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The Vietnam-U.S. Normalization Process

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The Vietnam-U.S. Normalization Process

SUMMARY

U.S.-Vietnam diplomatic and economic relations remained essentially frozen for more than a decade after the 1975 communist victory in South Vietnam. Washington and Hanoi have incrementally improved relations in recent years. The slow pace reflects continued debate in the United States and Vietnam over improved relations.

Bilateral relations took a major step forward in February 1994, when President Clinton ordered an end to the 19-year old U.S. trade embargo on Vietnam. The following year, the United States and Vietnam settled diplomatic and private property claims and opened liaison offices in Washington and Hanoi. In April 1997, a U.S. Ambassador was approved by the Senate and took up his post in Hanoi. In March 1998, President Clinton granted a waiver from the Jackson-Vanik amendment that smoothed the way for Overseas Private Investment Corporation (OPIC) and Export-Import Bank support for U.S. business in Vietnam. On June 2, 2000, President Clinton announced an annual waiver of Jackson-Vanik amendment restrictions for Vietnam, the third consecutive year he has done so. Each time, joint Congressional resolutions of disapproval of the President's action were introduced and rejected.

On July 13, 2000, the U.S. and Vietnam continued their normalization by signing a sweeping bilateral trade agreement (BTA), which was approved by Congress and signed by President Bush in 2001. Under the BTA, the U.S. will extend normal trade relations to

Vietnam. In return, Hanoi agreed to a range of trade liberalization measures and market-oriented reforms. To mark the improvement in relations, President Clinton visited Vietnam in November 2000, the first trip by a U.S. President since 1969.

Each step in improving bilateral ties has brought controversy, albeit at diminishing levels. U.S. opponents in Congress and elsewhere have argued that Vietnam maintains a poor record on human, religious, and labor rights. Opposition has also come from groups arguing that Vietnam has not done enough to account for U.S. Prisoners of War/Missing in Action (POW/MIAs) from the Vietnam War, though this argument has diminished in recent years.

Forces favoring normalization have included those in Congress and elsewhere reflecting a strong U.S. business interest in Vietnam's reforming economy and American strategic interests in working with U.S. friends and allies to promote stability and development by integrating Vietnam more fully into the existing East Asian order.

Within Vietnam, divisions over the course of the country's reforms have paralyzed Vietnamese leaders in recent years. Reformers in the Vietnamese government seek closer ties with the U.S., especially in economic relations. However, conservatives have resisted foreign influences that might undermine the Vietnamese Communist Party's monopoly of political power.

MOST RECENT DEVELOPMENTS

On October 16, 2001, President Bush signed into law H.J.Res. 51, the U.S.-Vietnam bilateral trade agreement (P.L. 107-52). On October 3, 2001, the Senate approved H.J.Res. 51, the U.S.-Vietnam bilateral trade agreement, by a vote of 88-12. The House had approved the agreement by voice vote on September 6. Vietnam's National Assembly ratified the BTA on November 28, 2001 by a vote of 278-85, and Vietnamese President Tran Duc Luong is expected to sign it soon. The agreement will not go into effect until the United States and Vietnam exchange written notices of acceptance. Under the agreement, the U.S. will extend temporary normal trade relations (NTR, also known as most-favored nation [MFN] status) to Vietnam. In return, Hanoi has agreed to undertake a wide range of market-liberalization measures. (See CRS Report RL30416, The Vietnam-U.S. Bilateral Trade Agreement, by Mark Manyin)

In a related development, on the same day it passed the BTA, the House also passed the Vietnam Human Rights Act, (H.R. 2833, by a vote of 410 - 1), which would ban increases (over FY2001 levels) in non-humanitarian aid to the Vietnamese government if the President does not certify that Vietnam is making "substantial progress" in human rights. The act allows the President to waive the cap on aid increases. Vietnam has harshly criticized the bill as a wrongful interference in its internal affairs.

BACKGROUND AND ANALYSIS

U.S.-Vietnam Relations, 1975-98

U.S.-Vietnam diplomatic and economic relations remained essentially frozen for over a decade after the 1975 communist victory in South Vietnam, despite a few U.S. overtures during the Carter Administration that were controversial domestically and were ultimately thwarted by Vietnamese actions.

Policy Initiatives During the Carter Administration

In March 1977, President Carter sent a commission to Vietnam. The United States no longer vetoed Vietnam's application for U.N. membership, paving the way for the July 20, 1977 U.N. Security Council recommendation — undertaken by consensus, without formal vote — that Vietnam be admitted to the United Nations. 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. Subsequently, they modified this position and provided some limited information on MIAs, even though the United States provided no aid.

The U.S. Congress responded unfavorably to the Carter Administration initiatives and the Vietnamese reaction. 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 on July 18, 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 by a U.S. presidential delegation in 1987, 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 over 300 Americans. Virtually all U.S. analysts agree that the Vietnamese “warehoused” several hundred remains and tactically released them in increments. The number of such remains and whether any are still held, is not known with any certainty. (For details, see CRS Issue Brief IB92101, *POWs and MIAs: Status and Accounting Issues*.)

