Order Code RL33316

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

Updated June 30, 2006

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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 for over 15 years. Since then, bilateral ties have expanded remarkably, to the point where the relationship in many ways has been virtually normalized. Congress has played a significant role in this process. Each step in improving bilateral ties has brought controversy, albeit at diminishing levels. Some argue that improvements in bilateral relations should be conditioned upon Hanoi improving its record on human and religious rights, particularly in the Central Highlands region. Opposition to the pace and scope of normalization also has come from groups arguing that Vietnam has not done enough to account for U.S. Prisoners of War/Missing in Action from the Vietnam War, though this argument has diminished markedly in recent years. Interests favoring normalization have included those reflecting a strong U.S. business interest in Vietnam's reforming economy and American strategic interests in integrating Vietnam more fully into East Asia and in expanding cooperation with a country that has an ambivalent relationship with China.

The most important step toward normalization over the past decade was the signing of a sweeping bilateral trade agreement (BTA) in 2000. Under the BTA, - which Congress approved in 2001, the United States extended conditional normal trade relations (NTR) to Vietnam. In return, Hanoi agreed to a range of trade liberalization measures and market-oriented reforms. Trade — primarily imports from Vietnam — rose to more than $7.6 billion in 2004, more than 5 times the level in 2001, the year before the BTA took effect. The United States is now Vietnam's largest export market. The next, and final, step toward full normalization would be granting permanent NTR (PNTR) status to Vietnam. This step, which would require congressional approval, normally would be considered in the context of Vietnam's accession to the World Trade Organization (WTO), which Vietnam hopes to join in 2006. On May 31, 2006, U.S. and Vietnamese negotiators signed a bilateral agreement on the conditions for Vietnam's accession into the WTO. Legislation regarding PNTR for Vietnam (H.R. 5602) was introduced in the House on June 13, 2006.

In recent years, clashes over Vietnam's human rights record and trade friction have arisen. Simultaneously, however, the two countries have expanded political and security ties in the past three years, symbolized by the Vietnamese Prime Minister's visit to the United States in June 2005, the first such trip by a Vietnamese head of state. President Bush spoke of his desire to move bilateral relations to "a higher plane," backed Vietnam's bid to enter the WTO, and the two countries signed an international military education training (IMET) agreement. The two countries share a strategic interest in offsetting China's increased influence in Southeast Asia, though many argue there is little evidence that Hanoi seeks to balance Beijing's rising power. Vietnam is one of the largest recipients of U.S. assistance in East Asia; U.S. aid in FY2005 surpassed $50 million.

This report will be updated.

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Developments in the Spring of 2006[1]

On May 31, 2006, U.S. and Vietnamese negotiators signed a bilateral agreement on the conditions for Vietnam's accession (entry) into the World Trade Organization (WTO). The agreement with the United States was the *last* and, seemingly, the most difficult of the bilateral agreements that Vietnam had to negotiate with twenty-eight WTO members (including the European Union (EU) counting as one but representing twenty-five countries). Thus, the U.S.-Vietnam bilateral agreement on WTO accession signifies that Vietnam's accession process is drawing to a close. Vietnam must still complete multilateral accession negotiations with a WTO Working Party.

Although Congress has no direct role in Vietnam's accession to the WTO, congressional approval is necessary for the President to extend permanent normal trade relations (PNTR) to Vietnam, a move that under WTO rules is necessary for the United States to enjoy the benefits of the trade concessions that Vietnam grants to WTO members. Legislation authorizing the extension of PNTR for Vietnam (H.R. 5602) was introduced in the House on June 13, 2006. Vietnam's entry into the WTO would not establish any new obligations on the part of the United States, only on the part of Vietnam. However, Vietnam's accession to the WTO would require the United States and Vietnam to adhere to WTO rules in their bilateral trade relations, including not imposing unilateral measures, such as quotas on textile imports, that have not been sanctioned by the WTO.[2]

In June 2006, Secretary of Defense Donald Rumsfeld visited Vietnam and agreed with his Vietnamese counterpart to increase military-to-military cooperation and exchanges. According to Rumsfeld, the two sides discussed additional medical exchanges, an expansion of U.S. demining programs, and additional English language training for troops taking part in international peacekeeping missions.[3]

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

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

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

According to one report, the Vietnamese inquired about acquiring certain U.S. military equipment and spare parts.[4]

Introduction

Since the early 1990s, U.S.-Vietnam relations have gradually been normalizing, as the end of the Cold War has erased the need for the United States to attempt to isolate the communist government that defeated the U.S.-backed South Vietnam in 1975. Currently, factors generating interest in the relationship include growing trade and investment flows, the large ethnic Vietnamese community in the United States, the legacy of the Vietnam War, increasing interaction through multilateral institutions, and shared concern over the rising strength of China. U.S. goals with respect to Vietnam include developing more amicable relations, bringing the country more into the mainstream of nations, opening markets for U.S. trade and investment, furthering human rights and democracy within the country, and maintaining U.S. influence in Southeast Asia. The array of policy instruments the United States employs in relations with Vietnam includes trade incentives, foreign assistance, cooperation in international organizations, diplomatic pressures, and educational outreach.

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

This report provides an overview of U.S. relations with Vietnam, policy issues, the economic and political situation in Vietnam, and a list of pertinent legislation. The key issues in the relationship include whether to extend the nation permanent normal trade relations status and approve its accession to the World Trade Organization; how far to pursue military-to-military ties; whether to impose curbs on surges in imports of certain items from Vietnam; how much and what types of bilateral economic assistance to provide; what to do about tensions over human rights and religious freedom; and how to clear up legacy issues from the Vietnam war.

