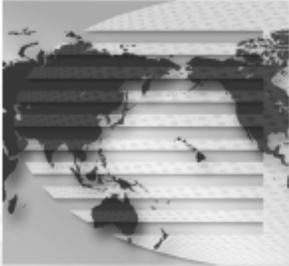




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SPECIAL ASSESSMENT

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The Asia-Pacific and the United States 2004–2005

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Vietnam and the United States 2004–2005: Still Sensitive, But Moving Forward

I A N S T O R E Y

K E Y F I N D I N G S

- During 2004 U.S.-Vietnam relations continued to advance, though in an incremental fashion. The relationship remains sensitive in both countries for historical, political, and geopolitical reasons.
- At the political level U.S.-Vietnam relations are generally good but are subject to periods of turbulence caused by U.S. criticism of Vietnam's human rights record. Vietnam rejects U.S. criticism as interference in its internal affairs.
- U.S.-Vietnam economic ties progressed well in 2004 with bilateral trade expected to hit \$6 billion. Hanoi and Washington are currently in negotiations over Vietnam's accession to the World Trade Organization (WTO).
- Vietnam and the United States continue to make progress on resolving "Legacy Issues" left over from the Vietnam War, especially the Prisoner of War/Missing in Action (POW/MIA) issue. However, Vietnam has called on the United States for more help in dealing with the aftereffects of Agent Orange and unexploded ordinance.
- Vietnam and the United States have a nascent security relationship. Since September 11, 2001, the two countries have stepped up cooperation in the fight against transnational security threats, including terrorism. In 2004 U.S. military leaders and their Vietnamese counterparts held talks on advancing defense ties, and a U.S. naval ship visited Da Nang.
- The Vietnamese government closely calibrates its military ties with the United States so as not to offend China. Vietnam wants good relations with both countries and cannot be seen to favor one country over the other.

INTRODUCTION

In 2004 U.S.-Vietnam relations continued to progress across a broad range of issues. However, as has been the case since the two countries normalized relations in 1995, the pace of progress has been incremental and not without controversy. For both countries closer bilateral ties remain a sensitive issue for historical, political, and geopolitical reasons. In the United States, opposition to closer relations with Vietnam comes from several sources. In Congress, certain members argue that the United States cannot have a close relationship with Vietnam until Hanoi improves its human rights record, especially religious freedom. Veterans groups have accused Hanoi of not doing enough to address the Prisoner or War/Missing in Action (POW/MIA) issue. Voices within the Vietnamese-American community oppose Hanoi, whose Communist forces they fled in 1975. Equally, however, within each of these constituencies are advocates of closer ties with Vietnam. In Vietnam, feelings toward the United States are also mixed. At the leadership level—especially among senior leaders who fought against the United States in the war—there are suspicions concerning U.S. intentions toward Vietnam. One suspicion is that policymakers in Washington seek to undermine the Communist regime through “peaceful evolution.” Another concern is that the United States challenges the country’s territorial integrity through its alleged support for the Montagnard separatist movement in the Central Highlands. On the other hand, the Communist authorities in Hanoi recognize that their own legitimacy is tied to continued economic growth, and that much of this growth depends on closer trade ties with the United States. Geopolitically, Vietnam does not want the United States to dominate Southeast Asia but it is also anxious about China’s rising power in the region. Vietnamese leaders privately acknowledge the stabilizing influence the U.S. military presence has in East Asia. But equally Vietnam must carefully calibrate its political and security relationship with the United States to avoid antagonizing China. Hanoi must balance its relations with the United States and China, and therefore cannot be seen to be tilting toward one side over the other.

POLITICAL RELATIONS

At the political level U.S.-Vietnam relations are generally good but are subject to periods of turbulence caused by U.S. criticism of Vietnam’s human rights record, particularly religious freedoms. 2004 witnessed moderate turbulence in this regard. In February, the U.S. Department of State released its annual report on human rights practices in Vietnam. Although the report labeled Hanoi’s human rights record as “poor” and accused the government of committing “serious abuses,” it also noted some slight improvements in the situation. In July the U.S. House of Representatives passed the Vietnam Human Rights Act, which lambasted Hanoi for its “policy of harassment, discrimination, and intimidation” against those critical of the central government. The Vietnamese government condemned the legislation as “untimely and detrimental to bilateral relations” and interference in its internal affairs. The bill subsequently died in the Senate. The legislation would have prevented the U.S. government from increasing the amount of non-humanitarian assistance to Hanoi above the current level of \$40 million. It would also have authorized the government to spend \$4 million a year to support

