



U.S.-Vietnam Relations in 2009: Current Issues and Implications for U.S. Policy

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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 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.

In the United States, 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 more than 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 more than 1 million Vietnamese-Americans, as well as legacies of the Vietnam War, also drive continued U.S. interest.

Vietnamese leaders have sought to upgrade relations with the United States in part due to the desire for continued access to the U.S. market and to worries about China's expanding influence in Southeast Asia. That said, Sino-Vietnam relations are Vietnam's most important bilateral relationship and Vietnamese leaders must tiptoe carefully along the tightrope between Washington and Beijing, such that improved relations with one capital not be perceived as a threat to the other. Also, some Vietnamese remain suspicious that the United States' long-term goal is to end the Vietnamese Communist Party's (VCP) monopoly on power through a "peaceful evolution" strategy.

Economic ties are the most mature aspect of the U.S.-Vietnam bilateral relationship. The United States is Vietnam's largest export market. Bilateral trade surpassed \$14 billion in 2008 and has been growing by double-digits every year since the United States extended "normal trade relations" (NTR) treatment to Vietnam in 2001. Increased bilateral trade also has been fostered by Vietnam's market-oriented reforms and the resulting growth in its foreign-invested and privately owned sectors. From 1987-2007, Vietnam's annual gross domestic product (GDP) growth averaged over 7%. Since late 2007, Vietnam's economy has been buffeted by economic difficulties that have lowered growth rates and increased social strife. Vietnam is one of the largest recipients of U.S. assistance in East Asia; estimated U.S. aid in FY2008 surpassed \$100 million, much of it for health-related activities. In 2008, the two countries launched bilateral investment treaty (BIT) talks and the Bush Administration announced that it would explore whether to add Vietnam to the Generalized System of Payments (GSP) program, which extends duty-free treatment to certain products that are imported from designated developing countries.

For years, human rights have been the biggest thorn in the side of the relationship. Vietnam is a one-party, authoritarian state ruled by the VCP, which appears to be following 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. Since early 2007, a number of arrests of dissidents and other developments have led some to conclude that Vietnam's human rights situation is worsening.

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Recent Developments¹

An Intensifying Crackdown on Dissent and Criticism of the Government

Although most analysts observe that human rights conditions for most Vietnamese are markedly better than they were a generation ago, some human rights activists and Vietnam-watchers believe that the government has become more restrictive toward criticism of the government over the past two to three years. Since early 2008, for instance, press freedoms reportedly have been curtailed and prominent journalists arrested. For several years before then, the press—which is state-controlled—had been given space to criticize the government on “safe” issues like corruption, economic policy, nature conservation, and environmental pollution.

Events in 2009 have led some human rights groups and other observers to argue that the Vietnamese government may be targeting bloggers as well as lawyers who represent human rights and religious freedom activists, particularly those linked to a network of pro-democracy activists. Many blogs have been a relatively free space for political discussion since they were introduced into Vietnam in 2005. Authorities reportedly banned anti-government commentary on blogs in January 2009, and there are reports that in recent months a number of prominent bloggers have been arrested, several blogs with political commentary have been hacked and criticized by official news outlets.² In June 2009, Vietnamese authorities arrested human rights lawyer Le Cong Dinh, reportedly for violating article 88 of Vietnam’s criminal code, “conducting propaganda against the government,” which carries a sentence of up to 20 years. Dinh is best known for his defense of Vietnamese bloggers, human rights defenders, and democracy and labor rights activists. Other lawyers with similar clients, including religious freedom activists, reportedly have been subject to threats and harassment.³

Many of the blogs, bloggers, and lawyers who have been targeted had criticized as too “soft” Vietnam’s policy toward China and/or have links to pro-democracy activist groups such as Bloc 8406 or the banned Democratic Party of Vietnam. There are reports that these groups have received help from expatriate Vietnamese, including some in the United States. Yahoo has been accused of allowing Vietnamese authorities to embed monitoring and censoring devices on its applications, particularly its blogging service, which are popular in Vietnam.⁴

Various human rights-related legislation has been introduced in Congress in 2009. These include H.R. 1969 (C. Smith) and S. 1159, the Vietnam Human Rights Acts, which would link Vietnam’s entry into the U.S. Generalized System of Preferences (GSP) program to improvements in workers’ rights in Vietnam and would link increases in some non-humanitarian aid to improvements in human rights conditions in Vietnam. H.R. 2410, the FY2010 Foreign Relations

¹ For more details about U.S.-Vietnam relations in 2008, see CRS Report RL33316, *U.S.-Vietnam Relations in 2008: Background and Issues for Congress*, by Mark E. Manyin.

² Open Source Center Report, “Vietnamese Authorities Seek to Silence, Intimidate Cyber-Activists,” FEA20090710868263, July 9, 2009.

³ Human Rights Watch, “Vietnam: Free Prominent Rights Lawyer Le Cong Dinh,” New York, June 16, 2009; Ian Timberlake, “Vietnam Arrests Are Part of Long-Running Crackdown: Analysts,” *Agence France Presse*, July 14, 2009.

⁴ Open Source Center Report, “Vietnamese Bloggers Drop Local Yahoo Service Given Perceptions of Collusion With Authorities,” FEA20090721872665, Jul 21, 2009.

Authorization Act, contains a “sense of Congress” section stating that the Secretary of State should place Vietnam on the list of ‘Countries of Particular Concern’ for severe violations of religious freedom. For more details, see “The Vietnam Human Rights Act” and “Selected Legislation in the 111th Congress” sections below.

Bilateral Security Cooperation

In June 2009, the United States and Vietnam held their second Security Dialogue on Political, Security, and Defense Issues, in Washington, DC. According to press releases and U.S. participants in the talks, the most substantive issues appear to have been expanding cooperation in peacekeeping operations and training, humanitarian assistance and disaster relief, including search and rescue operations and training. As a symbol of the relatively small-scale and incremental areas of improvement, one of the deliverable items from the meeting was that Vietnam agreed to send a higher-level observer to the upcoming Garuda Shield capstone training exercise for the Global Peace Operations Initiative (GPOI), to be held in Indonesia. Other topics of discussion included maritime security, counterterrorism and counternarcotics cooperation, border security, nonproliferation, and exchanges of high-level visits.⁵

New Initiative with Vietnam and Other Mekong River Countries

In late July 2009, on the sidelines of the ASEAN Regional Forum (ARF) Foreign Ministerial in Phuket, Thailand, Secretary of State Hillary Clinton met with the foreign ministers of the lower Mekong countries, excluding Burma (i.e. Vietnam, Cambodia, Laos, and Thailand), in the first-ever U.S.-Lower Mekong Ministerial Meeting. The Ministers issued a joint statement outlining the wide-ranging areas of discussion, which included responses to climate change; fighting infectious disease; and education policy. They agreed to discuss follow-up meetings and cooperation.⁶ Additionally, the Mekong River Commission and the Mississippi River Commission recently agreed to pursue a “sister river” partnership to share expertise and best practices in areas such as climate change adaptation, water resource management, and food security. The Obama Administration is seeking Congressional approval for an additional \$15 million in FY2010 for assistance related to improving food security in the Mekong countries.

Vietnam and Cambodia reportedly have urged the United States to become more active in Mekong issues. They are partly motivated by the environmental impact of Chinese dams and other projects on the Mekong that are now felt in the downriver countries.⁷

Developments in Sino-Vietnamese Relations

Vietnam reportedly has protested China’s imposition of a fishing ban, as well as an increase in arrests and fines of Vietnamese fishermen by Chinese naval boats, in disputed waters of the South China Sea. In the spring of 2009, opposition within Vietnam arose against a planned Vietnam-

⁵ State Department Press Release, “Joint Statement on U.S.-Vietnam Political, Security and Defense Dialogue,” June 8, 2009; June 2009 exchanges with U.S. participants.