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) to Vietnam. The U.S. office began operation in mid-1991, and the aid was transferred by the end of FY1991. 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. Important developments encouraged U.S. officials, armed with evidence (including photographs of

extensive Vietnamese archival information on U.S. POW/MIAs) to request greater access to such data. Vietnamese representatives agreed. The United States pledged, and subsequently paid out, \$3 million of humanitarian aid (mainly prosthetics and aid to abandoned or orphaned children) for Vietnam; agreed to restore direct telecommunications with Vietnam; agreed to allow U.S. commercial sales to meet basic human needs in Vietnam; and lifted restrictions on projects in Vietnam by U.S. nongovernmental organizations. The United States pledged and provided a disaster assistance grant to Vietnamese flood victims and provided additional aid to help Vietnam with malaria problems. In November 1992, the United States lifted restrictions on U.S. telephone service to Vietnam, allowing direct service between the two countries. In December, the United States eased some restrictions on U.S. companies doing business in Vietnam.

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:

- facilitate emigration from Vietnam of relatives of Vietnamese-Americans or permanent Vietnamese residents of the United States;
- regulate the flow of Vietnamese immigrants to the United States and other countries under the so-called Orderly Departure Program managed by the U.N. High Commissioner for Refugees;
- resolve the issue of the estimated several thousand Amerasians (whose fathers are Americans and whose mothers are Vietnamese) who reportedly wish to emigrate from Vietnam to the United States; and
- 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 there.

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, warning that human rights is a central feature of U.S. foreign policy and could not but affect U.S. policy toward 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 gave the Vietnamese leaders U.S. documentary evidence that would help settle Vietnamese MIA cases; 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 an eased 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.

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 in 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). The language was controversial in the House, but H.R. 2333 passed Congress; it was signed into law (P.L. 103-236) on April 30, 1994.

On January 25, 1995, the United States and Vietnam settled bilateral diplomatic and property claims and opened liaison offices in Washington and Hanoi on February 1, and February 3, 1995, respectively. The Treasury Department announced on March 9, 1995, that it was unblocking accounts in which Vietnam or its nationals had an interest. On July 11, 1995, President Clinton announced that he would establish ambassadorial-level relations with Vietnam. The FY1996 State Department Appropriations bill (H.R. 2076) 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 on December 19, 1995. On August 6, 1995, Secretary of State Christopher opened the U.S. Embassy in Hanoi, and Vietnam's embassy in Washington opened on August 5, 1995. An attempt in the Senate to restrict trade ties with Vietnam failed on September 20, 1995.

Controversy continued in 1995 and 1996 over provisions in legislation (H.R. 1561) 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 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 is 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.

In Vietnam in late June 1997, Secretary of State Albright urged greater economic reform and better human rights; she signed a bilateral agreement on copyrights and said that the U.S. Trade and Development Program would conduct business in Vietnam.

On December 18, 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 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. On November 30, 1999, OPIC signed its first financing agreement – a \$2.3 million loan to Caterpillar Inc.'s authorized dealership in Vietnam – for American business in Vietnam

since the end of the Vietnam War. The U.S. Export-Import Bank announced on April 10, 1998 that it was ready to finance sales to Vietnam. On December 9, 1999, the Ex-Im Bank signed two framework agreements with the State Bank of Vietnam to facilitate project financing cooperation between the two agencies.

On June 3, 1998, President Clinton issued a required annual waiver on Jackson-Vanik amendment restrictions regarding Vietnam, China, and other countries. Joint disapproval resolutions were introduced in the Senate (S.J.Res. 47) and the House (H.J.Res. 120) on June 4, 1998. They were reported adversely by the Senate Finance Committee and the House Ways and Means Committee. H.J.Res. 120 was defeated in the House on July 30, 1998, roll call #356 (163 - 260).

On June 3, 1999, President Clinton again issued an annual waiver on Jackson-Vanik amendment restrictions on U.S. interactions with Vietnam. Joint resolutions disapproving the President's action were introduced in the Senate (S.J.Res. 28, June 7) and the House (H.J.Res. 58, June 9). On July 20, the Senate rejected a motion to discharge S.J.Res. 28 from committee, effectively defeating the measure, roll call #214 (5-94). On August 3, the House voted down H.J.Res. 58, roll call #365 (130-297). The measure received 33 fewer votes than it had the previous year.