U.S.-Vietnam Relations, 1975-2000

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

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

Policy Initiatives During the Carter Administration

Vietnam Country Data

Population: 83.5 million (July 2005 est.)
Median Age: 25.5 years (U.S. = 36.3 years)
Area: 329,560 km^2 (slightly larger than New Mexico)
Life Expectancy: 70.61 years (2005)
Per Capita GDP: $3,000 (2005) purchasing power parity basis
Primary Export Partners: U.S. 20.2%, Japan 13.6%, China 9%, Australia 7% (2004)
Primary Import Partners: China 13.7%, Taiwan 11.3%, South Korea 10.8%, Japan 10.5%, Singapore 10.5% (2004)
Dong:Dollar Exchange Rate: 15,855 (2005), 15,746 (2004), 15,510 (2003), 15,280 (2002).

Source: CIA *World Factbook*, January 10, 2006.

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

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

Developments During the Reagan and Bush Administrations

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

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

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

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

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

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

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

Developments During the Clinton Administration

Early moves to improve relations during the Clinton Administration included the President's announcement on July 2, 1993, that the United States would no longer oppose arrangements supported by France, Japan, and others allowing for resumed international financial institution aid to Vietnam; however, he said the U.S. economic embargo on Vietnam would remain in effect. A high-level U.S. delegation visited Hanoi in mid-July to press for progress on POW/MIAs. The delegation also disclosed that U.S. consular officials would henceforth be stationed in Hanoi. President Clinton's September 13, 1993 renewal of his authority to maintain trade embargoes included a less restrictive version of the one on Vietnam that allowed U.S. companies to bid on development projects funded by international financial institutions in Vietnam. Also in September 1993, the Administration approved $3.5 million in U.S. aid to extend two humanitarian programs (prostheses and orphans) in Vietnam. Members of Congress played an important behind-the-scenes role in encouraging the Clinton Administration to take many of these, and subsequent, steps.[5]

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

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

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[5] 2001 conversations with senior congressional staffers involved in the normalization debates of the 1990s.

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

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

U.S.-Vietnam Relations, 2000-2005

Prime Minister's June 2005 Trip to the United States

Vietnamese Prime Minister Phan Van Khai traveled to the United States in June 2005, the first such visit to the United States by a Vietnamese Prime Minister since the end of the Vietnam War. President Bush and Prime Minister Khai issued a joint statement expressing their "intention to bring bilateral relations to a higher plane." President Bush expressed "strong support" for Vietnam's accession to the World Trade Organization (WTO), pledged to attend the November 2006 Asia Pacific Economic Cooperation (APEC) summit in Hanoi, and welcomed Vietnam's efforts on human rights and religious freedom issues, about which the two leaders agreed to continue "an open and candid dialogue."[6] The two countries signed an agreement on implementing a bilateral International Military Education Training (IMET) program to send two Vietnamese officers to the United States for training, under which two Vietnamese officers will attend English classes in 2006 at the U.S. Air Force's Defense Language Institute at Lackland Air Force Base in San Antonio. The two sides also announced an agreement to resume U.S. adoptions of Vietnamese children, which Hanoi halted in 2002. Protesters, mainly Vietnamese-Americans, appeared at every stop on Khai's trip.

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

Economic Ties

The Bilateral Trade Agreement (BTA). On December 10, 2001, a sweeping bilateral trade agreement (BTA) between the United States and Vietnam entered into force. (See CRS Report RL30416, *The Vietnam-U.S. Bilateral Trade Agreement*) Under the BTA, which required congressional approval, the U.S. extended conditional normal trade relations (NTR) status to Vietnam, a move that significantly reduced U.S. tariffs on most imports from Vietnam. In return, Hanoi agreed to undertake a wide range of market-liberalization measures, including extending NTR treatment to U.S. exports, reducing tariffs on goods, easing barriers to U.S. services (such as banking and telecommunications), committing to protect certain intellectual property rights, and providing additional inducements and protections for foreign direct investment.

The agreement paved the way for President Bush to extend *conditional* NTR treatment to Vietnam. NTR treatment is conditional because Vietnam's trade status is still subject to annual congressional review under the U.S. Trade Act of 1974's Jackson-Vanik provisions, which govern trade with non-market economies. On June 1, 2005, President Bush renewed Vietnam's year-long waiver of Jackson-Vanik amendment restrictions on bilateral economic activities. Vietnam has received a presidential waiver every year since 1998. From 1998 to 2002, resolutions disapproving the waivers failed in the House. Disapproval resolutions were not introduced in 2003, 2004, or 2005. In addition to granting Vietnam conditional NTR treatment, the Jackson-Vanik waiver also allows the U.S. Overseas Private Investment Corporation (OPIC) and the U.S. Ex-Im Bank to support U.S. businesses exporting to and/or operating in Vietnam.

