughter reported that Vietnamese authorities had released and deported her mother for "humanitarian reasons." The following day, Martinez lifted his hold.

In a similar case, a California Vietnamese-American, Cong Thanh Do, was arrested in August 2006 on similar charges by Vietnamese authorities before being released after 38 days of detention. As in the Foshee case, Vietnamese authorities were criticized not only for the detentions themselves, but for their procedural slowness in handling the cases, such as detailing the charges against those arrested.

By far the largest component of the current U.S. bilateral aid program is health-related assistance, which is projected to have totaled more than $70 million in FY2007. In particular, spending on HIV/AIDS treatment and prevention in Vietnam has risen since President Bush's June 2004 designation of Vietnam as a "focus country" eligible to receive increased funding to combat HIV/AIDS under the President's Emergency Plan for AIDS Relief (PEPFAR).[19] Other sizeable assistance items include educational exchanges, de-mining activities, dioxin ("Agent Orange") remediation programs, food assistance, and programs assisting Vietnam's economic reform efforts. In recent years, some Members of Congress have attempted to link increases in non-humanitarian aid to progress in Vietnam's human rights record. (See the "Human Rights and Religious Freedom" section.)

In May 2004, Vietnam was not selected as one of the first 16 countries eligible for the Millennium Challenge Account (MCA), President Bush's foreign aid initiative that links U.S. assistance to governance as well as economic and political freedoms. Since then, Vietnam consistently has been deemed ineligible despite meeting the technical requirements for MCA eligibility because it has scored very low on some of the indicators used to measure political freedom.

## Human Rights and Religious Freedom

In recent years, tensions between the United States and Vietnam over human rights issues have increased. It is difficult to make country-wide generalizations about the state of human rights in Vietnam, a one-party, authoritarian state ruled by the Vietnamese Communist Party (VCP). For the past several years, the VCP appears to have followed a strategy of permitting most forms of personal and religious expression while selectively repressing individuals and organizations that it deems a threat to the party's monopoly on power. On the one hand, the gradual loosening of restrictions since Vietnam's *doi moi* ("renovation") economic reforms were launched in 1986 has opened the door for Vietnamese to engage in private enterprise, has permitted most Vietnamese to observe the religion of their choice, and has allowed a moderately vibrant press to sprout, so long as it keeps criticism of the government to "safe" issues like corruption, economic policy, nature conservation and environmental pollution.

On the other hand, the government in recent years reportedly has cracked down harshly on anti-government activity, as shown by the wave of arrests of political dissidents in the winter and spring of 2007. The government also has periodically targeted various ethnic minority groups, most prominently the Montagnards in the country's Central Highlands, where clashes between protestors and government security forces have flared periodically since 2001. Furthermore, in its effort to control the Internet, the central government has stepped up repression of so-called "cyber dissidents" for alleged offenses such as criticizing the signing of land-border

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[19] Vietnam qualified for the designation in part because of its demonstrated commitment to fighting the epidemic on its own and because of the competency of its medical institutions. Vietnam is estimated to have about 100,000 people living with the HIV/AIDS virus, a number that is projected to grow significantly.

agreements with China and calling for greater political accountability and political competition.

After the United States and Vietnam reestablished relations in the mid-1990s, the Clinton and early Bush Administrations generally appeared to assign human rights, including religious freedom, a lower priority than improving economic ties and securing a full accounting for U.S. personnel listed as prisoners of war/missing in action (POW/MIAs). In 2003, the Bush Administration began to take a more assertive position, after determinating that the previous approach had "yet to translate the increased recognition of problems into tangible steps to improve the human rights situation."[20] The Administration chose not to hold a human rights dialogue with Vietnam in 2003 and 2004, and in 2004 designated Vietnam as a "country of particular concern" (CPC) in the State Department's International Religious Freedom Report.

Since 2004, according to several reports, there have been indications that human rights conditions have improved for most Vietnamese, including those in the Central Highlands and Northwest Highlands regions. But given continued reports of repression and harassment, there is considerable disagreement about how significant and how pervasive the improvements are, not to mention how lasting they will be.