⁶ State Department Press Release, “Joint Press Statement of the U.S.-Lower Mekong Ministerial Meeting,” July 23, 2009.

⁷ Catharin Dalpino, “Bureaucratic Suspense at Phuket,” Asia Security Initiative blog, Posted on July 17, 2009, <http://asiasecurity.macfound.org/>.

China joint venture to mine bauxite in the Central Highlands, which is the site of one of the world's largest deposits of the ore. Criticism has focused on the project's expected environmental impact, on fears of increased Chinese influence, and on worries that ethnic minorities and local industries (such as coffee plantations) would be adversely affected. (For more, see "Controversial Bauxite Plan for Central Highlands," below.) The campaign against the project appears to have brought together a disparate group of critics, including 97-year-old General Vo Nguyen Giap, the military leader of communist North Vietnamese forces against France, South Vietnam, and the United States from the 1940s through the 1970s. In response to the criticism, the government says only two of the four planned mining projects will begin initially, to allow time to study their impact.⁸

Catfish

In the first half of 2009, the U.S. International Trade Commission and International Trade Administration announced punitive tariffs against some Vietnamese exporters of frozen catfish would stand. The tariffs, which range up to nearly 64%, have been imposed since 2003, when a number of Vietnamese companies were ruled to have dumped their products on the U.S. market.⁹ The 2009 announcements followed "sunset" reviews of whether to revoke the tariffs.

Vietnamese concerns had already been heightened by fears that the implementation of certain provisions of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), passed in June 2008, may reduce catfish exports to the United States. The fish industry is an important sector in Vietnam, and for many years, Vietnamese officials and fish farmers complained about perceived discrimination against Vietnamese fish exports to the United States (for more, see "Trade Friction," below).

Introduction

Since 2002, overlapping strategic and economic interests have led the United States and Vietnam to improve relations across a wide spectrum of issues.

U.S. Interests and Goals in the Bilateral Relationship

Currently, factors generating U.S. 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 (including the United Nations Security Council), 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, countering China's increasing regional influence, and maintaining U.S. influence in Southeast Asia. The array of policy instruments the United States employs in relations with Vietnam includes trade incentives and restrictions, foreign assistance,

⁸ Seth Mydans, "Lion of War Retakes Field in Mine Fight," *International Herald Tribune*, June 29, 2009.

⁹ In U.S. law, dumping is defined as the selling of a product by a foreign producer at a price that is below the product's sale price in the country of origin, or at a price that is lower than the cost of production.

cooperation in international organizations, diplomatic pressures, educational outreach, and security cooperation.

Vietnam's Interests and Goals in the Bilateral Relationship

For Vietnam's part, since the mid-1980s, Hanoi essentially has pursued a three-pronged national strategy: (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 improving relations with the United States as a counterweight to Chinese ambition.¹⁰ By virtue of its economic importance and great power status, the United States has loomed large not only in Vietnam's strategic calculations, but also in domestic developments. For instance, Vietnam's protracted decision from 1999-2001 to sign and ratify the landmark bilateral trade agreement (BTA) with the United States helped to break the logjam that had effectively paralyzed debate over the future direction and scope of economic reforms. Additionally, notwithstanding the legacy of the Vietnam War era, the Vietnamese public appears to hold overwhelmingly positive views of the United States.¹¹

There are a number of strategic and tactical reasons behind Vietnam's efforts to upgrade its relationship with the United States. Some speculate that Vietnamese policymakers seek to counter Chinese ambitions in Southeast Asia. Vietnam also needs a favorable international economic environment—for which it sees U.S. support as critical—to enable the country's economy to continue to expand.

A Ceiling on the Relationship?

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, Vietnamese conservatives' wariness of working with the United States, and conservative 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.

Additionally, the momentum in U.S.-Vietnam relations during the Bush years was facilitated by two external conditions that may change in the coming months. First, the relatively positive relations between the United States and China under the Bush Administration provided Vietnam with the space to expand ties with both powers. Second, the growing U.S. economy during this time also helped; securing access to the U.S. market—Vietnam's largest—was critical to Vietnamese policymakers. Many Vietnamese officials and economists see a 7% annual increase in the country's gross domestic product (GDP) as critical to providing the jobs that help maintain economic and social stability, as well as propelling Vietnam toward the government's goal of becoming a middle-income economy by 2020. As Vietnam has dropped its adherence to

¹⁰ 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.

¹¹ State Department Office of Research, *Vietnam: U.S. Image Gets a Boost*, Opinion Analysis, Washington, DC, September 9, 2008.

communist orthodoxy, providing jobs and improving standards of living have become more important to the VCP's and the government's legitimacy.

If this analysis is correct, the 2008-2009 global economic crisis could negatively affect U.S.-Vietnam relations in at least three ways: (1) it could raise trade frictions with Vietnam if the United States and/or Vietnam adopt trade-restricting measures; (2) it could reduce the United States' importance to Vietnam if U.S. imports from Vietnam decline; and (3) it could cause overall Sino-U.S. relations to deteriorate if trade tensions between the two increase. Thus, in 2009, it may take more concerted leadership in both Washington and Hanoi to continue expanding relations at the strategic level.

Key Issues and Decisions

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, and through 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. Key issues confronting the United States include:

- whether to continue the Bush Administration's policy of pursuing high-level contacts with Vietnam, including annual summits;
- how far to pursue strategic and military-to-military ties;
- whether to impose curbs on surges in imports of certain items from Vietnam (particularly clothing);
- whether to admit Vietnam into the Generalized System of Payments program, which extends duty-free treatment to certain products that are imported from designated developing countries;
- 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, particularly the suffering of Vietnamese who say they are victims of dioxin, a byproduct of the defoliant Agent Orange that the United States used during the war.

Brief History of the Normalization of U.S.-Vietnam Relations

The United States' post-World War II military involvement in Vietnam began in the early 1960s, with the dispatch of military advisers to assist the South Vietnamese government in its battles with communist North Vietnam and indigenous (i.e. South Vietnamese) communist forces. Thereafter, the U.S. presence escalated. By the time the Nixon Administration withdrew U.S. forces in 1973, millions of U.S. troops had served in Vietnam, with more than 50,000 killed.

U.S.-Vietnam diplomatic and economic relations were virtually nonexistent for more than 15 years following communist North Vietnam's victory in 1975 over South Vietnam. The United States maintained a trade embargo and suspended foreign assistance to unified Vietnam. Obstacles to improved relations included U.S. demands that Vietnam withdraw from Cambodia (which Vietnam invaded in 1978), U.S. insistence on the return of/information about U.S. Prisoners of War/Missing in Action (POW/MIAs), and Vietnamese demands that the United States provide several billion dollars in postwar reconstruction aid, which they claimed had been promised by the Nixon Administration.

A series of actions by Vietnam 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 Soviet Union; and invaded Cambodia, installing a puppet government backed by 200,000 Vietnamese troops. China conducted a one-month military incursion along Vietnam's northern border in 1979, which led to nearly three decades of disputes over the land border, and kept strong military pressure on Vietnam until 1990. U.S. policy toward Vietnam was also influenced by the exodus of hundreds of thousands of Vietnamese "boat people," including many ethnic Chinese, who fled Vietnam's harsh reunification program.

Developments in the mid- and late 1980s set the stage for the rapid normalization of ties in the following decade. Inside Vietnam, disastrous economic conditions and virtual diplomatic isolation led the Vietnamese Communist Party (VCP) to adopt (at its 6th National Party Congress in 1986) a more pragmatic, less ideological, line. Hanoi adopted market-oriented economic reforms (dubbed *doi moi*, or "renovation"), loosened many domestic political controls, and began to seek ways to extract itself from Cambodia.