Vietnamese dissident groups, and for the President to block any non-humanitarian assistance to Vietnam from the International Monetary Fund and World Bank. It seems likely the legislation will be reintroduced in 2005. Further criticism of Hanoi's human rights record came in September when the U.S. Secretary of State designated Vietnam a "County of Particular Concern" under the International Religious Freedom Act for "particularly severe violations of religious freedom." The State Department's condemnation of Vietnam and the House's passage of the Vietnam Human Rights Act followed the imprisonment of a number of political and religious activists in Vietnam during 2004, some of whom had posted articles critical of the regime on the Internet.

Criticism of Hanoi's human rights record has not prevented the Bush administration from stepping up humanitarian aid to Vietnam, particularly in the fight against HIV/AIDS. In June 2004 Vietnam became the first Asian country eligible to receive aid from the \$15 billion Emergency Program for AIDS Relief. Vietnam has experienced a rapid increase in the HIV/AIDS infection rate in recent years, higher than China, India, and Russia. It is estimated that the number of HIV/AIDS sufferers will rise from 130,000 in 2002 to 1 million by 2010. The U.S. estimates that aid to Vietnam from the fund could prevent 660,000 new infections and help provide care for 80,000 people already infected with the disease. In announcing the aid President George W. Bush declared that initiatives like this were helping put "a history of bitterness behind us with Vietnam."

The Vietnamese government did not make its preferences in the U.S. presidential race known. The election did, however, elicit considerable media attention in Vietnam, partly because of Democratic Party candidate Senator John Kerry's service during the Vietnam War. After the election President Tran Duc Luong and Prime Minister Phan Van Khai sent congratulatory messages to President Bush. Vietnam's Ministry of Foreign Affairs noted that bilateral ties had made "important progress" during the first Bush administration and hoped that U.S.-Vietnam relations would be "consolidated and developed" during the second.

ECONOMIC RELATIONS

For the Vietnamese government, economic growth is a priority because of the legitimacy it bestows on the regime. The Vietnamese economy grew at seven to eight percent per year through 2004. The United States obviously represents a very important market and source of investment for Vietnam, and Hanoi calculates that closer economic ties with America will add one or two percentage points to GDP growth each year. The United States supports continued economic growth in Vietnam not only because it offers opportunities to U.S. businesses and consumers, but also because it believes economic growth will ultimately result in changes that favor a freer market, society and political system.

In July 2000 the United States and Vietnam signed a Bilateral Trade Agreement (BTA). The BTA is designed, over a ten-year period, to eliminate non-tariff barriers, cut tariffs on a number of U.S. exports, and allow Vietnam greater access to the U.S. market through permanent normal trade status. The BTA also commits Vietnam to provide better intellectual property protection, open the Vietnamese market to U.S. service providers, and create more transparent rules and regulations for foreign investors. After the BTA came into operation in December 2001, U.S.-Vietnam trade grew rapidly. Total two-way

trade hit \$5.88 billion in 2003, double that of 2002. Much of this growth was in Vietnamese exports to the United States, mainly clothing, furniture, shoes, and seafood. During 2004 the rate of growth eased, but bilateral trade is expected to surpass the \$6 billion mark by the end of the year. The United States is now Vietnam's largest export market. Official figures show U.S. cumulative investment in Vietnam at around \$1 billion, though this figure probably understates the true amount as it does not include investment from U.S. companies based in other Southeast Asian countries such as Singapore. To facilitate economic and people-to-people links the two countries signed an agreement in December 2003 allowing for direct flights between the United States and Vietnam. On 10 December 2004 a United Airlines flight from San Francisco landed in Ho Chi Minh City (via Hong Kong), the first U.S. commercial airline to arrive since 1975. Vietnam Airlines hopes to inaugurate direct flights to the United States in late 2005 or early 2006.