For years, the State Department and the U.S. Agency for International Development (USAID) have discussed ways to take advantage of the Vietnamese government's new approach toward ethnic minority areas by crafting a small-scale aid initiative in the Central Highlands.[21] Both agencies are acting in response to the FY2006 Foreign Operations Appropriations Act (P.L. 109-102), in which Congress appropriated $2 million for programs and activities in the region.

***"Country of Particular Concern" Designation and Un-designation.*** In 2004, the State Department for the first time designated Vietnam as a "country of particular concern" (CPC), principally because of reports of worsening harassment of certain ethnic minority Protestants and Buddhists. When the Vietnamese responded by negotiating with the Bush Administration and adopting internal changes, the two sides reached an agreement on religious freedom, in which Hanoi agreed to take steps to improve conditions for people of faith, particularly in the Central Highlands. The May 2005 agreement enabled Vietnam to avoid punitive consequences, such as sanctions, associated with its CPC designation. The agreement was faulted by human rights groups on a number of grounds, including the charge that religious persecution continues in the Central Highlands. Vietnam was redesignated a CPC in the 2005 and 2006 Religious Freedom Reports.

On November 13, 2006, the State Department announced that because of "many positive steps" taken by the Vietnamese government since 2004, the country was no longer a "severe violator of religious freedom" and had been removed from the CPC list. The announcement, which came two days before President Bush was due to depart to Hanoi for the APEC summit, cited a dramatic decline in forced

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[20] State Department, *Supporting Human Rights and Democracy 2003-04 Report.*

[21] Fall 2005 and winter 2006 correspondence with State Department and USAID officials.

renunciations of faith, the release of religious prisoners, an expansion of freedom to organize by many religious groups, and the issuance of new laws, regulations, and stepped up enforcement mechanisms.[22] Over the course of 2006, as part of the bilateral U.S.-Vietnam human rights dialogue, Vietnam released a number of prominent dissidents the Bush Administration had identified as "prisoners of concern." Vietnam also reportedly told the United States in October that it would repeal its administrative decree allowing detention without trial.[23] The U.S. Committee on International Religious Freedom, among others, has disputed the Administration's factual basis of the decision to remove Vietnam from the CPC list, arguing that abuses continue and that lifting the CPC label removes an incentive for Vietnam to make further improvements.[24]

Vietnam's willingness from 2004 through at least 2006 to negotiate human rights issues with the United States surprised many observers, who suggest several possible motivations for the change in tone, including:

- an apparent belief by central government leaders that their previous heavy-handed approach toward ethnic minorities in the Central Highlands and Northwest Highlands had worsened the situation;
- pressure from the United States and other outside actors;
- a stated desire to upgrade diplomatic and security relations with the United States;
- their wish to pave the way for then-Prime Minister Khai's historic visit to the United States in June 2005, as well as President Bush's trip to Vietnam in November 2006;
- the wish to secure U.S. approval of Vietnam's accession to the World Trade Organization (WTO) and permanent normal trade relations (PNTR) with the United States;

***The Vietnam Human Rights Act (H.R. 3096).*** In large measure due to Vietnam's crackdowns in the Central Highlands earlier in the decade, attempts have been made since the 107th Congress to link U.S. aid to the human rights situation in Vietnam. The most prominent example, the Vietnam Human Rights Act, has proposed capping existing non-humanitarian U.S. assistance programs to the Vietnamese government at existing levels (FY2007 in the case of the most recent version of the bill, H.R. 3096) if the President does not certify that Vietnam is making "substantial progress" in human rights.[25] H.R. 3096 would grant the

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[22] State Department Special Briefing, "Ambassador-at-Large for International Religious Freedom John V. Hanford III on the Release of the State Department's 2006 Designations of Countries of Particular Concern for Severe Violations of Religious Freedom," November 13, 2006.

[23] P. Parameswaran, "Vietnam to Abolish Detention without Trial ahead of Bush Visit: Official," *Agence France Presse*, October 31, 2006.

[24] "USCIRF Disappointed About Removal of Vietnam from U.S. Government's List of Religious Freedom Violators," USCIRF Press Release, November 13, 2006.

[25] The Vietnam Human Rights Act was first introduced in the 107th Congress as H.R. 2833, (continued...)