U.S.-Vietnam cooperation on the POW/MIA issue began to improve following a 1987 visit to Vietnam by General John Vessey, President Reagan's Special Emissary for POW-MIA Issues. As Vietnam withdrew forces from Cambodia in 1989 and sought a compromise peace settlement there, the George H.W. Bush Administration decided to improve relations with Hanoi, which was also interested in restoring ties to the United States. In April 1991, the United States laid out a detailed "road map" for normalization with Vietnam. Later that year, Vietnam allowed the United States to open an office in Hanoi to handle POW/MIA affairs.

In 1993, President Clinton built on the thaw by signaling the end of U.S. opposition to Vietnam receiving international financial assistance. In February 1994, President Clinton announced the end of the U.S. trade embargo on Vietnam. Two months later, Congress passed the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (P.L. 103-236), which expressed the Senate's support for the normalization of relations with Vietnam. Despite congressional efforts to tie normalization to the POW/MIA issue as well as to Vietnam's human rights record, President Clinton continued to advance U.S. relations with Vietnam by appointing the first post-war ambassador to Vietnam in 1997 and signing the landmark U.S.-Vietnam bilateral trade agreement (BTA) in 2000. Throughout this period, the normalization process was greased by Vietnam's strategic desire to improve relations with the United States, continued improvements in POW/MIA cooperation, Vietnam's ongoing reform efforts, and by Vietnam's general cooperation on refugee issues.

President Clinton visited Vietnam from November 16-20, 2000, the first trip by a U.S. President since Richard Nixon went to Saigon (now Ho Chi Minh City) in 1969. The visit was notable for the unexpected enthusiasm expressed by ordinary Vietnamese, who thronged by the thousands to

greet or catch a glimpse of the President and the First Lady. These spontaneous outbursts, combined with the President's public and private remarks about human rights and democratization, triggered rhetorical responses from conservative Vietnamese leaders. During the visit, Vietnamese leaders pressed the U.S. for compensation for Agent Orange victims, for assistance locating the remains of Vietnam's soldiers still missing, and for an increase in the United States' bilateral economic assistance program.

Progress towards the resumption of normal bilateral relations continued under the George W. Bush Administration. Despite growing concerns about the Vietnamese government's human rights record, Congress ratified the U.S.-Vietnam BTA in October 2001; the new agreement went into effect on December 10, 2001. Under the BTA, the United States granted Vietnam *conditional* normal trade relations (NTR), a move that significantly reduced U.S. tariffs on most imports from Vietnam.¹² In return, Hanoi agreed to undertake a wide range of market-liberalization measures. Vietnam's conditional NTR status was renewed every year until December 2006, when Congress passed P.L. 109-432, a comprehensive trade and tax bill, that granted Vietnam permanent NTR status as part of a wider agreement that saw Vietnam become a member of the World Trade Organization (WTO) as of January 11, 2007.¹³

As discussed in the following section, during the Bush Administration, the United States and Vietnam dramatically upgraded diplomatic and strategic aspects of their relationship to the point where the two countries have all-but-normalized bilateral relations, at least from the U.S. point of view. As discussed below, however, many Vietnamese still consider relations to not be completely normalized until the United States provides more compensation for purported victims of "Agent Orange" and/or drops its legal categorization of Vietnam as a "Vietnam's "Non-Market Economy" Status".

Major Issues in U.S.-Vietnam Relations

Diplomatic Ties

At some point in the mid-2000s, leaders in both Hanoi and Washington, DC, sought new ways to upgrade the bilateral relationship. One manifestation of this goal was four annual summits from 2005-08. The Bush Administration appeared to use these top-level meetings to encourage economic and political reforms inside Vietnam. The 2005 and 2008 summits were particularly noteworthy.

¹² Vietnam's NTR status was conditional because 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. 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 between 2003 and 2006, the last year of Vietnam's conditional NTR status.

¹³ See CRS Report RL33490, *Vietnam PNTR Status and WTO Accession: Issues and Implications for the United States*, by Mark E. Manyin, William H. Cooper, and Bernard A. Gelb.

June 2005 Summit

Then-Vietnamese Prime Minister Phan Van Khai's June 2005 trip to the United States was 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 combined with President Bush's November 2006 visit to Vietnam it also focused 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." 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 English language training. The two sides also announced an agreement to resume U.S. adoptions of Vietnamese children, which Hanoi had halted in 2002. Protesters, mainly Vietnamese-Americans, appeared at every stop on Khai's trip.

June 2008 Summit

The latest summit occurred between President Bush and Prime Minister Nguyen Tan Dung (pronounced "Dzung") in Washington, DC, in June 2008. Dung's trip was notable for the number and range of agreements the two governments reached, as well as new steps they took to deepen their level of engagement. Major developments included the announcement of formal "political-military talks," a process that the United States has with four other Southeast Asian countries; the launch of bilateral investment treaty (BIT) negotiations; the Bush Administration's announcement that it would begin the process of exploring whether to add Vietnam to the Generalized System of Payments (GSP) program; the launch of a "high-level" bilateral Education Task Force; an agreement in principle to introduce a Peace Corps program in Vietnam; and the announcement of new initiatives on adoptions, nuclear safety, aviation, climate change, food safety. Dung also became the highest-level Vietnamese official since the Vietnam War to visit the Pentagon, where he met with Secretary of Defense Robert Gates.

Economic Ties

Economic ties are the most mature aspect of the bilateral relationship. In the past five years, the United States has emerged as Vietnam's largest export market and collectively U.S. firms have become one of the country's largest sources of foreign direct investment (FDI). U.S. companies' cumulative FDI still lags behind many European and Asian competitors, which had a head start in operating in Vietnam. Since 2002, Vietnam has run an overall current account deficit—one that has grown rapidly—with the rest of the world.

Bilateral trade has soared since the early part of the decade. As shown in **Table 1**, trade flows exceeded \$15 billion in 2008, more than ten times the level in 2001, the year before Vietnam received conditional NTR status. Increased bilateral trade also has been fostered by Vietnam's market-oriented reforms and the resulting growth in its foreign-invested and privately owned sectors. Over 80% of the increase in U.S.-Vietnam trade since 2001 has come from the growth in imports from Vietnam, particularly clothing items. For the first three months of 2009, imports from Vietnam were up year-on-year by just over 3.5%, while U.S. exports fell by nearly 25%. U.S.-Vietnam trade flows have maintained their strength much better during the global economic slowdown than Vietnam's trade with many of its other economic partners; from January-April, Vietnam's total exports (i.e. what the rest of the world imports from Vietnam) fell by 0.1% against

the same period in 2008, while its year-on-year imports (i.e. exports from the rest of the world to Vietnam) fell by over 40%.¹⁴

Table I. U.S.-Vietnam Merchandise Trade, Selected Years
(millions of dollars)

	U.S. Imports from Vietnam	U.S. Exports to Vietnam	Total Trade		Trade Balance
			Volume	Change from prior yr.	
1994 (trade embargo ended)	50.5	172.2	222.7	—	121.7
2001	1,026.4	393.8	1,420.2	23%	-632.6
2002 (NTR extended) ^a	2,391.7	551.9	2,943.6	107%	-1,839.8
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
2007 (PNTR extended) ^a	10,541.2	1,823.3	12,364.5	31%	-8,717.9
2008	12,610.9	2,673.0	15,283.9	24%	-9,937.9
Jan-May 2008	4,616.2	1,322.9	5,939.1	—	-3,293.3
Jan-May 2009	4,721.3	1,061.5	5,782.8	-3%	-3,659.8
Major Imports from Vietnam	clothing, wooden furniture, footwear, fish and prepared fish products, petroleum products, electrical machinery, coffee, cashew nuts				
Major Exports to Vietnam	passenger cars, machinery and mechanical equipment, meat, cotton, plastics, iron and steel, electrical machinery				

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

- a. Normal trade relations (NTR) status was extended to Vietnam in December 2001, when the U.S.-Vietnam bilateral trade agreement went into effect. Thus, 2002 was the first full year in which Vietnam benefitted from NTR status. Likewise, 2007 was the first full year Vietnam received permanent normal trade relations (PNTR) status, which was extended to Vietnam in December 2006.