The next important step in U.S.-Vietnam economic relations is to reach agreement on Vietnam's entry into the World Trade Organization (WTO). Vietnam applied for membership of the WTO in January 1995 and hopes to accede before the end of 2005. Membership of the WTO is an urgent priority for Vietnam because it remains subject to U.S. textile quotas until its membership is approved. So long as Vietnam remains outside the WTO its garment industry will be at a distinct disadvantage compared to those countries that are already WTO members, such as China. Washington and Hanoi are currently in negotiations over WTO entry. Publicly, Washington has voiced its support for Vietnamese membership. During 2004 U.S. and Vietnamese officials held several rounds of discussions on WTO membership. The Vietnamese government is concerned that human rights issues may delay the country's accession, though the Bush administration has not officially linked the two issues.

Despite the rapid increase in trade volume, U.S.-Vietnam economic relations have not been without problems. In July 2004 the U.S. Department of Commerce (DoC) ruled that Vietnamese shrimp producers had been dumping their produce on the U.S. market at below market cost, and levied preliminary anti-dumping tariffs of between 12 and 93 percent on imported Vietnamese shrimp. The ruling followed a similar decision in 2003 against the Vietnamese catfish industry. Seafood is one of Vietnam's biggest export earners, and Vietnamese producers called on the DoC to re-assess its decision. In early December the DoC revised downwards the anti-dumping tariffs to between 4.13 and 25.76 percent. When the decision was announced the Vietnam Association of Seafood Exporters and Producers renewed its call to overturn the decision. Although the final decision pleased U.S. shrimp producers it was not welcomed by U.S. seafood distributors who predicted American consumers would now pay more for shrimp products.

LEGACY ISSUES

As Vietnam and the United States look to the future they must also deal with issues left over from the Vietnam War. On the U.S. side the most important issue is recovering the bodies of U.S. service personnel killed during the war. For Hanoi the salient issues are the aftereffects of Agent Orange, unexploded ordinance (UXO), and recovering the bodies of 300,000 Vietnamese military personnel. While the United States acknowledges the significant progress that has been made on resolving the POW/MIA issue, the Vietnamese

have called on Washington to be more accountable for the effects of Agent Orange and UXO. However, both governments seem to have made a conscious decision not to allow legacy issues to hinder the forward momentum of bilateral ties. Indeed the search for POW/MIA has helped lay the groundwork for U.S.-Vietnam military-to-military ties.

As of May 2004 1,871 Americans remain unaccounted for in Southeast Asia from the Vietnam War, 1,426 in Vietnam itself. The U.S. government has praised Vietnam for its full cooperation in resolving the POW/MIA issue, and during 2004 a number of important breakthroughs occurred that are likely to expedite the process. In July, Deputy Assistant Secretary of Defense for Prisoner Of War/Missing Personnel Affairs, Jerry D. Jennings, held talks with Vietnamese officials in Hanoi. The Vietnamese agreed to accelerate the search for U.S. MIAs in three ways. First, U.S. investigators would be allowed greater access to Vietnam's national archives. Of particular interest to the U.S. side are documents relating to American losses in areas of Cambodia and Laos which were under Vietnamese control. Second, joint investigation and recovery teams will be allowed access to areas in the Central Highlands. U.S. access to this area was suspended in early 2001 following the outbreak of ethnic unrest. Third, Hanoi agreed to extend the search for MIAs to the sea. However, negotiations on this issue may be problematic given Hanoi's sensitivities concerning the presence of U.S. naval vessels in Vietnamese territorial waters.

While both governments have expressed satisfaction with progress on the POW/MIA issue, the Vietnamese have called on the United States for more help in tackling other legacy issues, specifically Agent Orange and UXO. Agent Orange was a herbicide designed to defoliate jungle areas in order to deny cover to Vietcong guerillas. Between 1961 and 1971 U.S. and South Vietnamese forces sprayed approximately 80 million liters of Agent Orange across the south of the country. Agent Orange contained dioxin, which increases the risk of cancers, immune deficiencies, and reproductive and nervous system problems. Hanoi asserts that the toxic dioxin spread into the food chain resulting in serious health problems for nearly one million people, including birth defects in 150,000 children. In March 2002 the United States and Vietnam agreed to conduct scientific research into the impact of Agent Orange. As these studies continue however, the Vietnam-based Vietnam Association of Victims of Agent Orange (VAVA) is seeking recourse through U.S. courts. In January 2004, VAVA filed a lawsuit in a Federal Court in New York against U.S. chemical companies that produced the toxic defoliant. The suit, lodged on behalf of three adults in Vietnam suffering from alleged Agent Orange-related health problems, seeks compensatory and punitive damages against more than 30 U.S. companies.