Table 1. U.S.-Vietnam Merchandise Trade

(millions of dollars)

	U.S. Imports from Vietnam	U.S. Exports to Vietnam	Total Trade	Trade Balance
1994	50.5	172.2	222.7	121.7
2000	827.4	330.5	1,157.9	-496.9
2001	1,026.4	393.8	1,420.2	-632.6
2002	2,391.7	551.9	2,943.6	-1,839.8
2003	4,472.0	1,291.1[a]	5,763.1	-3,180.9
2004	5,161.1	1,121.9[a]	6,283.0	-4,039.2
2005	6,522.3	1,151.3	7,673.6	-5,371.0
Jan - Mar 2005	1,512.2	197.5	1,709.7	-1,314.7
Jan - Mar 2006	1,791.2	191.0	1,982.2	-1,600.2
Major Imports from Vietnam	clothing, footwear, wooden furniture, frozen shrimp, petroleum products, cashew nuts, coffee			
Major Exports to Vietnam	aircraft, mining equipment, electronic machinery, steel wire, raw cotton, plastics			

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

a. U.S. exports from 2003 include Vietnam Airlines' $700 million purchase of several Boeing 777s. U.S. aircraft exports to Vietnam totaled over $360 million in 2004 and nearly $170 million in the first half of 2005.

Implementation of the BTA. In the first three years after the BTA was signed, Hanoi apparently implemented most of its initial commitments. Some observers have expressed concern that the government has not implemented in law and/or in practice many of the concessions that were due to be phased in by December 2004, particularly in the services sector, though many critics have tended to accept the argument that the slippages often are due more to weak governmental capacity rather than to protectionist intentions.[7] This belief may also explain why the Bush Administration appears not to have harshly criticized Vietnam in those areas where implementation has been poor or incomplete, with the exception of intellectual property rights (see below).

Vietnam's Bid to Join the WTO. The final step toward full legal economic normalization between the United States and Vietnam would be granting permanent NTR (PNTR) status to Vietnam. This step, which would require congressional approval, is likely to be considered by Congress now that the United States and Vietnam have concluded their bilateral WTO accession agreement, the last and most difficult of the bilateral agreements that Vietnam had to negotiate with twenty-eight WTO members. Vietnam still must complete negotiations with a multilateral WTO Working Party. In the summer of 2006, President Bush is expected to ask Congress to extend PNTR status to Vietnam, much as President Clinton did after completing WTO accession negotiations with China in November 1999.[8]

Vietnamese leaders originally set a goal of joining the WTO by early 2005. In late 2005, the delay in joining the WTO appears to have frustrated some Vietnamese. During that time, high-ranking Vietnamese officials publicly criticized the United States for making "impossible" demands on their country, including raising the standards for WTO membership. To avoid a repeat of the experience with China, which many observers contend has not implemented all measures as required in its WTO accession agreements, the United States and other trading partners are insisting that Vietnam show progress on and present drafts of implementing legislation *before* they will conclude accession negotiations.

U.S.-Vietnam Trade Flows. The BTA led to a sharp rise in U.S.-Vietnam trade, which in 2005 was worth over $7.6 billion, more than five times the level in 2001 (the year before the BTA came into effect), and nearly thirty times the level when relations were normalized in 1994. (see **Table 1**) Over 80% of the increase in trade since 2001 has come from the growth in imports from Vietnam. The United States is now Vietnam's largest export market and U.S. firms constitute the single largest source of foreign direct investment in Vietnam. Rising imports have led to

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[7] Conversations with U.S. government and business officials, particularly those held during a March 2005 trip to Vietnam.

[8] WTO members must extend reciprocal PNTR treatment to one another. If Vietnam becomes a WTO member and the United States does not grant Vietnam PNTR, it would force the United States to invoke the nonapplication Article XIII of the WTO agreement that would prevent the application of the entire WTO agreement, including all concessions between the United States and Vietnam. For a fuller explanation, see CRS Report RS22398, *The Jackson-Vanik Amendment and Candidate Countries for WTO Accession: Issues for Congress*, by William Cooper.

trade disputes over imports of Vietnamese clothing, catfish, and shrimp. For the first three months of 2006, bilateral trade flows have risen by around 15% compared with the same period a year earlier. Since 2002, Vietnam has run an overall current account deficit with the rest of the world.

Imports of Vietnamese Clothing. Most of the increase in U.S.-Vietnam trade since 2001 has come from a sharp rise in clothing imports from Vietnam, which were over $2.6 billion in 2005, up from the $45 million - $50 million range that Vietnam recorded in 2000 and 2001. By dollar value, clothing is now the largest item the United States imports from Vietnam. In 2005, Vietnam provided about 4.3% of total U.S. clothing imports (up from 1.4% in 2002 and 0.1% in 2001, before the BTA went into effect). Vietnam is now the sixth largest exporter of clothing to the United States. The BTA contains no restrictions on Vietnamese clothing exports to the United States, but a safeguard provision would allow the U.S. to impose quotas on textile imports in the event of a surge of imports.

During the congressional debate over the BTA, many Members urged the Bush Administration to negotiate a bilateral textile agreement soon after the BTA came into effect. In April 2003 the United States and Vietnam signed a bilateral agreement that places quotas on 38 categories of Vietnam's clothing exports. January 1, 2005 saw the expiration of the global system of import quotas on textile and apparel products for WTO members. Because Vietnam is not a WTO member, its clothing industry generally is considered to be at a disadvantage compared with its competitors that operate under quota-free trade in textiles and apparel.[9] If Vietnam joins the WTO and the United States does not take the unusual step of invoking the WTO's Article XIII, the United States would be required to terminate its quota program with Vietnam.