President a national interest waiver that allows him to exempt any programs that are deemed to promote the goals of the act and/or to be in the national interests of the United States. In addition to the aid cap, the bill would require the executive branch to produce annual reports on Vietnam's human rights situation and would authorize funds to promote democracy in Vietnam and to overcome the jamming of Radio Free Asia. Proponents of the Vietnam Human Rights Act argue that additional pressure should be placed on the Vietnamese government to improve its human rights record. Critics have argued that the bill could chill the recent warming of bilateral political and security ties and could weaken Vietnamese economic reformers in ongoing domestic battles inside Vietnam.

In effect, H.R. 3096 establishes a two-part test for determining whether U.S. assistance programs would be covered by the cap: 1) Does the program constitute aid "provided to the Vietnamese government," as opposed to the private sector and non-governmental organizations? 2) Does the program constitute non-humanitarian aid? The act defines non-humanitarian assistance as sales or financing under the Arms Export Control Act and any assistance under the Foreign Assistance Act of 1961. Exceptions are explicitly made for disaster relief, food aid, refugee assistance, and HIV-AIDS assistance. Under these conditions, it appears that for FY2007 U.S. aid programs that would be frozen by H.R. 3096's provisions appear to total less than $20 million, and probably total less than $10 million. Many of the existing U.S. military-to-military programs with Vietnam, such as the IMET program, would be frozen.

At a July 31, 2007 markup session, the House Foreign Affairs Committee reported favorably H.R. 3096 to the full House by voice vote. The action was taken after the bill was amended. As introduced, the bill would have prohibited non-humanitarian assistance to the Vietnamese government unless human rights policy changes were made. The amended version, which the House passed on September 18, 2007 (414-3, roll no. 877), softened this provision to a freeze. The bill has not seen action in the Senate.

## Political and Security Ties

Vietnam and the United States gradually have been expanding their political and security ties, though these have lagged far behind the economic aspect of the relationship. In the past four years, however, Vietnam's leadership appears to have decided to expand their country's ties to the United States. Most dramatically, in 2005 the two countries signed an IMET agreement, which reportedly had been

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[25] (...continued)
which was passed by the House, 410-1 (roll call 335) on September 6, 2001 and did not receive action in the Senate. In the 108th Congress, H.R. 1587/S. 2784 were introduced. House passed H.R. 1587 by a vote of 323-45 (roll call 391). In the Senate, the bill was not reported out of committee, and attempts to include an abbreviated version in an omnibus appropriation bill did not succeed. In the 109th Congress, another stripped-down version of the act (H.R. 3190) was included in the House-passed version of the Foreign Relations Authorization Act of FY2006/FY2007 (H.R. 2601), which did not receive action in the Senate.

blocked for years by the Vietnamese military. In June 2006, then-Secretary of Defense Donald Rumsfeld visited Vietnam and agreed with his Vietnamese counterpart to increase military-to-military cooperation and exchanges. According to Rumsfeld, the two sides discussed additional medical exchanges, an expansion of U.S. demining programs, and additional English language training for troops taking part in international peacekeeping missions.[26] According to one report, the Vietnamese inquired about acquiring certain U.S. military equipment and spare parts.[27] U.S. naval vessels have made a number of calls on Vietnamese ports, and Vietnamese military officers increasingly participate in U.S.-led conferences and academic programs. Joint counter-narcotics training programs also have been established.

**Agent Orange.** Vietnamese leaders have pressed the United States for compensation for Agent Orange victims and for assistance locating the remains of Vietnam's soldiers who are still missing from fighting with the United States. During President Bill Clinton's five-day trip to Vietnam in 2000, the United States took some small steps toward meeting these demands, including agreeing to set up a joint research study on the effects of dioxin/Agent Orange and the provision of materials to help locate the estimated 300,000 Vietnamese troops missing from the Vietnam War. Over three million Vietnamese suffering from the alleged effects of Agent Orange were part of a class action suit filed in U.S. Federal District Court in Brooklyn against the chemical companies that manufactured the defoliant. The case was dismissed in March 2005, in a ruling that was widely publicized in Vietnam. In April 2005, the Bush Administration discontinued funding of a grant to conduct research in Vietnam on the possible relationship between Agent Orange and birth defects. The justification for the decision was that the Vietnamese Ministry of Health had not given its approval for the study.[28] During President Bush's November 2006 trip to Vietnam, the two sides rhetorically agreed that it would be beneficial to jointly clean contamination from former dioxin ("Agent Orange") storage sites.[29] The U.S. Agency for International Development estimates that the U.S. will allocate about $8 million for dioxin remediation in the FY2006-FY2007 period.[30] The Iraq Accountability Appropriations Act of 2007 (H.R. 2206/P.L. 110-28), signed into law by President Bush in May 2007, appropriates $3 million for assistance to Vietnam for environmental remediation of dioxin storage sites and to support health programs in communities near those sites. President Bush referred to this provision during his June 22, 2007 joint appearance at the White House with President Triet.