On June 2, 2000, President Clinton announced his third annual waiver of Jackson-Vanik amendment restrictions for Vietnam. Joint resolutions disapproving the President's action were introduced in the Senate (S.J.Res. 47) and the House (H.J.Res. 99). On July 26, 2000, the House voted down H.J.Res. 99, roll call 441 (91-332). The measure received 39 fewer votes than it had in 1999, and 72 fewer votes than it had in 1998. Until the U.S.-Vietnam bilateral trade agreement – which was signed on July 13, 2000 – goes into effect the waiver does not change Vietnam's current, non-most-favored-nation (MFN), trade status with the United States. Instead, in the absence of an approved trade agreement, the waiver only allows OPIC and Export-Import Bank support for U.S. business in Vietnam. In order for the agreement to go into effect, it must be approved by Congress and the Vietnamese National Assembly.

Recent U.S.-Vietnam Relations

Economic Ties — the Bilateral Trade Agreement

On July 13, 2000, U.S. and Vietnamese negotiators signed a sweeping bilateral trade agreement (BTA).¹ On June 8, 2001, the Bush Administration submitted the BTA, which requires Congressional approval, to the 107th Congress. The agreement was passed several weeks later, and President Bush signed it into law on October 16 (P.L. 107-52). Vietnam's National Assembly ratified the BTA on November 28, 2001, and Vietnamese President Tran Duc Luong is expected to sign it soon. It will not go into effect until the United States and Vietnam exchange written notices of acceptance. Vietnam is expected to approve the agreement in November. Under the deal, which the U.S. and Vietnam spent five years negotiating, the U.S. will extend temporary normal trade relations status (NTR, formerly

¹ See CRS Report RL30416, *The Vietnam-U.S. Bilateral Trade Agreement*, by Mark Manyin.

most-favored nation [MFN]) to Vietnam, a move that would significantly reduce U.S. tariffs on most imports from Vietnam. The World Bank has estimated that in the first year after receiving NTR treatment, Vietnam's annual exports to the U.S. would increase by \$800 million – more than 60% over 2000 levels. 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 inward foreign direct investment.

The agreement paves the way for President Bush to extend *temporary* NTR treatment to Vietnam. NTR treatment would be temporary because Vietnam's trade status would still be subject to annual Congressional review under the U.S. Trade Act of 1974's Jackson-Vanik provisions, which govern trade with non-market economies.²

In a related development, on June 1, 2001, President Bush renewed Vietnam's year-long waiver of Jackson-Vanik amendment restrictions on bilateral economic activities. Shortly thereafter, a disapproval resolution, H.J.Res. 55, was introduced in the House. On July 26, the House rejected H.J.Res. 55 by a vote of 91-324 (roll call 275).

As part of its efforts to fully normalize commercial relations with Vietnam, since the beginning of 2000 the U.S. has also completed or initiated negotiations over agreements covering investment, anti-narcotics measures, labor, scientific cooperation, airline code-sharing, and weather forecasting.

In 2000, U.S.-Vietnam trade was worth \$1.158 billion, a 30% increase from 1999. As shown in **Table 1** below, since 1997 the U.S. has run a trade deficit with Vietnam. Five products made up the bulk of the U.S.' 2000 imports from Vietnam: shrimp, footwear, coffee, petroleum products, cashew nuts. Major U.S. exports to Vietnam in 2000 included cotton, electrical machinery, footwear parts, telecommunications equipment, fertilizer, and aircraft.

U.S. Bilateral Economic Assistance. Vietnam has asked the U.S. to increase its direct bilateral assistance program, which is small relative to U.S. aid to other countries in the region. For fiscal year 2001, the United States Agency for International Development (USAID) will provide between \$8 and \$9 million in grant assistance, including funds for HIV/AIDS programs, land mine victims and orphans, and technical assistance to help Vietnam understand, develop, and implement trade reforms. In 2000, total U.S. aid – which includes USAID funding – was nearly \$22 million, including over \$10 million in humanitarian assistance, \$5 million from Overseas Private Investment Corporation (OPIC), \$3 million for war victims and displaced children, and over \$1 million in for a U.S.-Vietnam commercial law/trade reform program. In November 2000, USAID opened its first resident office in Vietnam. In late 2000, the Vietnam Education Foundation Act of 2000 was signed into law, providing \$5 million annually for bilateral educational exchanges.

² For rules that will govern Congress' consideration of the BTA, see CRS Report RS20717, *The Vietnam Trade Agreement: Approval and Implementing Procedure*, by Vladimir Pregelj.

Table 1. U.S.-Vietnam Trade, 1994-2001
(millions of dollars)

	U.S. Imports from Vietnam	U.S. Exports to Vietnam	Trade Balance
1994	50.5	172.2	121.7
1995	199.0	252.9	53.9
1996	319.0	616.1	297.1
1997	388.2	277.8	-110.4
1998	553.4	274.2	-279.2
1999	601.9	277.3	-324.6
2000	827.4	330.5	-496.9
Jan.-Jun. 2000	381.5	179.0	-202.5
Jan.-Jun. 2001	431.5	165.2	-266.3
Major Imports from Vietnam	frozen shrimp, coffee, footwear, petroleum products, cashews		
Major Exports to Vietnam	raw cotton, footwear parts, electronic machinery, fertilizer, aircraft		

Source: U.S. Department of Commerce. Data are for merchandise trade on a customs basis.