Trade Initiatives: GSP, TIFA, BIT, and TPP

Obtaining GSP status from the United States has become a major objective for Vietnam. The week before Prime Minister Dung’s June 2008 visit to Washington, the Bush Administration announced it would begin a review of whether Vietnam meets the eligibility criteria for designation as a beneficiary country under the GSP program. The primary purpose of the program, which the United States and other industrial countries initiated in the 1970s, is to promote economic growth and development in developing countries by stimulating their exports.¹⁵ H.R. 1969, the Vietnam Human Rights Act, would prohibit Vietnam’s entry into the GSP program unless Vietnam’s labor rights regime were certified as making improvements in

¹⁴ General Statistics Office of Vietnam, “Social-economic Situation in 4 Beginning Months of 2009,” <http://www.gso.gov.vn/>.

¹⁵For more, see CRS Report RL34702, *Potential Trade Effects of Adding Vietnam to the Generalized System of Preferences Program*, by Michael F. Martin and Vivian C. Jones.

certain areas, particularly the right of association. In the 110th Congress, similar language was included in S. 3678 the Senate version of the Vietnam Human Rights Act. The Obama Administration has yet to make a decision about entering Vietnam into the GSP program.

In April 2009, working level U.S. and Vietnamese trade officials held a meeting in Washington, DC, under the bilateral Trade and Investment Framework Agreement (TIFA) that was signed in June 2007. TIFAs are often viewed as a stepping stone toward an eventual free trade agreement (FTA).

As mentioned earlier, during their June 2008 meeting, President Bush and Prime Minister Dung announced the launch of talks to establish a bilateral investment treaty (BIT). BITs are designed to improve the climate for foreign investors—typically by committing the signatories to prohibit discrimination against foreign investors—by establishing dispute settlement procedures and by protecting foreign investors from performance requirements, restrictions on transferring funds, and arbitrary expropriation. The United States has signed over 30 BITs, primarily with countries undergoing significant economic reforms. U.S. and Vietnamese BIT negotiators reportedly will continue their “technical discussions” while the Obama Administration reviews the current United States model for BITs. The Administration is particularly interested in examining the portions of BITs dealing with environment, labor, and financial regulation.¹⁶

Vietnam reportedly is studying whether to join the Trans-Pacific Strategic Economic Partnership Agreement (TPP), a multilateral free trade agreement among Brunei, Chile, New Zealand, and Singapore.¹⁷ In September 2008, the Bush Administration announced its intent to enter into negotiations with the TPP countries. It is unclear whether the Obama Administration will pursue the TPP. In May 2009, USTR Ron Kirk reportedly said that the Administration would seek to join the agreement, which he said represents the “baseline” for the Administration’s economic goals in Asia. He also hinted that the Administration plans to expand its bilateral and multilateral trade initiatives in Asia.¹⁸ The United States already has FTAs with Singapore and Chile. If both the United States and Vietnam ultimately seek to join the TPP, it would mean that the two countries would enter into an FTA with one another.

Trade Friction

As bilateral economic relations have expanded, so have trade disputes. Significant areas of friction include clothing trade, fish (particularly catfish), the United States’ designation of Vietnam as a “non-market economy” (NME), Vietnam’s record on protecting intellectual rights, and concerns over Vietnam’s currency policies. Vietnamese officials are particularly concerned about the first three issues. In general, while bilateral trade disputes have been irritants, as of early 2009 they have not spilled over to affect the course or tone of bilateral relations. In March 2009, the first countervailing duty case was filed against Vietnam, for allegedly providing unfair government benefits to exporters of plastic shopping bags.

¹⁶ “State Dept. Appoints New Panel To Review Model BIT, FTA Chapters,” *Inside U.S. Trade*, May 15, 2009. For more on the TPP, see CRS Report R40502, *The Trans-Pacific Strategic Economic Partnership Agreement*, by Ian F. Fergusson and Bruce Vaughn.

¹⁷ “Baucus Links Vietnam Worker Rights To GSP, Seeks Beef Access,” *Inside US Trade*, December 26, 2008. For more on the TPP, see CRS Report RL33463, *Trade Negotiations During the 110th Congress*, by Ian F. Fergusson.

¹⁸ World Trade Online, “Kirk: USTR Wants To Continue TPP Negotiations,” *Daily News*, May 18, 2009.

Imports of Vietnamese Clothing and the U.S. Import Monitoring Program¹⁹

Much of the increase in U.S.-Vietnam trade since 2001 has come from a sharp rise in clothing imports from Vietnam, which were about \$4.3 billion in 2007, up from the \$45 million-\$50 million range that Vietnam recorded in 2000 and 2001.²⁰ By dollar value, clothing is the largest item the United States imports from Vietnam. In 2008, Vietnam was the United States' second-biggest source (after China) of clothing imports, providing nearly 6% of the total (up from about 1.4% in 2002 and 0.1% in 2001, before the BTA went into effect). In that year, clothing and textile products were Vietnam's second-largest export item by value (after crude oil), generating around \$9.1 billion.²¹

Many Vietnamese are concerned about reports that the United States will renew its "import monitoring program" for certain clothing and textiles from Vietnam that allows the Commerce Department to self-initiate antidumping investigations when warranted. The current program was scheduled to expire on January 20, 2009. There have been congressional calls to renew the program.²²

Catfish

Catfish exports account for about one-quarter of the exports by Vietnam's aquatic industry, an important sector in Vietnam. In 2007, Vietnamese fish farmers exported approximately 21,200 MT of catfish (worth about \$67.6 million) to the United States, up from 14,800 MT (\$35.3 million) in 2005.²³

Vietnamese officials are concerned that the implementation of certain provisions of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), passed in June 2008, may reduce catfish exports to the United States. Among other measures, the law will effectively transfer catfish inspection from the Food and Drug Administration to the U.S. Department of Agriculture (USDA), which currently is drafting regulations to implement the provision. These regulations conceivably could require a formal USDA determination that Vietnamese safety standards are equivalent to U.S. standards before such catfish could be imported into the United States, which might disrupt shipments. Vietnamese have complained that this and other changes the United States has made in its catfish regulation have been designed to discriminate against Vietnamese catfish imports.

Since 2003, when the U.S. Commerce Department and International Trade Commission ruled that Vietnamese companies were dumping their products on the U.S. market, the United States has

¹⁹ For more, see CRS Report RL34262, *U.S. Clothing Imports from Vietnam: Trade Policies and Performance*, by Michael F. Martin.

²⁰ For purposes of this report, clothing imports include all products imported under chapters 61 and 62 of the Harmonized Tariff System.

²¹ "Socio-economic Statistical Data, 2008," General Statistics Office of Vietnam Press Release, January 5, 2009.

²² For instance, the House Appropriations Committee in its report (H.Rept. 110-919) accompanying the Commerce, Justice, Science, and Related Agencies Appropriations Bill, 2009, said that the Committee "expects" the Commerce Department to continue monitoring Vietnamese and Chinese apparel exports to determine whether their industries are illegally pricing products and dumping in the U.S. market.