Intellectual Property Rights (IPR). Since 2002, the Bush Administration has placed Vietnam on its "Special 301 watch list" for poor protection of intellectual property rights, particularly in the areas of music recordings and trademark protection.[10] The BTA requires Vietnam to make its IPR regime WTO-consistent in 2003. Although it has made numerous regulatory and legal changes to this end, the

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[9] However, for 2005, the value of Vietnamese clothing imports increased by just over 6% compared with 2004, despite the competitive disadvantage Vietnamese clothing manufacturers have faced since the January 1, 2005 end of quotas on clothing imports from WTO members. Imports of clothing into the United States from all countries has increased by around 6.8% since the quota system ended. (Figures were computed using the Harmonized Tariff System codes 61, 62, 63, and 65)

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

Vietnamese government's IPR enforcement has been widely faulted. In November 2005, Vietnam's National Assembly passed a new, comprehensive IPR law.

U.S. Bilateral Economic Assistance to Vietnam

(For more on U.S. aid to Vietnam, see CRS Report RL32636, *U.S. Assistance to Vietnam*.) As the normalization process has proceeded, the U.S. has eliminated most of the Cold War-era restrictions on U.S. aid to Vietnam, and U.S. assistance has increased markedly since around $1 million was provided when assistance was resumed in 1991. U.S. aid is expected to be over $70 million for FY2006, about three-and-a-half times the level in FY2000. By far the largest component of the current U.S. bilateral aid program is health-related assistance, which amounted to nearly $40 million in FY2005. Spending on HIV/AIDS treatment and prevention in Vietnam has risen since President Bush's June 2004 designation of Vietnam as a "focus country" eligible to receive increased funding to combat HIV-AIDS under the President's Emergency Plan for AIDS Relief (PEPFAR).[11] The United States provided $10 million in PEPFAR funds in FY2004 and over $27 million the following year. Other sizeable assistance items include food assistance, de-mining activities, educational exchanges, and programs assisting Vietnam's economic reform efforts. In recent years, some Members of Congress have attempted to link increases in non-humanitarian aid to progress in Vietnam's human rights record. (See the "Human Rights and Religious Freedom" section.)

In May 2004, Vietnam was not selected as one of the first 16 countries eligible for the Millennium Challenge Account (MCA), President Bush's major new foreign aid initiative that links U.S. assistance to governance as well as economic and political freedoms. Vietnam was deemed ineligible, despite meeting the technical requirements for MCA eligibility, because it scored very low on some of the indicators used to measure political freedom. For FY2005 and 2006, Vietnam again received low scores on the indicators of political and civil liberties maintained by the Millennium Challenge Corporation to determine eligibility for the MCA.

Bird Flu. Since late December 2003, there have been over 90 confirmed cases — including over 40 deaths — of avian influenza in Vietnam. According to USAID, the H5N1 virus is believed to be endemic in Vietnam's waterfowl population, which is estimated to be around 250 million birds, including 20 million to 60 million ducks and geese. In 2005, the Vietnamese government began intensifying its response to the disease, including expanded cooperation with international health agencies and foreign aid donors. Vietnam has begun a mass poultry vaccination program to try to halt the disease's spread. In FY2006, the United States is expected to provide over $5 million for avian influenza-related programs in Vietnam. During an October 2005 visit to Vietnam, Health and Human Services Secretary Michael Leavitt and Vietnamese officials signed a bilateral health cooperation agreement, and Vietnam agreed with a number of U.N. agencies to conduct a joint prevention program. (For

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[11] 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.

more, see CRS Report RL33219, *U.S. and International Responses to the Global Spread of Avian Flu.*)

Human Rights and Religious Freedom

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

On the other hand, the government in recent years reportedly has cracked down harshly on anti-government protests by various ethnic minority groups, most prominently the Montagnards in the country's Central Highlands, where clashes between protestors and government security forces have flared periodically since 2001. Furthermore, in its effort to control the Internet, the central government has stepped up repression of so-called "cyber dissidents" for alleged offenses such as criticizing the signing of land-border agreements with China and calling for greater political accountability and political competition. During his meeting with Prime Minister Khai in June 2005, President Bush reportedly raised human-rights concerns, particularly Hanoi's controls over religious groups and repression of ethnic groups in the Central Highlands.[12]

One of the most notable features of the State Department's 2005 report on human rights in Vietnam, released in March 2006, is that it cites evidence of improving conditions. Whereas past reports described the Vietnamese government's human rights record as "poor," the 2005 version uses the term "unsatisfactory." The report states that the government in 2005 "took steps to improve respect for human rights," including granting amnesty to an unusually large number of prisoners (including several high-profile ones).[13]

"Country of Particular Concern" Designation. In September 2004, for the first time Vietnam was designated as a "country of particular concern" (CPC) in the State Department's International Religious Freedom Report. On May 5, 2005, the State Department announced it had reached an agreement on religious freedom with Vietnam. The agreement, which has not been released, enabled Vietnam to avoid punitive consequences, such as sanctions, associated with its CPC designation.

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[12] Murray Hiebert, "Bush Backs Vietnam's WTO Bid,"*The Asian Wall Street Journal*, June 22, 2005.

[13] State Department, *2005 Country Report on Human Rights Practices for Vietnam*.