Political Ties — Powell Visits Vietnam in July 2001

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 July 1969. The purpose of the trip was largely symbolic, to highlight the degree to which the U.S. and Vietnam have normalized their relations since the Vietnam War. The visit was notable for the unexpected enthusiasm expressed by ordinary Vietnamese, who thronged by the thousand 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.

Throughout his three-day visit, President Clinton spoke to the Vietnamese about the benefits of economic globalization (including implementing the bilateral trade agreement), the rule of law, efforts to locate and repatriate the remains of U.S. soldiers, and Vietnam's record on human rights and religious freedom. His speech at Vietnam National University was televised live, although the portions mentioning human rights and religious freedom were not mentioned in subsequent Vietnamese press reports. The President also spent the better part of a day dealing with Vietnam War-related issues, including traveling to a site where Vietnamese workers were digging for the suspected remains of a fallen U.S. pilot.

Vietnamese leaders pressed the U.S. for compensation for Agent Orange victims, for assistance locating the remains of Vietnam's soldiers who are still missing from fighting with the U.S., and for an increase in the U.S.' bilateral economic assistance program (the U.S. pledged \$21.9 million in bilateral aid to Vietnam in 2000). During Clinton's trip, the U.S. took some small steps toward meeting these demands, including the following: U.S. and Vietnamese officials agreed to meet later in 2000 to discuss joint research on the effects of

dioxin/Agent Orange; bilateral de-mining efforts were expanded; a science and technology agreement was signed; a bilateral labor cooperation agreement was signed; the U.S. provided materials to help locate the estimated 300,000 Vietnamese troops missing from the Vietnam War; OPIC opened a \$200 million line of credit to help U.S. companies finance projects in Vietnam; and the U.S. announced that it would double its aid for HIV/AIDS prevention in Vietnam.

Secretary of State Colin Powell visited Hanoi from July 24-26, 2001 to attend the ASEAN Regional forum (ARF). While in Vietnam, Powell held meetings with senior Vietnamese leaders.

Human Rights

On humanitarian issues, U.S. law (P.L. 105-277, signed October 21, 1998), requires the Administration report annually on:

- Vietnam's release of political and religious prisoners;
- Vietnam's cooperation with the United States to obtain full and free access to persons of humanitarian interest to the United States for interviews and possible transfer to the United States.

In its review of Vietnam's human rights situation in 2000, the U.S. State Department reported that although the Vietnamese government has made "measurable improvement in a few areas," its overall human rights record remained "poor." The report pointed out that "the government continued to repress basic political and some religious freedoms and to commit numerous abuses," notably "not tolerating most types of public dissent." Human rights groups reported that over the past year the Vietnamese government has tried to clamp down on political and religious dissidents by isolating and intimidating them – through such means as house arrest and constant surveillance – rather than imprisoning them, in order to avoid international criticism. Hanoi also retains strict controls over the Vietnamese press. During his July 2000 trip to Vietnam, Secretary of State Powell reportedly raised the issues of human and religious rights in his conversations with Vietnamese leaders, though he refrained from raising the issue in his public appearances. In August 2001, during the annual "human rights dialogue" with Vietnam, U.S. officials reportedly raised a number of specific issues of concern, while Vietnam urged the U.S. to do more to alleviate the continued suffering caused during the Vietnam War.

On the matter of religious freedom, U.S. law (P.L. 105-292, signed October 27, 1998), requires the State Department to report to Congress annually on the state of religious freedom in other countries. In its 2000 report, the State Department noted that Vietnam's respect for the freedom of worship varies by region. In some areas — particularly around Ho Chi Minh City, where there is a large concentration of Roman Catholics — local officials are relatively tolerant, and Vietnamese religious officials have reported an increase in religious activity and observance. In August 1999, for example, authorities allowed approximately 200,000 Catholics to attend a special Mass in central Vietnam, in what was thought to be the largest event not arranged by the Communist Party in its 24 years in power. The Catholic Church claims eight million followers out of Vietnam's 76 million, predominantly Buddhist, population.