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[26] Office of the Assistant Secretary of Defense (Public Affairs), "Press Availability with Secretary Rumsfeld in Vietnam," June 5, 2006.

[27] Michael R. Gordon, "Rumsfeld, Visiting Vietnam, Seals Accord To Deepen Military Cooperation," *New York Times*, June 6, 2006.

[28] Conversations in 2005 with State Department and U.S. Health and Human Services Department officials.

[29] "Joint Statement Between the Socialist Republic of Vietnam and the United States of America," White House Office of the Press Secretary, November 17, 2006.

[30] June 2007 e-mail correspondence with USAID mission at the U.S. embassy in Hanoi.

**Human Trafficking.** In June 2007, the State Department issued its seventh annual report on human trafficking, *Trafficking in Persons Report*. Vietnam was listed as a "Tier 2" country that "does not fully comply with the minimum standards for the elimination of trafficking." As recently as 2004, it was included on the "Tier 2 Watch-list," but was upgraded to "Tier 2" in the 2005 report. The 2007 report judges the government to be making "significant efforts" to combat trafficking, including establishing partnerships with Cambodia and China and passing a new Export Labor Law to better regulate enterprises that recruit and send Vietnamese workers overseas.

**Vietnam War Resettlement Programs.** In November 2005, the United States and Vietnam announced the reopening of certain categories of the Orderly Departure Program (ODP), under which over 550,000 Vietnamese were resettled in the United States between 1979 and 1999. During this time, another 300,000 Vietnamese came to the United States through other programs. The reopening is limited to those who were unable to apply or who were unable to complete the application process before the ODP closed in 1994. The omnibus Consolidated Appropriations Act, 2008 (H.R. 2764), which President Bush signed into law on December 26, 2007, extends the application closing date from the end of 2007 to the end of 2009.

## POW/MIA Issues

In the mid-1990s, the United States and Vietnam devoted increased resources to POW/MIA research and analysis. By 1998 a substantial permanent staff in Vietnam was deeply involved in frequent searches of aircraft crash sites and discussions with local Vietnamese witnesses throughout the country. The Vietnamese authorities also have allowed U.S. analysts access to numerous POW/MIA-related archives and records. The U.S. Defense Department has reciprocated by allowing Vietnamese officials access to U.S. records and maps to assist their search for Vietnamese MIAs. The increased efforts have led to substantial understanding about the fate of several hundred of the over 2,000 Americans still unaccounted for in Indochina. On September 21, 1998, U.S. Ambassador to Vietnam Peterson told the media that "it is very, very, very unlikely that you would expect to see any live Americans discovered in Vietnam, Cambodia, or Laos." Official U.S. policy, however, does not remove a name from the rolls of those unaccounted for unless remains are identified. During Secretary of Defense Rumsfeld's June 2006 trip to Vietnam, the two countries discussed expanding their cooperation on recovering remains, including the possibility of using more advanced technology to locate, recover, and identify remains located under water.[31]

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[31] Office of the Assistant Secretary of Defense (Public Affairs), "Press Availability with Secretary Rumsfeld in Vietnam," June 5, 2006. For more on the POW/MIA issue, see CRS Report RL33452, *POWs and MIAs: Status and Accounting Issues*, by Charles A. Henning.