The third legacy issue concerns UXO. The Vietnamese government estimates that 350,000 tons of UXO remain scattered across the country, resulting in nearly 2,000 civilian deaths each year. In 1999 the U.S. government agreed to fund a demining program in Vietnam through the non-profit organization Vietnam Veterans Memorial Fund (VVMF). Vietnamese deminers have been trained in the United States, and in 2000 the VVMF launched a comprehensive demining and education program in Quang Tri Province in central Vietnam close to the former Demilitarized Zone between North and South Vietnam and one of the most heavily bombed regions in the war. The program has resulted in a significant decrease in UXO fatalities. In November 2004 the U.S. government provided a \$5 million grant to VVMF to continue its program in Quang Tri Province and extend its activities into other parts of Vietnam.

SECURITY AND DEFENSE TIES

The security relationship between Vietnam and the United States can best be described as nascent. Although security cooperation is advancing, it is doing so in an incremental fashion, partly because of the sensitivities identified earlier, but also because a framework agreement is lacking. Cooperation between Vietnam and the United States today is therefore focused primarily on non-sensitive issues, including military medicine, disaster relief, demining, search and rescue, and combating transnational challenges such as terrorism and illegal drug smuggling.

The Vietnamese government condemned the terrorist attacks of September 11, 2001, and offered its full cooperation to the United States, including permission for U.S. military aircraft to use the country's airspace. Although the Vietnamese do not consider a domestic terrorist attack very likely, Hanoi has upgraded security at airports and outside the U.S. Embassy. Similarly, although the security services have found no evidence of Islamic extremism among the country's small Muslim population (estimated at 65,000), they continue to monitor the situation carefully. In terms of transnational crime, Vietnam and the United States have stepped up cooperation in the fight against illicit drug smuggling following the signing of a Letter of Agreement on Counternarcotics Cooperation in December 2003.

Military-to-military ties have expanded very gradually since normalization. In March 2000, then-Defense Secretary William Cohen became the first U.S. defense secretary to visit Vietnam in nearly 30 years. Vietnamese Defense Minister General Pham Van Tra made a landmark visit to Washington in November 2003 during which he was accorded red-carpet treatment. That same month the guided missile frigate USS *Vandegrift* docked in Ho Chi Minh City—the first port call by a U.S. Navy ship to Vietnam since 1975. Since 2003 Vietnam has been invited to send observers to the annual U.S.-led multilateral military exercise Cobra Gold in Thailand.

On the heels of Defense Minister Tra's visit to Washington, a number of significant developments helped advance U.S.-Vietnam military-to-military ties in 2004. In February Admiral Thomas Fargo, Commander, U.S. Pacific Command (USPACOM), visited Hanoi, Da Nang, and Ho Chi Minh City. In Hanoi, Admiral Fargo addressed the National Defense Academy, speaking of the need to further improve "mutual understanding by exchanging perspectives on common security concerns." In May, Lt. General James L. Campbell, Commander, U.S. Army Pacific (USARPAC) also paid a visit to Hanoi to discuss advancing bilateral defense cooperation. In July, the guided-missile destroyer USS *Curtis Wilbur* paid a port call to Da Nang. Good cooperation occurred in the field of military medicine. In March medical experts from USARPAC and the Vietnamese Medical Military Department met to exchange views and discuss closer cooperation. A month later USPACOM sponsored a four-day workshop in Hanoi designed to increase knowledge and awareness of HIV/AIDS issues within the Vietnamese military. Vietnam has agreed to co-host with USARPAC a military medical conference in Hanoi in May 2005.