However, the State Department report noted that in other regions — particularly those populated by ethnic minorities — authorities allow Vietnamese little discretion in practicing their faith. Indeed, according to Western human rights watch groups and State Department officials, over the past several months the government has increased its repression of unofficial religious organizations, particularly those in rural areas populated by ethnic minorities. Throughout the country, the government requires religious groups to register, and uses this process to monitor and restrict the operations of religious groups. Local officials reportedly continue to detain and imprison Vietnamese citizens for their religious beliefs. Recently, Western news sources have uncovered evidence of police raids on unofficial Christian groups. In early April 2001, the U.S. Commission on International Religious Freedom, a body created by Congress in 1998 to monitor religious freedom in other countries, recommended that the U.S. withhold its support for most International Monetary Fund and World Bank loans to the government of Vietnam until it agrees to make substantial improvements in the protection of religious freedom. On September 6, 2001, the House passed the Vietnam Human Rights Act (H.R. 2833, by a vote of 410 - 1), which would ban increases (over FY2001 levels) in non-humanitarian aid to the Vietnamese government if the President does not certify that Vietnam is making “substantial progress” in human rights. The act allows the President to waive the cap on aid increases. Vietnamese officials harshly criticized the bill, arguing that U.S.-Vietnam ties must be based upon non-interference in each other’s affairs.

Security Issues

In mid-March 2000, U.S. Defense Secretary William Cohen visited Vietnam, the first trip by a U.S. defense secretary in nearly 30 years. During his three-day visit, which the Vietnamese government had postponed twice in 1999, Cohen met with Vietnam’s top leadership, visited crash sites of U.S. fighter pilots, accepted the remains of two missing U.S. servicemen, and discussed the establishment of low-level military ties in areas such as flood control and military medicine.

The U.S. has also begun to cooperate with Vietnam on combating trade in illicit drugs. Drug trafficking through Vietnam has risen dramatically in recent years, due to the country’s proximity to heroin-producing areas in Laos and Burma, and to methyl-amphetamine producing regions in southern China. In February 2000, the U.S. Drug Enforcement Agency opened an office in Hanoi in February 2000. On June 22, 2000, U.S. “drug czar” Barry McCaffrey visited Vietnam to expand bilateral anti-narcotics efforts.

POW/MIA Issues

President Clinton’s receipt of the presumed remains of U.S. servicemen was a symbol of the increased resources devoted by Vietnam to POW/MIA research and analysis in recent years. 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 had 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 in reference to Americans still listed as missing from the Vietnam War that "...it is very, very, very unlikely that you would expect to see any live Americans discovered in Vietnam, Cambodia, or Laos." He noted that investigations of 121 reported sightings of missing Americans have ended in a "zero outcome, not even a trace." Official U.S. policy, however, does not "remove a name from the rolls" of those unaccounted for unless remains are identified.

On April 7, 2001, a helicopter carrying an MIA investigation team of nine Vietnamese and seven Americans crashed, leaving no survivors. It was the first fatal crash in the bilateral MIA program. (For more on the POW/MIA issue, see CRS Issue Brief IB92101, *POWs and MIAs: Status and Accounting Issues*.)

Vietnam's Situation

Economic Conditions

For more than a decade, Vietnam has been undergoing a major transition – politically, economically, and generationally. Vietnam launched its reform program, known as *doi moi* (economic renovation), in 1986 in response to disastrous economic conditions. Since then, the government has given farmers greater control over what they produce, abandoned central state planning, cut subsidies to state enterprises, reformed the price system, and introduced a liberal foreign investment code. For the first decade after the *doi moi* reforms were launched, Vietnam's economy recorded impressive growth. The economy grew by 8.8% in 1994, over 9.5% in 1995, 9.3% in 1996, and 8.5% in 1997. According to one United Nations study, poverty levels fell from 58% of the population in 1992 to 37% in 1997. A substantial portion of the country's growth was driven by foreign investment, most of which the government channeled into the country's state-owned sector.

Since 1997, however, the economy has staggered, as the economic growth rate fell to 5.8% in 1998, and 4.8% in 1999. Although the growth rate rebounded slightly to 6.7% in 2000, unemployment has risen over the past several years, with some sources claiming that it has more than doubled (to over 2 million) since 1997. Some observers have cited Vietnam's remaining structural problems — including unprofitable state-owned enterprises, a weak banking sector, massive red tape and bureaucratic corruption — as major causes of the economic slowdown. The Asian economic crisis that erupted in 1997 only exacerbated these systemic deficiencies. Foreign direct investment plummeted to \$600 million in 1999, the lowest level since 1992, and less than a third of the average annual inflow of \$2 billion during 1995-97 period. In particular, investment from East Asian sources — which accounted for nearly 70% of Vietnam's total inward foreign investment between 1986 and 1998 — has dropped sharply. Many observers argue that the continued deterioration in Vietnam's economic fortunes played a role in jump-starting talks with the U.S. over a bilateral trade agreement. A significant portion of Vietnam's leadership apparently came to see U.S. investment and access to the U.S. market as major ways for Vietnam to reverse its declining growth rates.

According to one source, in recent years the government has been speaking in two voices on economic reform: “one voice promising a steady roll-out of new [economic] reforms...; the other voice calling for a more conservative, inward-looking approach that adopts economic reform only when the status quo appears to invite instability.” (Economist Intelligence Unit, *Vietnam Country Report*, August 5, 1999) The latter group of conservatives fear that economic reform will lead to the loss of government control over the economic means of production and financial and monetary levers; they also fear the possible infiltration of heterodox outside ideas along with economic exchanges.