# Vietnam's Situation

Ever since communist North Vietnamese forces defeated U.S.-backed South Vietnam in 1975, reunified Vietnam has been struggling with how to maintain a balance between two often contradictory goals — maintaining ideological purity and promoting economic development. For the first decade after reunification, the emphasis was on the former. By the mid-1980s, disastrous economic conditions and diplomatic isolation led the country to adopt a more pragmatic line, enshrined in the *doi moi* (renovation) economic reforms of 1986. Under *doi moi*, the government gave farmers greater control over what they produce, abandoned central state planning, cut subsidies to state enterprises, reformed the price system, and opened the country to foreign direct investment (FDI).

## Economic Developments

For most of the past twenty years since the *doi moi* reforms were launched, Vietnam has been one of the world's fastest-growing countries, generally averaging around 7%-8% annual gross domestic product (GDP) growth. Vietnam's real GDP growth in 2006 was an estimated 8.4%, and is estimated to be over 8% again in 2007.[32] Agricultural production has soared, transforming Vietnam from a net food importer into the world's second-largest exporter of rice and the second-largest producer of coffee. The move away from a command economy also helped reduce poverty levels from 58% of the population in 1992 to less than 30% in 2002, and the government has set a goal of becoming a middle-income country by 2020. A substantial portion of the country's growth was driven by foreign investment, much of which the government channeled into the country's state-owned sector.

Economic growth and the reform movement, however, have not always advanced smoothly. In the mid-1990s, the momentum behind continued economic reforms stalled, as disagreement between reformers and conservatives paralyzed economic decision-making. The economy staggered after the 1997 Asian financial crisis, as real GDP growth fell to less than 5% in 1999. The decision in 2000 to sign the BTA, appears to have broken the policymaking logjam by fashioning a new consensus in favor of a new reformist push that was effectively endorsed by the leadership changes in 2001. In short order after signing the BTA, the government enacted a series of measures, including passing a new Enterprise Law, passing a constitutional amendment giving legal status to the private sector, reducing red tape, and creating unprecedented transparency rules requiring the publication of many types of new rules and regulations before they are implemented. Adhering to the BTA's implementation deadlines and achieving the government's goal of joining the WTO have helped galvanize the Vietnamese bureaucracy toward implementing many of these steps. Vietnam's economy appears to have responded to these moves. GDP growth has rebounded to the 7% level for the past several years, and FDI inflows have increased. Demographic pressure is a major impetus for the renewed emphasis on economic reforms; with more than half of the population under the age of 25, Vietnamese leaders must find a way to provide jobs for an estimated 1 million new entrants to the workforce annually.

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[32] Economist Intelligence Unit, *Vietnam Country Report*, December 2007.

Rapid growth has transformed Vietnam's economy, which has come to be loosely divided into three sectors: the state-owned, the foreign-invested, and the privately owned, which make up roughly 50%, 30%, and 20% of industrial output, respectively. For much of the 1990s, Vietnam's foreign-invested enterprises (FIEs) were among the country's most dynamic. Since the 1997 Asian financial crisis, the private sector has also made impressive gains, to the point where domestically owned private firms employ around a quarter of the workforce.

Despite the impressive macroeconomic advances, Vietnam remains a poor country; about one-third of Vietnamese children under five years of age suffer from malnutrition.[33] Per capita GDP in 2006 was just over $3,000 when measured on a purchasing power parity basis. Economists point to Vietnam's failure to tackle its remaining structural economic problems — including unprofitable state-owned enterprises (SOEs), a weak banking sector, massive red tape, and bureaucratic corruption — as major impediments to continued growth. Some economists have criticized the government's latest five year development plan, issued in 2005, that focuses on the development of heavy industries such as electricity, energy, steel, and mining. The previous plan emphasized lighter industries such as foodstuffs, textiles, and electronics. Most of Vietnam's SOEs are functionally bankrupt, and require significant government subsidies and assistance to continue operating. Although more than 2,500 SOEs officially have been partially privatized since 1990 under the government's "equitization" program, most of these are small and medium-sized firms, and the government still owns substantial stakes in them. In January 2007, Vietnam's Finance Minister said that the privatization of SOEs would be accelerated, with the goal of completing the process by 2009.