²³ Nguyen Thi Huong and Tran Quoc Quan, *Vietnam Fishery Products Annual Report 2008*, USDA Foreign Agricultural Service Global Agriculture Information Network (GAIN) Report VM8045, June 30, 2008; "US Farm Bill May Block Tra, Basa Catfish Imports," *Thai News Service*, November 4, 2008.

imposed punitive tariffs ranging from 37% and 64% on frozen catfish fillets from many Vietnamese exporters. In the first half of 2009, the U.S. International Trade Commission and International Trade Administration announced the punitive tariffs against some Vietnamese exporters of frozen catfish would not expire.

Vietnam's "Non-Market Economy" Status

Under the terms of its entry into the WTO, Vietnam will retain its designation as a "nonmarket economy" (NME) until 2019, making it procedurally easier in many cases for U.S. companies to initiate and succeed in bringing anti-dumping cases against Vietnamese exports. Vietnamese officials would like the United States to recognize Vietnam as a market economy.

Intellectual Property Rights

From 2002-2009, the USTR has placed Vietnam on its "Special 301 watch list" for poor protection of intellectual property rights (IPR), particularly in the areas of music recordings and Internet piracy.²⁴ USTR also has consistently praised the Vietnamese government's gradual increase in attention and efforts to protect IPR. 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. The International Intellectual Property Alliance (IIPA), a private sector coalition, has estimated that trade losses due to piracy amounted to over \$100 million in 2008, primarily due to rampant piracy of business software.²⁵

Currency Concerns

Some in the United States 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 5%, a spread that is up from the 0.1% that was maintained in 2001. Vietnam's central bank widened the spread three times in 2008 and once in March 2009, in moves widely interpreted as attempts to manage a gradual depreciation of the *dong*. In each case, the *dong* depreciated to the lowest permissible level after the loosening. In 2008, the *dong* fell by around 9% against the U.S. dollar, and many analysts expect it to depreciate further in the months ahead.

²⁴ "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 M. Morrison.

²⁵ International Intellectual Property Alliance, *2009 Special 301 Report Vietnam*.

U.S. Foreign Assistance to Vietnam

As the normalization process has proceeded, the U.S. has eliminated most of the Cold War-era restrictions on aid to Vietnam, and U.S. assistance has increased markedly from the provision of about \$1 million when assistance was resumed in 1991. Estimated U.S. aid in FY2008 was around \$120 million, about six times the level in FY2000, making Vietnam one of the largest recipients of U.S. aid in East Asia. For FY2009, the Bush Administration requested approximately \$110 million.

The U.S. bilateral aid program is dominated by health-related assistance, which is projected to have totaled more than \$100 million in FY2008. In particular, spending on HIV/AIDS treatment and prevention in Vietnam has risen since President Bush designated Vietnam as a “focus country” eligible to receive increased funding to combat HIV/AIDS in June 2004 under the President’s Emergency Plan for AIDS Relief (PEPFAR).²⁶ Some Vietnamese, as well as some Western aid providers, have questioned the wisdom of allocating these sums of money for Vietnam, which does not appear to have a severe HIV/AIDS problem. Other sizeable U.S. assistance items include programs assisting Vietnam’s economic reform efforts and governance, programs to combat trafficking in persons, and de-mining programs. In both 2007 and 2009, \$3 million was appropriated for cleaning up dioxin storage sites. (See the “Agent Orange” section.) 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 Issues” 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. After 2004, Vietnam consistently was deemed ineligible for the MCA despite meeting the technical requirements because it scored very low on some of the indicators used to measure political freedom.

Education Exchanges

The governments of the United States and Vietnam run a number of educational exchange programs. These generally total around \$10 million a year, a sum not included in the above estimates of U.S. assistance. Bilateral educational exchanges are expected to increase once the Education Task Force launched by President Bush and Prime Minister Dung in 2008 begins to have an effect. H.R. 2410, the Foreign Relations Authorization Act for FY2010 and 2011, would transfer control of the Vietnam Education Foundation (VEF), which administers a \$5 million educational exchange program, to the State Department as well as restructure the VEF.²⁷ Similar attempts (H.R. 6535 and S. 3097) were made in the 110th Congress.

²⁶ 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.

²⁷ The VEF was created by the Vietnam Education Foundation Act of 2000 (Title II of P.L. 106-554). The act also authorized the establishment of the Vietnam Debt Repayment Fund at the Treasury Department, into which all payments made by the Government of Vietnam under the U.S.-Vietnam debt agreement, signed on April 7, 1997, are deposited. Under the legislation, VEF receives \$5 million from the Fund each fiscal year through 2018.

Human Rights Issues

Overview

It is difficult to make country-wide generalizations about the state of human rights in Vietnam, a one-party, authoritarian state ruled by the VCP. For more than a decade, 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 and has permitted most Vietnamese to observe the religion of their choice. Since 2004, according to several reports, there have been indications that human rights conditions have improved for many if not most Vietnamese, including those in the Central Highlands and Northwest Highlands regions, two regions whose heavy minority populations have made them particular centers of human rights concerns.

On the other hand, the government cracks down harshly on anti-government activity, as shown by the wave of arrests of political dissidents in the winter and spring of 2007 (see text box below). Many contend that since early 2007 Vietnamese authorities have adopted a harsher policy of cracking down upon signs of dissent more quickly and more aggressively than they had for much of the mid-2000s. Since early 2008, press freedoms reportedly also have been curtailed and prominent journalists arrested. For several years before then, the press—which is state-controlled—had been given space to criticize the government on "safe" issues like corruption, economic policy, nature conservation, and environmental pollution. Furthermore, in its effort to control the Internet, the central government has tightened restrictions on blogs and has stepped up repression of so-called "cyber dissidents" for alleged offenses such as criticizing the signing of land-border agreements with China and calling for greater political accountability and political competition. In January 2009, it was reported that the Ministry of Communication planned to ask Google and Yahoo to regulate the content of Vietnamese blogs and websites.²⁸

Various ethnic minority groups, most prominently the minorities known as Montagnards who live in the country's Central Highlands region, also report cases of discrimination and repression.²⁹ According to several sources, abuses in the Central Highlands appear to have fallen since the last major anti-government protests in 2004, though restrictions on foreigners' access to the region and to Montagnards who have fled to Cambodia complicate accurate reporting. The State Department and other groups have reported that in April 2008, police and soldiers forcibly dispersed Montagnard Christians demonstrating in the Central Highlands, and arrested dozens of protesters.³⁰ Though these demonstrations appear to have been much smaller than the unrest in

²⁸ Human Rights Watch, "Vietnam: Stop Muzzling the Messengers," January 8, 2009.

²⁹ "Montagnard" is a French term meaning "mountain people" that is often used to refer to the various indigenous ethnic minorities in Vietnam's central and northern mountain areas. According to Human Rights Watch, there are approximately one million Montagnards in the Central Highlands, comprised of approximately six ethnic groups. Since the end of the Vietnam War, millions of ethnic Kinh (Vietnam's dominant ethnic group) from Vietnam's lowlands have migrated into the Central Highlands. Coffee and rubber plantations also have sprouted in the region. The ensuing land pressures have resulted the loss of ancestral homeland by many Montagnards. Hundreds of thousands of Central Highlands Montagnards are thought to follow evangelical Protestantism. For more, see Human Rights Watch, *Repression Of Montagnards, Conflicts over Land and Religion in Vietnam's Central Highlands*, April 2002.

³⁰ State Department, "2008 Human Rights Reports: Vietnam," February 25, 2009.

2004, they were the largest in years. (For the location of the Central Highlands region, see **Figure 1** at the end of this report.) Some human rights advocates have criticized the U.S. government for failing to advocate sufficiently for the release of the scores, if not hundreds, of Montagnards who have been imprisoned since 2001.