In January 2000, a group of reform-minded leaders were transferred to key economic and political posts. These moves, combined with the signing of the bilateral trade agreement with the U.S., the unveiling of a new Enterprise Law, amendments to the Foreign Investment Law, and the opening of Vietnam’s first stock market (in Ho Chi Minh City) in late July 2000 may be signs that the policy logjam is breaking up in the reformers’ favor.

Overseas Vietnamese. In an effort to boost its economy, Hanoi in late October 1999 announced that overseas Vietnamese (*Viet Kieu*) will be allowed to travel to Vietnam without visas. The program is designed to encourage the estimated 2.5 million Vietnamese living abroad to visit and work in their home country. Remittances from overseas Vietnamese totaled an estimated \$1.2 billion in 1999, nearly 10% of Vietnam’s export earnings that year.

Foreign Aid to Vietnam. Meeting under the auspices of the World Bank Consultative Group in December 2000, international aid donors pledged \$2.4 billion to Vietnam. In April 2001, citing a renewed commitment to economic reforms, the IMF extended a \$368 million loan to Vietnam for poverty reduction, the first IMF package since 1996, when Fund withdrew assistance from Vietnam because the country was not undertaking the reforms that the money was designed to finance. Total aid commitments to Vietnam in the 1990s amount to approximately \$16 billion, although less than half of this amount has been disbursed.

Foreign and Defense Policy

For many years, a major impediment to Vietnam’s development was the strong international sanctions imposed in response to Vietnam’s 1978 invasion and subsequent 11-year occupation of Cambodia. Faced with a cutoff of much aid from the Soviet bloc, the Vietnamese in the early 1990s increased their flexibility on a Cambodian settlement, moved to accommodate China on sensitive issues, and stepped up action on the POW/MIA and other humanitarian issues with the United States. In the mid-1990s, Hanoi continued the process of rejoining the world political community by joining the regional political group, the Association of Southeast Asian Nations (ASEAN), the regional security forum, the ASEAN Regional Forum (ARF), and the regional economic group, the Asian Pacific Economic Cooperation (APEC) forum.

Vietnam has had periodic spats with its neighbors over the islands in the South China Sea. In 1974, China seized the Paracel island chain from Vietnam. In 1988, the Vietnamese and Chinese navies clashed over conflicting claims to the Spratly Islands, parts or all of which are also claimed by Taiwan, Malaysia, the Philippines, and Brunei. Although most of the Spratlys are low-lying reefs and rocky outcrops, the sea bed beneath them is thought to

contain massive oil and gas reserves, and the 155,000 square miles of surrounding waters are home to rich fishing grounds. Hanoi's latest flare-up in the Spratlys occurred in October 1999, when Vietnamese troops on Tennent Reef fired at a Filipino reconnaissance plane flying low over a suspected Vietnamese military installation.

In recent months, Hanoi has improved ties with many of its neighbors, the October incident with Manila notwithstanding. Most significantly, Vietnam has moved to fully normalize relations with mainland China. Following Chinese Prime Minister Zhu Rongji's four-day visit to Vietnam in early December, for instance, the two sides signed a long-elusive land border treaty on December 30, 1999. In late December 2000, Vietnamese President Tran Duc Long travelled to Beijing, where he signed an agreement establishing the two countries' sea border in the Gulf of Tonkin. The two countries, however, still have overlapping claims to the Spratly Island chain in the South China Sea, differences that led to military clashes in the late 1980s. Along with other Southeast Asian nations, Vietnam has tried – thus far unsuccessfully – to convince China to agree to a multilateral code of conduct for the South China Sea. In 2001, Vietnam will chair the standing committee of the Association of Southeast Asian Nations (ASEAN) and may push this issue.

Shortly after assuming the ASEAN chair, Vietnam rebuffed United Nations Secretary General Kofi Annan's suggestion that it convene a troika of ASEAN ministers to help start a dialogue between Myanmar's military government and dissident Aung San Suu Kyi. A Vietnamese official said that Hanoi had rejected the idea because it constituted an unwarranted "interference" in Myanmar's affairs. During the 2000 annual meeting of ASEAN Foreign Ministers, participants had agreed that the organization should form a troika of officials to resolve political and security problems of common concern in the region.