According to a public briefing by Ambassador Hanford, under the agreement, the Vietnamese government committed to fully implement new legislation on religious freedom and render previous contradictory regulations obsolete, instruct local authorities to strictly and completely adhere to the new legislation and ensure their compliance, facilitate the process by which religious congregations are able to open houses of worship, and give special consideration to prisoners and cases of concern raised by the United States regarding the granting of prisoner amnesties.[14]

The State Department's announcement cited a number of steps taken in 2004 and early 2005 by the Vietnamese government, notably the release of several prominent religious prisoners, the issuance of a new law streamlining the application process for religious groups registering with the government, and the issuance of prime ministerial directives prohibiting forced renunciations of faith and allowing Protestant "house churches" in ethnic minority provinces to operate if they renounce connections to certain expatriate groups, particularly the Montagnard Foundation, which is based in the United States. According to the information provided by the State Department, the agreement did not appear to carve out new ground but instead focused on committing Vietnam to fully implement its new laws and regulations and to ensuring the compliance of local officials, a goal that often has proved elusive in the past.[15] The agreement has been faulted by human rights groups on a number of grounds, including the following: the Vietnamese government still retains for itself the right to decide which religious organizations and activities are legal; the government's recent announcements do not list punishments for violators of religious freedoms; the agreement does not deal with issues concerning non-Christian groups that claim to have been repressed by the government; and religious persecution continues in the Central Highlands despite the agreement. In the 2005 *International Religious Freedom Report*, Vietnam was redesignated a CPC despite "some very significant efforts to improve religious freedom," primarily due to "prisoners and continuing implementation problems at the local level and the lack of normalized relations with several religious groups."

The Vietnam Human Rights Act. In large measure due to Vietnam's crackdowns in the Central Highlands, attempts have been made in the 108th and 109th Congresses to link U.S. aid to the human rights situation in Vietnam. The most prominent example, the Vietnam Human Rights Act (H.R. 1587/S. 2784 in the 108th Congress, H.R. 3190 in the 109th Congress), proposes capping existing non-humanitarian U.S. assistance programs to the Vietnamese government at FY2005 levels (FY2004 for H.R. 1587) if the President does not certify that Vietnam is making "substantial progress" in human rights, including religious freedom. At present, the newly signed bilateral IMET agreement is the only current aid program that would be affected, because it is the only U.S. non-humanitarian assistance that is given directly to the government of Vietnam. The act also would require the executive branch to produce annual reports on Vietnam's human rights situation and would authorize funds to promote democracy in Vietnam and to overcome the jamming of Radio Free Asia. Critics argue that the bill could chill the recent

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[14] State Department Daily Press Briefing, May 5, 2005.

[15] May 5, 2005 State Department briefing and State Department Press Statement, "United States-Vietnam Religious Freedom Agreement," May 5, 2005.

warming of bilateral political and security ties. On July 19, 2004, by a vote of 323-45, the House passed H.R. 1587. In the Senate, it 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 was included in the House-passed version of the Foreign Relations Authorization Act of FY2006/FY2007 (H.R. 2601), which has yet to receive action in the Senate. Unlike previous versions of the Vietnam Human Rights Act, the language in H.R. 2601 does not contain provisions for a presidential waiver. The act also would authorize $2 million to assist organizations that promote democracy and human rights in Vietnam.

Political and Security Ties

Vietnam and the United States gradually have been expanding their political and security ties, though these have lagged far behind the economic aspect of the relationship. In the past three years, however, Vietnam's leadership appears to have decided to expand their country's ties to the United States, as shown by a number of indicators: the signing of an IMET agreement in June 2005 and discussion of expanding IMET cooperation during Secretary Rumsfeld's June 2006 trip to Vietnam; since late 2004 the Vietnamese government has responded positively to many U.S. human rights demands; in August 2004, drug enforcement officials from various U.S. agencies held a week-long training session in Vietnam, the first such joint counternarcotics training session; three U.S. naval vessels have made calls in Vietnamese ports since November 2003, and a fourth visit is planned for 2006; there have been several meetings between senior military officials; Vietnamese military officers increasingly participate in U.S.-led conferences and academic programs.

There are a number of possible reasons Vietnam seeks to upgrade its relationship with the United States. Vietnam has an interest in facilitating its application to join the World Trade Organization (WTO), a move that would require U.S. (and congressional) approval and could occur in 2006. At the strategic level, Vietnam may be seeking to offset China's increased economic, political, and cultural influence in Southeast Asia. Additionally, the Vietnamese hope to smooth the way for President Bush's expected trip to Hanoi in 2006, when Vietnam hosts the Asia-Pacific Economic Cooperation (APEC) forum summit.

Agent Orange. Vietnamese leaders have pressed the United States for compensation for Agent Orange victims and for assistance locating the remains of Vietnam's soldiers who are still missing from fighting with the United States. During President Bill Clinton's five-day trip to Vietnam in 2000, the United States took some small steps toward meeting these demands, including agreeing to set up a joint research study on the effects of dioxin/Agent Orange and the provision of materials to help locate the estimated 300,000 Vietnamese troops missing from the Vietnam War. Over three million Vietnamese suffering from the alleged effects of Agent Orange were part of a class action suit filed in U.S. Federal District Court in Brooklyn against the chemical companies that manufactured the defoliant. The case was dismissed in March 2005, in a ruling that was widely publicized in Vietnam. In April 2005, the Bush Administration discontinued funding of a grant to conduct research in Vietnam on the possible relationship between Agent Orange and birth

defects. The justification for the decision was that the Vietnamese Ministry of Health had not given its approval for the study.[16]

Human Trafficking. On June 5, 2006, the State Department issued its sixth 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, which judged the government to be making "significant efforts" to combat trafficking. According to the 2006 report, the Vietnamese government's anti-trafficking efforts have been particularly lacking in the areas of protecting Vietnamese women who are lured to other countries by fraudulent offers of marriage, and of monitoring and prosecuting instances of abuse of and trafficking in Vietnamese workers who are recruited to work overseas by labor export companies, including those that are state-owned.