In sum, many analysts recognize positive changes in Vietnam's human rights situation and in Vietnamese government officials' willingness to discuss human rights issues. However, given continued reports of repression and harassment, and expectations that deteriorating economic conditions will lead to increased social unrest, there is considerable disagreement about how significant and how pervasive the improvements are, not to mention how lasting they will be. Indeed, some human rights activists and Vietnam-watchers believe that the government has become more restrictive over the past two to three years.

A Wave of Arrests of Vietnamese Dissidents

In 2006, a number of dissident groups appeared and publicly called for peaceful democratic change, including two new groups called the People's Democracy Party of Vietnam (PDPV) and the 8406 Bloc. 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. According to some human rights organizations, as of September 2008, dissidents linked to the 2006 groups continue to be arrested and/or harassed.

In the spring of 2007, the White House and the State Department criticized the arrests, most notably 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 2007.³¹

Religious Freedom

According to a variety of reports, most Vietnamese now are able to observe the religion of their choice. However, while the freedom to worship generally exists in Vietnam, the government strictly regulates and monitors the activities of religious organizations. Periodically, authorities have increased restrictions on certain groups. Although the constitution provides for freedom of religion, Vietnamese law requires religious groups to join one of the officially recognized religious organizations or denominations. According to many reports, the government uses this process to monitor and restrict religious organizations' operations. Additionally, many groups

³¹ "Blumenauer quits the US - Vietnam Caucus," *OregonLive.com*, May 27, 2007.

either refuse to join one of the official religious orders or are denied permission to do so, meaning that these groups' activities technically are illegal.

In 2004, the State Department 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.

In November 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 renunciations of faith, the release of religious prisoners, an expansion of freedom to organize by many religious groups, and the issuance of new laws and regulations, and stepped up enforcement mechanisms. 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 that it would repeal its administrative decree allowing detention without trial. The U.S. Committee on International Religious Freedom, among others, has disputed the Administration's factual basis for 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.

The Vietnam Human Rights Act

Since the 107th Congress, when Members of Congress became concerned with Vietnamese government crackdowns against protestors in the Central Highlands region, various legislative attempts have been made to link U.S. assistance to the human rights situation in Vietnam. A number of measures entitled "The Vietnam Human Rights Act" have been introduced, with most proposing to cap existing non-humanitarian U.S. assistance programs to the Vietnamese government at existing levels if the President does not certify that Vietnam is making "substantial progress" in human rights.³² The 110th Congress was the first that saw standalone bills introduced in both the House and Senate.

³² The Vietnam Human Rights Act was first introduced in the 107th Congress as H.R. 2833, 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. In the 110th Congress, the House passed H.R. 3096 on September 18, 2007 (414-3, roll no. 877). The bill did not see action in the Senate. Also in the 110th, a competing version of the Vietnam Human Rights Act, S. 3678, was introduced in the Senate.

As introduced, the most recent versions of the Vietnam Human Rights Act (H.R. 1969 and S. 1159 in the 111th Congress) are highly similar. Perhaps most significantly, they would prohibit Vietnam's entry into the GSP program unless Vietnam's labor rights regime is certified as making certain improvements. Both would prohibit increases in many forms of U.S. non-humanitarian assistance to Vietnam unless (1) such increases are matched by additional funding for human rights programming, and (2) Vietnam's human rights conditions are certified as improving. The bills would grant the President waiver authority 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. H.R. 1969 and S. 1159 would authorize the increase of RFA anti-jamming funding programming, would require the submission of a stand-alone human rights report for Vietnam, and would call for the expansion of education, cultural, and legislative exchanges with Vietnam.

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 economic reformers in ongoing domestic battles inside Vietnam.

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 political refugees and therefore entitled to asylum. While most of these are being resettled in the United States, Canada, or Finland, others 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.

In May 2007, the United States adopted a new policy toward the Montagnards in Cambodia, in which individuals UNHCR deems not to be refugees will not be considered for resettlement in the United States. The move appeared to indicate the United States' official acceptance that Vietnam was honoring its commitments in the January 2005 tripartite agreement. In the year following the policy shift, the United States accepted approximately 100 Montagnards for resettlement.

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.

Human Trafficking

In June 2008, the State Department issued its 8th 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 2008 report judged the government to be making “significant efforts” to combat trafficking, including establishing partnerships with Cambodia, China, Laos, and Thailand. However, the report criticized the Vietnamese government for lax investigation of complaints of the exploitation of Vietnamese workers in officially sanctioned export labor programs.

Security Issues

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. Most dramatically, in 2005 the two countries signed an IMET agreement, which reportedly had been blocked for years by the Vietnamese military. In June 2006, then-Secretary of Defense Donald Rumsfeld visited Vietnam and agreed with Defense Minister Pham Van Tra to increase military-to-military cooperation and exchanges.³³ U.S. naval vessels regularly call 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.

In 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 are reviewed on a case-by-case basis. In FY2009, the United States has provided \$500,000 in foreign military financing (FMF) for Vietnam, the first time Hanoi has been included in this program.

In October 2008, the United States and Vietnam held their first Security Dialogue on Political, Security, and Defense Issues. At the Hanoi meeting, the Vietnamese military reportedly asked the United States to supply spare parts for its American-made Huey helicopters that are leftovers from the Vietnam War. The two governments also discussed integrating Vietnamese soldiers into United Nations peacekeeping operations, and American military help with disaster relief in Vietnam.³⁴ As mentioned earlier, the second dialogue was held in Washington, DC, in June 2009. (See “Bilateral Security Cooperation” in the Recent Developments section above.)

Thus far, the U.S. emphasis in the dialogue appears to be on *process*, rather than on immediate results. State and Defense Department officials have viewed the dialogue as an opportunity to engage with senior level Vietnamese officials (i.e. decision-makers) and to spur more cooperation and communication among Vietnamese ministries, which are often “stove-piped” into self-contained policy communities. In particular, many U.S. government and other observers have expressed the hope that the Vietnamese Ministry of Foreign Affairs might encourage the more cautious Ministry of Defense and Ministry of Public Security to expand Vietnam’s relations with the U.S. and other countries’ militaries.

³³ Office of the Assistant Secretary of Defense (Public Affairs), “Press Availability with Secretary Rumsfeld in Vietnam,” June 5, 2006.

³⁴ “US, Vietnam Hold First Political-Military Dialogue,” *Voice of America*, October 7, 2008.

The Bush Administration's FY2009 budget request included a request for \$500,000 in foreign military financing (FMF) for Vietnam, the first time Hanoi would be included in this program.

Vietnam War "Legacy" Issues

Agent Orange³⁵

Vietnamese leaders have pressed the United States for assistance in cleaning up the dioxin left from the spraying of Agent Orange during the Vietnam War, as well as providing medical care for the estimated 3-5 million Vietnamese dioxin "victims." Among the Vietnamese public, Agent Orange has perhaps become the biggest problem facing the two countries.³⁶ Many Vietnamese see some inconsistencies between the U.S. government's reluctance to provide aid to Vietnamese victims of Agent Orange and its support programs for U.S. veterans who claim their medical problems are Agent Orange related.³⁷

The issue was discussed by Bush and Dung during their June 2008 summit, as well as during the May 2008 human rights dialogue. Although the United States has resisted providing medical assistance to the alleged Vietnamese "victims" of Agent Orange, since the middle of the decade it has indicated a willingness to help with the containment and removal of the residual dioxin, especially in identified "hot spots" near former U.S. military bases.