In 1999 and 2000, Vietnam improved its historically troubled relations with Cambodia, sending a high-level delegation to Phnom Penh, strongly supporting Cambodia's entry into ASEAN in early 1999, and pledging to resolve outstanding border disagreements by the end of 2000. On November 26, 1999, Vietnam signed a cross-border agreement with Laos and Thailand to harmonize and simplify regulations governing flows of goods, vehicles, and people. The deal is part of the proposed \$350 million, 240 mile East-West Transport Corridor highway project designed to link areas of Laos and Thailand to the port of Da Nang in central Vietnam. There have been reports that Vietnamese troops have assisted the Laotian regime in combating an insurgency by ethnic minorities. In March 2001, Russian President Vladimir Putin visited Vietnam, where the two countries signed a new strategic partnership agreement, and restructured Vietnam's Soviet-era debt to Russia. In the summer of 2001, the Russian Defense Minister announced that Moscow would not renew its lease of the Cam Ranh Bay military base on Vietnam's southeast coast. The lease, which the Soviet Union and Russia had held since the late 1970s, is due to expire in 2004.

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 Communist Party in politics and society, and Vietnam remains a one-party state. Although personal freedoms have increased dramatically, Hanoi still does not tolerate signs of organized political dissent. In subtle ways, however, the decision to prioritize economic development above ideological orthodoxy has led the Party to slowly loosen its former stranglehold on

political power. Recognizing that Party cadres often were ill-suited to administering its own policy directives, for instance, the Party created a more powerful and professionalized executive branch in the 1992 constitution. The new constitution also gave more influence to the legislative branch, the National Assembly, in part because the Party realized it needed to make the organs of government more responsive at the grass-roots level.

Rapid economic growth, increased integration with the global economy, and weak domestic institutions have caused a rise in corruption and a decline in the Vietnamese Communist Party's (VCP) authority, alarming many Party hard-liners. As a result, Vietnamese policy-making in recent years has been virtually paralyzed, as reformist and conservative elements within the Party have battled to a stalemate over how to deal with the major economic and demographic forces transforming the country. The former group calls for a steady roll-out of new reforms and increased integration into the global economy. The latter fears that economic reform will lead to the loss of government control over the economic means of production and financial and monetary levers; they also fear the possible infiltration of heterodox outside ideas. Vietnam's consensus-based decision-making style, combined with the absence of any paramount leader, has meant that these divisions have produced only piecemeal economic reforms, though implementing the BTA may force more significant changes.

The 9th Party Congress. Vietnamese Communist Party Congresses, which are held every five years, often are the occasions for major leadership realignments and set the direction for Vietnam's economic, diplomatic, and social policies. At its ninth Party Congress that ended on April 22, 2001, Vietnam's Communist Party selected **Nong Duc Manh** as its Secretary General, the Party's top post. Manh (60) is generally considered to be more moderate than his predecessor, **Le Ka Phieu** (69), a conservative who was ousted after a heated struggle. Manh, the former speaker of Vietnam's National Assembly, is an ethnic Tay, making him the first member of an ethnic minority to head Vietnam's Communist Party. In other significant moves, the 9th Party Congress reduced the size of the Politburo (from 19 to 15 members), retired seven Politburo members, and shrunk the Central Committee from 170 to 150 members.

Manh's selection as Secretary General is but the latest in a long string of seemingly contradictory personnel shifts and policy moves that Vietnam-watchers have been struggling to interpret for signs that the economic reformers or hard-liners have gained the upper hand. To date, the effects of the 9th Party Congress are unclear. For instance, of the biggest "winners" – Politburo members who significantly rose to higher rankings – at the Congress, two are staunch reformers and two are leading conservatives. Additionally, while the military's representation on the Politburo fell from three members to four, it increased its proportional representation on the Central Committee and retained a core of incumbents in leadership positions. Since assuming the top position, Manh has pledged to press ahead with an economic growth program closely linked with economic reforms and with market-opening measures tied to the US-Vietnam trade agreement.

In any scenario, Vietnam's new leadership will have to confront the problem of how to reverse the Party's declining legitimacy. Attracting new recruits into the Party has become increasingly difficult, particularly among young Vietnamese – a major problem since more than half of the population is under the age of 25. Some prominent retired military leaders, including war hero General Vo Nguyen Giap, have publicly called for the Party to become

more democratic. Additionally, over the past several years, there have reports of protests and riots by peasants in the Central Highlands provinces against local government corruption and by ethnic minorities against encroachment on their ancestral lands by recent settlers; in February 2001, thousands of minorities protested in the Central Highlands, the largest-scale social unrest in years. The Vietnamese government dispatched military troops and local police to quell the unrest, and in the spring of 2001 launched a crackdown against the protesters. Vietnam has accused U.S. groups of providing financial and logistical support to the protesters. Hanoi has also criticized the United States for granting asylum to 24 Vietnamese refugees, all members of the Central Highlands minority groups that protested, who fled into Cambodia following the unrest. Some refugees reported that the Vietnamese government has imprisoned and tortured many protesters. Scores of asylum seekers from Vietnam remain in Cambodia.