Vietnam War Resettlement Programs. In November 2005, the United States and Vietnam announced the reopening of certain categories of the Orderly Departure Program (ODP), under which over 550,000 Vietnamese were resettled in the United States between 1979 and 1999. During this time, another 300,000 Vietnamese came to the United States through other programs. The reopening is limited to those who were unable to apply or who were unable to complete the application process before the ODP closed in 1994.

POW/MIA Issues

In the mid-1990s, the United States and Vietnam devoted increased resources to POW/MIA research and analysis. By 1998 a substantial permanent staff in Vietnam was deeply involved in frequent searches of aircraft crash sites and discussions with local Vietnamese witnesses throughout the country. The Vietnamese authorities also have allowed U.S. analysts access to numerous POW/MIA-related archives and records. The U.S. Defense Department has reciprocated by allowing Vietnamese officials access to U.S. records and maps to assist their search for Vietnamese MIAs. The increased efforts have led to substantial understanding about the fate of several hundred of the over 2,000 Americans still unaccounted for in Indochina. On September 21, 1998, U.S. Ambassador to Vietnam Peterson told the media that "it is very, very, very unlikely that you would expect to see any live Americans discovered in Vietnam, Cambodia, or Laos." Official U.S. policy, however, does not remove a name from the rolls of those unaccounted for unless remains are identified. During Secretary of Defense Rumsfeld's June 2006 trip to Vietnam, the two countries discussed expanding their cooperation on recovering remains, including the possibility of using more advanced technology to locate, recover, and identify remains located under water.[17] (For more on the POW/MIA issue, see CRS Report RL33452, *POWs and MIAs: Status and Accounting Issues*, by Charles A. Henning.)

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

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

Vietnam's Situation

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

Economic Developments

For most of the past twenty years since the *doi moi* reforms were launched, Vietnam has been one of the world's fastest-growing countries, generally averaging around 7%-8% annual gross domestic product (GDP) growth. According to one source, Vietnam's real GDP growth in 2005 was an estimated 8.4%.[18] 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. Since the BTA went into effect in 2002, U.S. firms have been the single largest source of foreign direct investment (FDI) in Vietnam. According to one study, U.S. FDI has increased by an average of 27% a year from 2002 through 2004, compared to just around 3% a year from 1996 to 2001.[19]

Economic growth and the reform movement, however, have not always advanced smoothly. In the mid-1990s, the momentum behind continued economic reforms stalled, as disagreement between reformers and conservatives paralyzed economic decision-making. The economy staggered after the 1997 Asian financial crisis, as real GDP growth fell to less than 5% in 1999. The decision in 2000 to sign the BTA, appears to have broken the policymaking logjam by fashioning a new consensus in favor of a new reformist push that was effectively endorsed by the leadership changes in 2001. In short order after signing the BTA, the government enacted a series of measures, including passing a new Enterprise Law, passing a constitutional amendment giving legal status to the private sector, reducing red tape, and creating unprecedented transparency rules requiring the publication of many types of new rules and regulations before they are implemented. Adhering to the BTA's implementation deadlines and achieving the government's goal of joining the WTO have helped galvanize the Vietnamese bureaucracy toward implementing many

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[18] Economist Intelligence Unit, *Vietnam Country Report*, April 2006.

[19] USTR, *2006 National Trade Estimate Report on Foreign Trade Barriers*, March 31, 2006.

of these steps. Vietnam's economy appears to have responded to these moves. GDP growth has rebounded to the 7% level for the past several years, and FDI inflows have increased. Demographic pressure is a major impetus for the renewed emphasis on economic reforms; with more than half of the population under the age of 25, Vietnamese leaders must find a way to provide jobs for an estimated 1 million new entrants to the workforce annually.

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

Despite the impressive macroeconomic advances, Vietnam remains a poor country; about one-third of Vietnamese children under five years of age suffer from malnutrition.[20] Per capita GDP in 2004 was less than $600, equivalent to $2,700 when measured on a purchasing power parity basis. Economists point to Vietnam's failure to tackle its remaining structural economic problems — including unprofitable state-owned enterprises (SOEs), a weak banking sector, massive red tape, and bureaucratic corruption — as major impediments to continued growth. Some economists have criticized the government's latest five year development plan, issued in 2005, that focuses on the development of heavy industries such as electricity, energy, steel, and mining. The previous plan emphasized lighter industries such as foodstuffs, textiles, and electronics. Most of Vietnam's SOEs are functionally bankrupt, and require significant government subsidies and assistance to continue operating. Although around 2,500 SOEs officially have been partially privatized since 1990 under the government's "equitization" program, most of these are small and medium-sized firms, and the government still owns substantial stakes in them. In a sign that reforms are cutting deeper into the state-owned sector, the government has announced that in 2006 it will begin the gradual equitization of Vietcombank, one of the four state-owned banks that dominate domestic banking activity, providing an estimated 70% of all loans.