According to the State Department, U.S. assistance to victims of land mines over the years has included \$2 million in funding for Agent Orange related projects. The Iraq Accountability Appropriations Act of 2007 (H.R. 2206/P.L. 110-28), signed into law by President Bush in May 2007, appropriated \$3 million for assistance to Vietnam for environmental remediation of dioxin storage sites and to support health programs in communities near those sites. According to various sources, most of these funds have yet to be spent as of May 2009. However, in a sign of forward momentum, USAID and the State Department in the first half of 2009 allocated the monies. The clean-up of the Da Nang airbase is a joint operation involving the Vietnamese Ministry of Defense, the U.S. Environmental Protection Agency (EPA), and a group called the U.S.-Vietnam Dialogue Group on Agent Orange/Dioxin (Dialogue Group).³⁸ More recently, the 111th Congress appropriated an additional \$3 million in March 2009 "to continue environmental remediation of dioxin contamination at the Da Nang Airport and related health activities in nearby communities in Vietnam."³⁹

³⁵ For more on the Agent Orange issue, see CRS Report RL34761, *Vietnamese Victims of Agent Orange and U.S.-Vietnam Relations*, by Michael F. Martin.

³⁶ State Department Office of Research, *Vietnam: U.S. Image Gets a Boost*, Opinion Analysis, Washington, DC, September 9, 2008.

³⁷ For more information about the U.S. assistance programs for U.S. veterans with medical problems associated with exposure to Agent Orange, see CRS Report RL34370, *Veterans Affairs: Health Care and Benefits for Veterans Exposed to Agent Orange*, by Sidath Viranga Panangala and Douglas Reid Weimer.

³⁸ The Dialogue Group includes representatives from the American Academy for the Advancement of Science, the Aspen Institute, the Ford Foundation, Ngoc Tam Hospital Corporation, Vietnam National University, and the World Committee on Disability - as well as the Vietnamese government. There are no current U.S. government officials in the Dialogue Group.

³⁹ House Appropriations Committee Print, "Division H—Department Of State, Foreign Operations, and Related Programs Appropriations Act, 2009," Omnibus Appropriations Act, 2009 (P.L. 111-8).

On May 15, 2008, and June 4, 2009, the House Subcommittee on Asia, the Pacific, and the Global Environment held hearings on the issue of dioxin/Agent Orange in Vietnam.

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. Also during this time, another 300,000 Vietnamese came to the United States through other programs. The latest 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, extended the application closing date from the end of 2007 to the end of 2009. On a related matter, Section 7034(d) of P.L. 111-8, the Omnibus Appropriations Act of FY2009, which was signed into law on March 11, 2009, extended to the end of 2010 the deadline for certain adult sons and daughters of former Vietnamese re-education camp detainees who wish to apply for resettlement into the United States. The previous closing date had been September 30, 2009.

POW/MIA Issues⁴⁰

Since the 1990s, the annual State Department appropriations act has included language prohibiting the use of funds to expand the United States diplomatic presence in Vietnam beyond the level in effect July 11, 1995 (when the two countries opened embassies in the other's capitol), unless the President makes a certification that several conditions have been met regarding Vietnam's cooperation with the United States on POW/MIA issues. That certification has been issued every year since the requirement was put in place, though President Bush listed specific steps for how cooperation could be improved.

Officially, more than 2,000 Americans who served in Indochina during the Vietnam War era are still unaccounted for.⁴¹ Hundreds of thousands of Vietnamese remain missing. From 1975 through the late 1990s, obtaining a full accounting of the U.S. POW/MIA cases was one of the dominant issues in bilateral relations. Beginning in the early 1990s, cooperation between the two sides increased. By 1998, a substantial permanent U.S. 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 U.S. POW/MIA cases, though the United States continues to press Vietnam to provide more cooperation in specific areas. 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.⁴²

⁴⁰ For more on the POW/MIA issue, see CRS Report RL33452, *POWs and MIAs: Status and Accounting Issues*, by Charles A. Henning.

⁴¹ Official U.S. policy does not remove a name from the rolls of those unaccounted for unless remains are identified.

⁴² Office of the Assistant Secretary of Defense (Public Affairs), "Press Availability with Secretary Rumsfeld in (continued...)"

In February 2009, H.Res. 111 (King, R-NY) was introduced. It would establish a Select Committee on POW and MIA Affairs to conduct a full investigation of all unresolved matters relating to any United States personnel unaccounted for from the Vietnam War and several other conflicts. In the 110th Congress, on July 10, 2008, the House Armed Service Subcommittee on Military Personnel held a hearing on oversight and status of POW/MIA activities. Additionally, in May 2008, the House passed H.Res. 986 (roll no. 366), stating that the House “will not forget” and “will continue to press for a full accounting of” U.S. military and civilian personnel who remain unaccounted for from the Vietnam conflict.

Conditions in Vietnam

For the first decade after reunification in 1975, Vietnamese leaders placed a high priority on ideological purity and rigid government controls. 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 many aspects of central state planning, cut subsidies to state enterprises, reformed the price system, and opened the country to foreign direct investment (FDI). After stalling somewhat in the late 1990s, economic reforms were accelerated in the early 2000s, as Vietnam made sweeping changes that were necessary to enter the WTO. Politically and socially, the country became much less repressive, even tolerating some expressions of dissent in certain areas that had been considered sensitive.

In 2008, there were some signs that the consensus around pursuing an open market liberalization strategy had begun to fray, as more conservative-minded forces began to push against reformist elements. Vietnam’s economic troubles in 2008 and 2009 may be contributing to this possible shift in policy momentum.

Economic Developments

Vietnam’s Economic Troubles of 2007-2009

Since late 2007, Vietnam’s economy has been buffeted by economic difficulties that have increased social strife and raised concerns about the country’s economic stability. In 2007 and the first half of 2008, the country experienced soaring inflation and acute, downward pressure on the country’s currency, the dong. The problems caused by inflation were particularly onerous, as the prices of some food items rose by over 50%, leading workers in a number of factories to go on strike demanding higher wages. By late 2008, the rapid increase in the inflation rate had halted, allowing the government to shift its priority to shift their focus to spurring growth as the global financial crisis’ effects began to hit Vietnam. The global slowdown has hurt Vietnam’s trade, particularly its imports, which decreased by over 40% in the first four months of 2009 compared with the same period a year earlier. In response to the crisis, Hanoi unveiled a stimulus package that the International Monetary Fund has estimated to be worth roughly \$4 billion. Some

(...continued)

Vietnam,” June 5, 2006.

economists have said Vietnam's still-developing institutional and financial infrastructure has contributed to or even caused many of the country's economic problems.

Although restrictions on international financial transactions have limited Vietnam's direct exposure to the global financial and credit crises, the secondary effects have created new pressures on Vietnam, which is heavily dependent on trade and foreign direct investment inflows. Some selected figures illustrate Vietnam's vulnerability to the global slowdown and collapse in commodity prices: exports are equivalent to 80% of GDP; about 60% of Vietnamese exports go to the United States, the European Union, and Japan; and oil revenue accounts for 30% of the government's revenue.⁴³

For 2008, GDP growth is expected to have been just over 6%. Many forecasters expect growth to be even lower in 2009, perhaps in the 4%-6% level. Nominal GDP growth of 7% is a key threshold in the minds of many Vietnamese policymakers for creating the jobs necessary for the VCP and the government to maintain social stability. To spur economic growth, the Vietnamese government took a number of steps in the fall and winter of 2008, including announcing a \$6 billion stimulus package, lowering some corporate tax rates, cutting interest rates, and allowing the *dong* to depreciate against the U.S. dollar.

Background

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 until the economy began to slow in 2008. 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 slowed markedly 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 with the United States appears to have broken the policymaking logjam by fashioning a new reformist consensus that was effectively endorsed by leadership changes in the 2001, during the VCP's Ninth Party Congress. 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. 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.

⁴³ Economist Intelligence Unit, *Vietnam Country Report*, May 2008.