Issues For Congress

If past events are any guide, future steps to improve U.S.-Vietnam relations are likely to remain controversial in the United States and Vietnam. Potential issues of concern to the U.S. Congress could include:

- Consideration of a Presidential waiver of Jackson-Vanik restrictions, which President Bush issued in early June, and President Clinton issued from 1998-2000. Congress can reject Jackson-Vanik waivers through passage of joint disapproval resolutions. If Congress approves the bilateral trade agreement, a Jackson-Vanik waiver would extend conditional normal trade relations (NTR, formerly MFN) status for Vietnamese exports to the United States;
- Calling attention to Vietnam's record on human, religious, and labor rights, and possibly linking these issues to approval of the BTA or the Jackson-Vanik waiver;
- Pushing for the U.S. and Vietnam to negotiate a bilateral agreement on trade in textiles;
- Granting of Generalized System of Preference (GSP) status to a range of Vietnamese imports. This is contingent on, among other things, U.S. NTR (formerly MFN) status for Vietnam.
- Increase of U.S. foreign assistance. As noted above, small amounts of aid have on occasion been provided, restricted to prosthetics, war victims' aid and other humanitarian assistance;
- Increase of USAID's Vietnam program. This has focused since 1991 on a Fulbright program and on a recent program to train the Vietnamese in U.S. business practices; and
- The continuing POW/MIA issue.

Congress plays a funding, authorizing, or oversight role in each of these issues. Congressional supporters of warmer U.S. relations with Vietnam include Members who support growing U.S. business interests in Vietnam. Many Members also supported Clinton Administration arguments that improved relations with Vietnam help U.S. strategic interests in working closely with friends and allies to promote stability and development by integrating Vietnam more fully into the East Asian regional order. The Clinton Administration contended that increasing U.S. economic, political, and other interaction with Vietnam is a good way to promote political liberalization in the country. Finally, there are Members who believe that the United States is more likely to elicit Vietnamese cooperation on POW/MIA, human rights, or other sensitive issues through a policy of closer “engagement,” rather than one that restricts ties until Vietnam meets firm U.S. conditions.

Against these advocates are those Members who are sharply critical of the Vietnamese government’s repressive political regime and human rights’ violations, including suppression of religious freedom; those who represent U.S. constituencies concerned with poor labor conditions in many industries in Vietnam; those who see no significant U.S. interest in stimulating the economic development of this regime; and those who represent some Vietnamese-American constituencies that strongly oppose the current Hanoi government.

LEGISLATION

H.Con.Res. 178 (Ballenger)

Calls on Vietnam to allow religious and political freedoms for the Montagnard peoples in Vietnam. Introduced June 28, 2001; referred to House International Relations Committee, which reported the measure on July 25.

H.J.Res. 51 (Armey)/S.J.Res. 16 (Daschle)

Approves the extension of nondiscriminatory (MFN) treatment to Vietnamese products, as called for in the President’s submission of the U.S.-Vietnam bilateral trade agreement. House measure introduced June 12, 2001; passed the House by voice vote, September 6, 2001. S.J.Res. 16 was introduced June 11, 2001 and referred to Senate Finance Committee, which reported the measure on July 17 (S.Rept. 107-49). The Senate passed H.J.Res. 51 on October 3, 2001, by a vote of 88-12 (Roll Call 291). Signed into law by President Bush, October 16, 2001 (P.L. 107-52). The agreement will not officially go into effect until the United States and Vietnam exchange written notices of acceptance. Vietnam has not yet approved the agreement.

H.J.Res. 55 (Rohrabacher)

Disapproved the Bush Administration’s extension of the waiver of Jackson-Vanik trade restrictions on Vietnam. Introduced June 21, 2001; defeated by House, July 26, 2001, 91-324 (roll call 275).

H.R. 2833 (Christopher Smith)

Withholds bilateral non-humanitarian unless Vietnam receives a Presidential certification that it is meeting certain human rights conditions. Introduced September 5, 2001; referred

to Committees on International Relations and Financial Services. Passed by the House, 410-1 (roll call 335) on September 6, 2001.

H.R. 2330 (Sec. 747) and H.R. 2646 (Sec. 934)

Prohibits on the labeling of certain fish – primarily imported from Vietnam – as catfish. H.R. 2330 (Agriculture Appropriations Act of 2002) is pending in conference. Section 747 is contained in the Senate version of the bill. H.R. 2646 (the Farm Security Act of 2001) was passed by the House on October 5, 2001.

FOR ADDITIONAL READING

CRS Products

CRS Issue Brief IB92101. *POWs and MIAs: Status and Accounting Issues*, by Robert L. Goldich. (Updated regularly.)

CRS Report RL30416. *The Vietnam-U.S. Bilateral Trade Agreement*, by Mark Manyin.

CRS Report RS20717. *Vietnam Trade Agreement: Approval and Implementing Procedure*, by Vladimir Pregelj.

CRS Report RL30896. *Vietnam's Labor Rights Regime: An Assessment*, by Mark Manyin, et. al.

CRS Report 98-551. *Vietnam: Economic Reforms and Commercial Relations with the United States*, by Raymond Ahearn.