Political Trends

Vietnam's experiments with political reform have lagged behind its economic changes. A new constitution promulgated in 1992, for instance, reaffirmed the central role of the Vietnamese Communist Party (VCP) in politics and society, and Vietnam remains a one-party state. In practice, the VCP sets the general direction for policy while the details of implementation generally are left to the four lesser pillars of the Vietnamese polity: the state bureaucracy, the legislature (the National Assembly), the Vietnamese People's Army (VPA), and the officially sanctioned associations and organizations that exist under the Vietnamese Fatherland Front umbrella. The Party's major decision-making bodies are the Central Committee, which has 150 members, and the Politburo, which currently has 15 members. In

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

recent years, membership on the Politburo generally has been decided based upon maintaining a rough geographic (north, south, and central) and factional (conservatives and reformers) balance. The three top leadership posts are the VCP General Secretary, followed by the Prime Minister, and the President. Since the death of Vietnam's last "strong man" Le Duan in 1986, 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 National Assembly. Over the past 15 years, Vietnam's legislative organ, the National Assembly, has slowly and subtly increased its influence to the point where it is no longer a rubber stamp. Although more than 90% of parliamentarians are VCP members and the VCP carefully screens all candidates before elections are held, in recent years the Assembly has vetoed Cabinet appointments, forced the government to revise major commercial legislation, and successfully demanded an increase in its powers. These include the right to review each line of the government's budget, the right to hold no-confidence votes against the government, and the right to dismiss the president and prime minister (though not the VCP general secretary).

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

The 10th Party Congress reportedly will result in few if any major changes to current policy direction of the country — an indication that the economic reformers remain in the ascendency — with the ultimate goal remaining creating a "socialist-oriented market economy." During his opening address, Manh outlined the party's five-year development strategy, including accelerating the doi moi reforms, further integrating Vietnam into the world economy, and laying the foundations for becoming an industrialized country by 2020. The Congress also outlined specific targets, such as maintaining average annual GDP growth of 7.5-8%, creating 8 million jobs, and reducing urban unemployment to below 5%.[21]

There were some major personnel changes. As expected, the sitting Prime Minister, Phan Van Khai, and President, Tran Duc Luong, resigned their politburo positions, effectively ending their official political careers. Both had served two terms. Changes in their government posts will be confirmed by the National Assembly, either in its ninth session in May or its tenth session later this year. In May 2006, Khai endorsed Vietnam's deputy premier, Nguyen Tan Dung (56) as his

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

successor. Dung is a southerner and widely considered to be an economic reformer. During the 10th Party Congress, he was elevated to the third-highest post in the Politburo. There is speculation that Luong's successor as President will be another southerner, Nguyen Minh Triet (64), 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.

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

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

Unrest in the Central Highlands Region. Over the past several years, there have been reports of protests and riots by ethnic minorities in the Central Highlands provinces against local government corruption, repression of church activity, and encroachment on their ancestral lands by ethnic Vietnamese settlers, many of whom moved under government-sponsored resettlement programs. In February 2001, thousands of minorities, primarily from Montagnard groups, protested in the Central Highlands, the largest-scale social unrest in years. Government security forces, including the military, reportedly carried out harsh reprisals against the protesters. The government has continued its crackdown and maintained tight restrictions on travel and organized activity in the region. In April 2004, thousands of protesting Montagnards reportedly clashed violently with police and local authorities. Speaking before Vietnam's National Assembly, a deputy prime minister accused the Montagnard Foundation, a U.S.-based group of Montagnard exiles, for organizing the demonstrations, but acknowledged that the government's "inefficiency and weaknesses" have contributed to the continued protests in the

Central Highlands.[22] In August 2004, the government reportedly decided it temporarily would stop sending people to resettle in new economic zones in the Central Highlands. There have been reports — denied by Hanoi officials — that the Vietnamese government arrested scores of Montagnard Christians in the Central Highlands in December 2004, at the same time that Cambodia reportedly closed its border to asylum seekers from Vietnam. In February 2005, the government declared it would allow outlawed "house churches" to operate provided they have no connection to FULRO, the United Front for the Liberation of Oppressed Races, the Montagnard guerrilla group that fought alongside the United States during the Vietnam War. A former FULRO leader, Kok Ksor, is the president and founder of the Montagnard Foundation.

Refugees in Cambodia. Since 2001, hundreds of Montagnards have crossed into Cambodia, to escape continuing unrest in the Central Highlands region. In 2002, Cambodia accepted an offer from the United States to resettle the more than 900 Montagnards who remained following the 2001 protests and crackdown. More than 700 Montagnards have fled to Cambodia since then, particularly after a wave of unrest in April 2004. The United Nations High Commissioner for Refugees (UNHCR) has found the majority of the border-crossers to be refugees and therefore entitled to asylum. While most of these are being resettled in the United States, Canada, or Finland, over 30 have returned to Vietnam following a January 2005 agreement between UNHCR, Cambodia, and Vietnam in which Hanoi agreed that those returning to Vietnam would not be punished, discriminated against, or prosecuted for fleeing to Cambodia. Vietnam also agreed to drop its refusal to allow UNHCR to monitor the returnees' well-being, though some human rights groups have criticized UNHCR's monitoring visits, as well as its process for screening border crossers in Cambodia. More than 200 individuals, including many who have been recognized as refugees by UNHCR, have 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.

Foreign Policy

Since the mid-1980s, Vietnam 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 seeking a great power counterweight to Chinese ambition.[23]

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

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[22] Dow Jones Newswires, "Vietnam Govt Takes Some Responsibility For Central Unrest," May 11, 2004.

[23] 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.