## Political Trends

Vietnam's experiments with political reform have lagged behind its economic changes. A new constitution promulgated in 1992, for instance, reaffirmed the central role of the Vietnamese Communist Party (VCP) in politics and society, and Vietnam remains a one-party state. In practice, the VCP sets the general direction for policy while the details of implementation generally are left to the four lesser pillars of the Vietnamese polity: the state bureaucracy, the legislature (the National Assembly), the Vietnamese People's Army (VPA), and the officially sanctioned associations and organizations that exist under the Vietnamese Fatherland Front umbrella. The Party's major decision-making bodies are the Central Committee, which has 150 members, and the Politburo, which in recent years has had 15 members. Membership on the Politburo generally is decided based upon maintaining a rough geographic (north, south, and central) and factional (conservatives and reformers) balance. The three top leadership posts are, in order of influence, the VCP General Secretary, followed by the Prime Minister, and the President. Since the death in 1986 of Vietnam's last "strong man," Le Duan, decision-making on major policy issues typically has been arrived at through consensus within the Politburo, a practice that often leads to protracted delays on contentious issues.

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[33] World Bank, "Vietnam at a Glance," September 12, 2005.

**The National Assembly.** Over the past 15 years, Vietnam's legislative organ, the National Assembly, has slowly and subtly increased its influence to the point where it is no longer a rubber stamp. Although more than 80% of parliamentarians are VCP members and the VCP carefully screens all candidates before elections are held, in recent years the Assembly has vetoed Cabinet appointments, forced the government to revise major commercial legislation, and successfully demanded an increase in its powers. These include the right to review each line of the government's budget, the right to hold no-confidence votes against the government, and the right to dismiss the president and prime minister (though not the VCP general secretary).

**The Tenth Party Congress.** In the spring of 2006, Vietnam's ruling Communist Party held its 10th Party Congress. These events, held every five years, are often occasions for major leadership realignments and set the direction for Vietnam's economic, diplomatic, and social policies. At the 9th Party Congress in 2001, for instance, the VCP endorsed the acceleration of economic reforms that apparently had been stalled by policymaking paralysis. The former VCP general secretary, an ideological conservative, was ousted in favor of the current secretary, **Nong Duc Manh**, who generally is considered a more pragmatic figure. Significantly, Manh's selection reportedly was made possible when the Party's Central Committee rejected — an unprecedented move — the Politburo's decision to endorse Manh's predecessor.

The 10th Party Congress reportedly resulted in few if any major changes to current policy direction of the country — an indication that the economic reformers remain in the ascendency — with the ultimate goal remaining creating a "socialist-oriented market economy." During his opening address, Manh outlined the party's five-year development strategy, including accelerating the doi moi reforms, further integrating Vietnam into the world economy, and laying the foundations for becoming an industrialized country by 2020. The Congress also outlined specific targets, such as maintaining average annual GDP growth of 7.5-8%, creating 8 million jobs, and reducing urban unemployment to below 5%.[34]

There were some major personnel changes. As expected, the sitting Prime Minister (Phan Van Khai) and President (Tran Duc Luong) resigned their Politburo positions, effectively ending their official political careers. Both had served two terms. Changes in their government posts will be confirmed by the National Assembly, either in its ninth session in May or its tenth session later this year. In May 2006, Khai endorsed Vietnam's deputy premier, **Nguyen Tan Dung** (56) as his successor. Dung is a southerner and widely considered to be an economic reformer. During the 10th Party Congress, he was elevated to the third-highest post in the Politburo. Luong's successor as President is another southerner, **Nguyen Minh Triet** (64), formerly the party secretary in Ho Chi Minh City. Triet also is widely considered an economic reformer and is known for fighting corruption and criminal gangs in Ho Chi Minh City.

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[34] "Party Faces the Future," *Economist Intelligence Unit - Business Asia*, May 1, 2006.