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; the World Bank in 2005 estimated that about one-third of Vietnamese children under five years of age suffered from malnutrition.⁴⁴ 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. According to some sources, many if not 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. Other SOE reform measures are being discussed.

Controversial Bauxite Plan for Central Highlands

In the spring of 2009, the Vietnamese government announced that state-run Vietnam National Coal & Mineral Industries Group was forming a \$460 million joint venture with Aluminum Corp. of China Ltd to mine bauxite in Vietnam's Central Highlands.⁴⁵ The venture appears to be part of a larger Vietnamese government plan to dramatically expand the exploitation of the Highlands' bauxite reserves, which reportedly contains the world's third-largest reserve of the ore. Bauxite is used as a raw material to make aluminum. Inside Vietnam, the announcement has triggered opposition. Criticism has focused on the project's expected environmental impact, on fears of increased Chinese influence, and on worries that ethnic minorities and local industries (such as coffee plantations) would be adversely affected.

Political Trends

2008-2009: Shifting Political Winds in Hanoi?

Over the past several months, some Vietnam watchers have seen signs that Prime Minister Dung and other reform-minded leaders may be losing ground in the ongoing battles they reputedly have with more conservative-minded officials.⁴⁶ The reformers are generally thought to have been

⁴⁴ World Bank, "Vietnam at a Glance," September 12, 2005.

⁴⁵ James Hookway, "Once Enemies, Vietnam Now Fights for China Funds," *Asia Wall Street Journal*, May 2, 2009.

⁴⁶ See, for instance, Carlyle Thayer, "Hanoi Party Tricks," *The Wall Street Journal Asia*, June 19, 2008; Economist Intelligence Unit (EIU), *Vietnam Country Report*, October 2008.

ascendant since 2000, when a prolonged logjam over the future of economic reform was broken in favor of a new consensus to deepen Vietnam's integration with the global economy and to push through a new series of market-oriented economic reforms. Additionally, the ascendancy of the reformers has coincided with Hanoi's moves to upgrade relations with the United States, its increased willingness to discuss human rights disagreements, its loosening of restrictions on the Vietnamese press, and its more aggressive drive to root out corruption, which the Vietnamese Communist Party (VCP) sees as one of the greatest threats to its legitimacy.

Among the indicators that the conservatives may be pushing back: the 2008 arrest and sentencing of *Thanh Nien* journalist Nguyen Viet Chien for "abusing" his position by reporting on corruption at high levels in the government; the government-instigated firing of a number of newspaper editors, most prominently the December 2008 firing of the editors of *Thanh Nien* and *Tuoi Tre*, two newspapers that have aggressively investigated corruption cases; a decision by the 160-person VCP Central Committee in May 2008 to give greater authority over the economy to the 14-member Politburo (presumably diminishing the prime minister's role); and an escalating land dispute between the Catholic archdiocese of Hanoi and the Hanoi People's Committee (Hanoi's communist party organ), in which the Hanoi authorities have broken up sit-ins by Catholics protesting the city's plans to redevelop land that the church was forced to turn over to the government decades ago.⁴⁷ Much Western speculation has pitted supporters of growth-oriented reforms against conservative forces who place a higher priority on social and political stability.

Background

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.

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

⁴⁷ In the 110th Congress, S. 3678, the Vietnam Human Rights Act, would have established the return of such property as a condition for expanding some forms of U.S. non-humanitarian assistance to Vietnam.

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 the Politburo's decision to endorse Manh's predecessor, an unprecedented move. Manh is an ethnic minority, not an ethnic Kinh (Viet). Many consider his authority to be somewhat limited.

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 remained 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%.⁴⁸

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. Khai was succeeded by **Nguyen Tan Dung**, 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 was another southerner, **Nguyen Minh Triet**, 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.

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.

The National Assembly

Over the past 10 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).

⁴⁸“Party Faces the Future,” Economist Intelligence Unit - Business Asia, May 1, 2006.

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 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, which was around \$11 billion in 2008. Many Vietnamese worry that China is increasing its economic influence over and within Vietnam, as shown by the criticisms that followed the spring 2009 announcement of a bauxite mining joint venture between a Vietnamese and Chinese entity. (See “Controversial Bauxite Plan for Central Highlands,” above.)

Events over the last two years reflect the conflicting dynamics in Sino-Vietnamese relations. In late May 2008, VCP General Secretary Manh made a four-day visit to China. In October, Prime Minister Dung made a week-long trip. In March 2009, Chinese state councilor Dai Bingguo visited Vietnam. The summitry and meetings led to agreements to set up a hotline, to complete the demarcation of their land border (a task that was accomplished in late December 2008), and Beijing’s pledge to provide a \$300 million line of preferential credit for Vietnam.

Hanoi and Beijing continue to deal with resurfacing disputes over the Paracel and Spratly Islands. Most notably, in December 2007, 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 also has told international oil companies – including ExxonMobil – they will be excluded from the Chinese market if they fulfill contracts to participate in Vietnamese exploration projects in or near the disputed waters. During Dung’s visit to China in October and Dai’s visit to Vietnam in March, the two sides agreed to try to resolve their maritime disputes. However, diplomatic flare-ups over competing maritime claims continue.

Selected Legislation in the 111th Congress

H.Res. 20 (Royce). Calls on the State Department to list the Socialist Republic of Vietnam as a “Country of Particular Concern” with respect to religious freedom. Introduced January 6, 2009. Referred to House Foreign Affairs Committee.

H.Res. 111 (King). Establishes a Select Committee on POW and MIA Affairs to conduct a full investigation of all unresolved matters relating to any United States personnel unaccounted for from the Vietnam War and several other conflicts. Introduced February 3, 2009. Referred to House Rules Committee.

H.Res. 334 (Loretta Sanchez). Calls on the Government of Vietnam to release from prison, end the detention without trial, and cease the harassment and house arrest of the individuals who signed the 2006 Manifesto on Freedom and Democracy for Vietnam. Calls on the Secretary of State to establish a Countries of Particular Concern list to condemn countries like that engage in “particularly severe violations” of human rights. Introduced April 21, 2009. Referred to House Foreign Affairs Committee.

H.Res. 672 (Sanchez). Calls on the Vietnamese government to release specific imprisoned bloggers and respect Internet freedom. Introduced July 23, 2009; referred to the House Committee on Foreign Affairs.

H.R. 1105 (Obey). Omnibus Appropriations Act, 2009. Appropriated an additional \$3 million “to continue environmental remediation of dioxin contamination at the Da Nang Airport and related health activities in nearby communities in Vietnam. Introduced February 23, 2009; signed into law March 11, 2009 (P.L. 111-8).

H.R. 1969 (C. Smith) and S. 1159 (Boxer). Vietnam Human Rights Acts of 2009. Both bills prohibit Vietnam’s entry into the GSP program unless Vietnam’s labor rights regime is certified as making certain improvements; and prohibit increases in many forms of U.S. non-humanitarian assistance to Vietnam unless (a) such increases are matched by additional funding for human rights programming, (b) Vietnam’s human rights conditions are certified as improving, or (c) the President issues a waiver. House bill introduced April 2, 2009, and referred to House Foreign Affairs Committee and Ways and Means Committees. Senate bill introduced May 21, 2009, and referred to Senate Foreign Relations Committee.

H.R. 2410 (Berman). Foreign Relations Authorization Act, FY2010 and 2011. Section 226 transfers the Vietnam Education Foundation to the Department of State. Section 1126 states that it is the sense of Congress that the Secretary of State should place Vietnam on the list of ‘Countries of Particular Concern’ for severe violations of religious freedom. Introduced May 14, 2009. The House passed the bill on June 10 by a vote of 235 - 187 (Roll no. 328).

Figure I. Map of Vietnam



Source: Map Resources. Adapted by CRS.

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