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. During Chinese President Hu Jintao's October 2005 visit to Vietnam, the two countries agreed to demarcate their sensitive land and maritime borders and to deepen their economic integration, particularly the development of a Vietnam-China economic corridor stretching from Kunming (China) to Hai Phong (Vietnam). China also agreed to increase its foreign aid to Vietnam, and a Chinese electric company has agreed to provide power to Vietnam.[24]

On the other hand, many Vietnamese are believed to be wary of China's increased influence in Southeast Asia. Beijing's outreach to Cambodia and Laos in recent years has rekindled internal battles between pro-Hanoi and pro-Beijing camps in both countries, and has spurred counter-moves by Hanoi. Vietnam and China still have overlapping claims to the Spratly Island chain in the South China Sea, differences that led to military clashes in the late 1980s. In 2002, ASEAN and China signed a Declaration on the Conduct of Parties in the South China Sea, a non-binding agreement to resolve disputes diplomatically, exercise restraint, and respect the freedom of navigation and overflight. Significantly, Vietnam did not succeed in its efforts to have the agreement specifically include the Paracel Islands, claimed by both Vietnam and China. Instead, the declaration is vague on its geographic scope. Like other countries in the dispute, Vietnam has continued to expand its presence in the island chain. China also represents an economic rival, as both compete for foreign direct investment and for markets in many of the same low-cost manufacturing products. During President Hu's October 2005 visit to Hanoi, Vietnamese leaders reportedly expressed their concern about Vietnam's rising trade deficit with China. Another sign that Hanoi is seeking regional counterweights to China is that Vietnam, along with Indonesia and Singapore, supported efforts to include Australia and New Zealand in the East Asia Summit that was held in Kuala Lumpur, Malaysia, in December 2005. China and some Southeast Asian countries favored excluding countries outside of North and Southeast Asia.

Legislation

P.L. 109-102 (H.R. 3057). FY2006 Foreign Operations Act. The conference committee report directs $2 million for programs and activities in the Central Highlands; requires the State Department to report within 90 days on the situation of Montagnard refugees who have fled to Cambodia. Introduced June 24, 2005; signed into law November 14, 2005.

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[24] "Vietnam, China Sign Various Economic Cooperation Agreements in Hu Jintao's Trip," *Hanoi VNA*, Oct 31, 2005, posted on the Open Source Center, SEP20051101023006.

H.Con.Res. 320 (Chris Smith). Calls on the Vietnamese government to release Dr. Pham Hong Son and other political prisoners. Introduced December 16, 2005; passed the House April 6, 2006 (roll no. 96, 425-1); referred to the Senate Committee on Foreign Relations.

H.R. 967 (Saxton). Prohibits normal trade relations (NTR) treatment from being extended to the products of any country the government of which engages in certain violations of human rights. Introduced February 17, 2005; referred to House committee. Referred to the House Committee on Ways and Means Subcommittee on Trade.

H.R. 1130 (Waters). The Jubilee Act of 2005. Provides for the cancellation of debts owed to international financial institutions by poor countries, including Vietnam. Introduced March 3, 2005; referred to the House Committee on Financial Services.

H.R. 1450 (Tancredo). Requires additional tariffs be imposed on products of any nonmarket economy country, including Vietnam, until the President certifies to the Congress that the country is a market economy country. Introduced March 17, 2005; referred to the House Committee on Ways and Means.

H.R. 2601 (C. Smith). The Foreign Relations Authorization Act of FY2006-07. Section 946 links increases in non-humanitarian aid to the Vietnamese government above the FY2005 level to Vietnam's human rights situation. The language does not provide for a Presidential waiver. Authorizes $2 million for organizations that promote democracy and human rights in Vietnam. Authorizes $9.1 million to overcome Vietnam's jamming of Radio Free Asia. Introduced May 24, 2005; passed by the House July 20, 2005 (351-78).

H.R. 3190 (C. Smith). The Vietnam Human Rights Act of 2005. Bans increases (over FY2005 levels) in non-humanitarian aid to the Vietnamese government if the President does not certify that Vietnam is making "substantial progress" in human rights. Allows the President to waive the cap on aid increases. Authorizes funds to promote democracy in Vietnam and to overcome the jamming of Radio Free Asia. Introduced June 30, 2005; referred to House International Relations Committee.

H.R. 3283(English)/S. 1421 (Collins). Amends Tariff Act of 1930 to make countervailing duties applicable to actions by nonmarket economies. H.R. 3283 introduced July 14, 2005; passed by the House July 27, 2005 (255 - 168); referred to Senate Finance Committee. S. 1421 introduced July 19, 2005; referred to Senate Finance Committee.

H.R. 4780 (Christopher Smith). The Global Online Freedom Act of 2006 would amend the Foreign Assistance Act of 1961 to require assessments of the freedom of electronic information in each foreign country. Also would establish in the Department of State an Office of Global Internet Freedom, directs the President to designate Internet-restricting countries, and authorizes the establishment of export controls against Internet-restricting foreign countries. Lists Vietnam as one of several countries that restrict and monitor online information and access. Introduced

February 16, 2006; House Subcommittee on Commerce, Trade and Consumer Protection.

H.R. 5602 (Ramstad). Authorizes extension of permanent normal trade relations to the products of Vietnam. Introduced June 13, 2006; referred to House Committee on Ways and Means.

H.Res. 415 (Sanchez). Expresses the sense of the House that Hanoi needs to do more to resolve claims of property reportedly confiscated under the period of communist rule. Introduced July 28, 2005; referred to House International Relations Committee.

H.Res. 807 (Davis). Endorses reforms for freedom and democracy in Vietnam and urges the U.S. government to utilize such reforms in an effort to peacefully bring democracy and human rights to Vietnam. Introduced May 9, 2006; referred to House International Relations Committee.

S. 599 (Kerry)/H.R. 2816 (Neal). Eliminates tariffs on certain types of tuna imported from ASEAN member countries (except Burma). S. 599 introduced March 10, 2005; referred to Senate Committee on Finance. H.R. 2816 introduced June 8, 2005; referred to House Ways and Means Committee.

Figure 1. Map of Vietnam

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