Over the past few years there has been speculation concerning possible U.S. utilization of the Cam Ranh Bay naval base in south-central Vietnam. Cam Ranh Bay played host to significant U.S. air and naval assets during the Vietnam War but was leased

to the Soviet Union in 1978. Following the end of the Cold War, defense cuts forced Moscow to substantially downgrade its presence at Cam Ranh Bay. The last Russian military personnel left in May 2002 after Hanoi and Moscow failed to agree on new rental terms. In February that year then-Commander-in-Chief of the Pacific Command (CINCPAC) Admiral Dennis Blair visited Vietnam and reportedly discussed Cam Ranh with his Vietnamese hosts. Under the so-called “places not bases” strategy the United States would not be seeking permanent access to Cam Ranh but rather an access arrangement that would allow U.S. Navy ships to visit on a regular basis. After the Russian withdrawal, a debate took place within Vietnam over what to do with Cam Ranh Bay. In an interview with the Indian press in 2004, Vietnamese Foreign Minister Nguyen Dy Nien revealed that in 2003 the central government had approved plans to develop Cam Ranh Bay into a commercial facility. In May 2004 Cam Ranh Airport opened to commercial flights. However, due to years of neglect Cam Ranh Bay’s physical infrastructure has fallen into a state of disrepair. Meanwhile other port facilities along the Vietnamese coast have been upgraded. Therefore, for the foreseeable future, U.S. naval ship visits are likely to take place at ports with modern facilities such as in Da Nang and Ho Chi Minh City.

One factor Hanoi must take into account in its relations with Washington is the view from Beijing. Vietnam and the PRC normalized relations in 1991 after more than a decade and a half of hostility and military conflict. Since normalization Sino-Vietnamese relations have improved considerably, but suspicions remain on both sides. In 1999 the two countries reached agreement on delineating their common land border, and in 2000 a similar agreement was reached on the demarcation of the Gulf of Tonkin sea border. However, the two countries continue to dispute sovereignty over the Paracel and Spratly Islands in the South China Sea. The 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea has done little to alleviate tensions between Hanoi and Beijing. In 2004 China objected to the expansion of an airport on one of the Vietnamese controlled islands, the inauguration of tourist cruises to the Spratlys, and Vietnamese plans to explore for oil in waters contested by both countries. For its part, Hanoi has accused China of violating the Declaration by agreeing with the Philippines to conduct seismic activity studies near the Spratlys, and conducting oil exploration activities in the Gulf of Tonkin. Vietnamese military officers and academicians who spoke with the author in August 2004 contended that the South China Sea dispute was intractable, and that Beijing’s ultimate aim is to dominate the area and enforce its claims.

Hence, despite improved relations with China, Vietnam remains suspicious of Beijing’s long-term intentions in Southeast Asia. It therefore supports a continued U.S. military presence in East Asia to balance the PRC. However, Vietnam must carefully calibrate its military ties with the United States so as not to offend China. Crucially Hanoi cannot let Beijing think that is part of a U.S.-led containment strategy against the PRC. Currently Vietnam’s military-to-military links with the United States and China are roughly in equilibrium in terms of exchanges and visits. Hanoi cannot allow an asymmetrical situation to arise that favors the United States over China, as this would certainly raise Beijing’s ire. Therefore, absent a resumption of severe Sino-Vietnamese tensions, a close defense relationship between Vietnam and the United States seems unlikely any time soon.

U.S. – VIETNAM RELATIONS IN 2005

2005 is a year of anniversaries in U.S.-Vietnam relations: the 30th anniversary of the fall of Saigon, and the 10th anniversary of the restoration of diplomatic ties. These anniversaries will throw bilateral relations into sharper relief. To mark the anniversary of diplomatic ties Vietnamese Prime Minister Khai is likely to visit the United States in mid-year. Vietnam hopes that by the time his visit occurs, the two sides will have reached agreement on WTO accession. This will allow time for Vietnam's National Assembly and the U.S. Congress to ratify the agreement, thus paving the way for Vietnam's WTO entry in late 2005 or early 2006. This will be a boon to Vietnam's garment industry and U.S.-Vietnam economic relations in general. At the political level government-to-government relations are likely to remain cordial in 2005, though Washington will continue to press Hanoi to improve its human rights record. A re-introduction of the Vietnam Human Rights Act into Congress may temporarily strain relations, though the legislation seems unlikely to succeed in the Senate. For reasons outlined above, bilateral defense ties will move forward in a step-by-step fashion with Hanoi keeping one eye on China.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

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