Vietnam's leadership is trying to confront the problem of how to reverse the Communist Party's declining legitimacy. Attracting new recruits into the Party has become increasingly difficult, particularly among young Vietnamese, though there are some signs this may be changing. A key issue for the VCP leadership is combating official corruption, which was a major topic during the Party Congress. Vietnam regularly is ranked near the bottom of surveys of foreign executives on corruption in various countries. Under Manh's leadership, the government appears to have attacked corruption in a much more systemic fashion than in the past, including passage in November 2005 of a new anti-corruption law that aims at increasing government transparency. However, pervasive and high-level corruption is widely considered to be endemic, as revealed by the breaking of a major scandal in the winter and spring of 2006, in which top officials in the Transportation Ministry apparently embezzled more than $7 million in foreign assistance funds. The deputy minister was arrested for his suspected involvement in the case, and the transport minister resigned to take responsibility for the scandal.

## Foreign Policy

Prior to the 10th Party Congress, there was some speculation that China's economic and diplomatic resurgence in Southeast Asia was driving some soul-searching in Hanoi on foreign policy issues. Some in Hanoi are wondering how much additional utility Vietnam would gain from continuing its "omnidirectional foreign policy," which has successfully restored cordial relations with the rest of the world but has left Vietnam without truly warm relations with any one country or grouping of countries. It is unclear whether these debates over foreign policy took place during the congress.

**Sino-Vietnam Relations.** Since the late 1990s, when China began espousing its "new security concept" of cooperation with its neighbors, improvements in Sino-Vietnamese relations have accelerated, most notably with the signings of a land border treaty in 1999 and a sea border treaty for the Gulf of Tonkin in 2000. For Vietnamese leaders, this process has been fraught with ambivalence. On the one hand, maintaining stable, friendly relations with its northern neighbor is critical for Vietnam's economic development, and Hanoi does not undertake large-scale diplomatic moves without first calculating Beijing's likely reaction. China's ruling communist party is an ideological bedfellow, as well as a role model for a country that seeks to marketize its economy without threatening the communist party's dominance. China also is Vietnam's largest trading partner.

On the other hand, many Vietnamese are believed to be wary of China's increased influence in Southeast Asia. Beijing's outreach to Cambodia and Laos in recent years has rekindled internal battles between pro-Hanoi and pro-Beijing camps in both countries, and has spurred counter-moves by Hanoi. Vietnam and China still have overlapping claims to the Spratly Island chain in the South China Sea, differences that led to military clashes in the late 1980s. In 2002, ASEAN and China signed a Declaration on the Conduct of Parties in the South China Sea, a non-binding agreement to resolve disputes diplomatically, exercise restraint, and respect the freedom of navigation and overflight. Significantly, Vietnam did not succeed in its efforts to have the agreement specifically include the Paracel Islands, claimed by both Vietnam and China. Instead, the declaration is vague on its geographic scope. Like

other countries in the dispute, Vietnam has continued to expand its presence in the island chain. China also represents an economic rival, as both countries compete for foreign direct investment and for markets in many of the same low-cost manufacturing products. Vietnamese leaders periodically express concern about Vietnam's rising trade deficit with China.

Another sign that Hanoi is seeking regional counterweights to China is that Vietnam, along with Indonesia and Singapore, supported efforts to include Australia and New Zealand in the East Asia Summit that was held in Kuala Lumpur, Malaysia, in December 2005. China and some Southeast Asian countries favored excluding countries outside of North and Southeast Asia.

**Refugees in Cambodia.** Since 2001, hundreds of Montagnards have crossed into Cambodia, to escape continuing unrest in the Central Highlands region. In 2002, Cambodia accepted an offer from the United States to resettle the more than 900 Montagnards who remained following the 2001 protests and crackdown. More than 700 Montagnards have fled to Cambodia since then, particularly after a wave of unrest in April 2004. The United Nations High Commissioner for Refugees (UNHCR) has found the majority of the border-crossers to be refugees and therefore entitled to asylum. While most of these are being resettled in the United States, Canada, or Finland, over 30 have returned to Vietnam following a January 2005 agreement between UNHCR, Cambodia, and Vietnam in which Hanoi agreed that those returning to Vietnam would not be punished, discriminated against, or prosecuted for fleeing to Cambodia. Vietnam also agreed to drop its refusal to allow UNHCR to monitor the returnees' well-being, though some human rights groups have criticized UNHCR's monitoring visits, as well as its process for screening border crossers in Cambodia. More than 200 individuals, including many who have been recognized as refugees by UNHCR, refused offers to be resettled in third countries outside Southeast Asia. In the past, Cambodia has been accused of abiding by Vietnamese requests to close its borders and repatriate individuals forcibly. The Senate Appropriations Committee's report accompanying H.R. 2764, the FY2008 Department of State, Foreign Operations, and Related Programs Appropriations Act, requested the Secretary of State to submit a report on the estimated number of Montagnards who are refugees in Cambodia. The language was not included in the final legislation that was included in the omnibus Consolidated Appropriations Act, 2008 (H.R. 2764), which President Bush signed into law on December 26, 2007.

## Legislation in the 110th Congress

**H.Res. 243 (Chris Smith).** Calls on the Government of the Socialist Republic of Vietnam to immediately and unconditionally release Father Nguyen Van Ly and other political prisoners. Introduced March 14, 2007; passed in the House May 2, 2007 (404-0, roll call no. 286).

**H.Res. 447 (Blumenauer).** Condemns the recent convictions and sentencing of Vietnamese pro-democracy activists. Introduced May 24, 2007; referred to House Foreign Affairs Committee.

**H.Res. 506 (Lofgren).** Condemns ongoing human rights abuses in Vietnam and calls for the United States to remove permanent normal trade relations status with Vietnam unless all political and religious prisoners are released and significant and immediate human rights reforms are made by Vietnam. Introduced June 20, 2007; referred to Committees on Foreign Affairs and Ways and Means.

**H.Res. 665 (Tom Davis).** Endorses reforms for freedom and democracy in Vietnam. Introduced September 19, 2007; referred to House Committee on Foreign Affairs.

**H.R. 275 (Christopher Smith).** The Global Online Freedom Act of 2007. Directs the President to annually designate a list of Internet-restricting countries, including Vietnam. Places restrictions and reporting requirements on certain U.S. business activities in designee countries. Introduced January 5, 2007; reported as amended by the Committee on Foreign Affairs, December 10, 2007; House Committee on Energy and Commerce granted an extension for further consideration until January 16, 2008.

**H.R. 571 (Tancredo).** Requires additional tariffs be imposed on products of any nonmarket economy country, including Vietnam, until the President certifies to the Congress that the country is a market economy country. Introduced January 18, 2007; referred to House Ways and Means Committee.

**H.R. 2206 (Obey).** The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. Appropriates $3 million for assistance to Vietnam for environmental remediation of dioxin storage sites and to support health programs in communities near those sites. Introduced May 8, 2007; passed by House May 10, 2007 (221 - 205, Roll no. 333); passed by Senate May 17, 2007 by voice vote; signed by President May 25, 2007; became P.L. 110-28.

**H.R. 2764 (Lowey).** The Department of State, Foreign Operations, and Related Programs Appropriations Act, 2008. Senate version would appropriate $10.7 million in economic support funds (ESF) — nearly double the Administration request — to support Vietnam's economic and judicial reform efforts. In contrast, the House Committee on Appropriations recommended $5 million in ESF, $0.7 less than the Administration requests. Both versions of the bill encourage funding programs in the Central Highlands region. Introduced June 18, 2007; passed by the House June 22, 2007 (241-178 (Roll no. 542)); Senate version passed by the Senate September 6, 2007 (Record Vote Number: 325).

**H.R. 3096 (Chris Smith).** The Vietnam Human Rights Act of 2007. Would freeze non-humanitarian aid to Vietnam at 2007 levels unless the Vietnamese government were to make certain human rights policy changes. Authorizes funds for organizations and individuals that promote human rights in Vietnam, and for overcoming the jamming of Radio Free Asia by the Vietnamese government. Introduced July 19, 2007; passed by the House September 18, 2007 (414-3 (Roll no. 877)); referred to Senate Committee on Foreign Relations.

**H.R. 4223 (Fortenberry).** Establishes a Congressional-Executive Commission on the Socialist Republic of Vietnam to monitor and report annually on, among other

items, Vietnam's human rights conditions and rule of law developments. Introduced November 15, 2007; referred to House Committees on Foreign Affairs and House Committee on Rules.

**Figure 1. Map of Vietnam**


**Source:** Map Resources. Adapted by CRS. (K.Yancey 2/24/06)