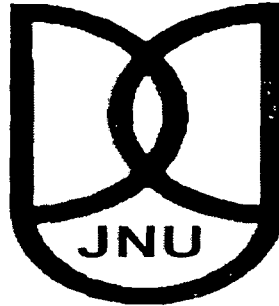


US RELATIONS WITH VIETNAM SINCE 1993

Dissertation submitted to Jawaharlal Nehru University in partial fulfillment of the requirements for the award of the degree of

MASTER OF PHILOSOPHY

ADITI PRIYA



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DECLARATION

I declare that the dissertation entitled "US Relations with Vietnam Since 1993" submitted by me in partial fulfillment of the requirements for the award of the degree of **Master of Philosophy** is my own work. This dissertation has not been submitted for any other degree of this University or any other university.

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To My Grand father

Late Sri Jugal Kishore Prasad

Thank you

... for everything

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For any error or inadequacies, the responsibility is entirely my own.

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ABBREVIATIONS

APEC	Asia-Pacific Economic Co-Operation
ARF	Asean Regional Forum
ASEAN	Association of South East Asian Nation
BIT	Bilateral Investment Treaty
BTA	Bilateral Trade Agreement
CMEA	Council for Mutual Economic Assistance
CPC	Country of Particular Concern
DOC	Declaration Of Conduct
EAI	Enterprise for Asean Initiative
EAS	East - Asia Summit
EEZ	Exclusive Economic Zone
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
FY	Financial Year
GSP	Generalized System of Preferences
IGE	Institute for Global Engagement
IMET	International Military Education and Training
IMF	International Monetary Fund
ITAR	International Traffic in Arms Regulation
MFN	Most Favored Nation
MONRE	Ministry of Natural Resources and Environment

MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NNSA	National Nuclear Security Administration
NTR	Normal Trade Relations
ODP	Orderly Departure Program
OPIC	Overseas Private Investment Corporation
PLA	People's Liberation Army
PLA (N)	People's Liberation Army (Navy)
PNTR	Permanent Normal Trade Relations
PRC	People's Republic Of China
RDM/A	Regional Development Mission/Asia
SEATO	South East Asia Treaty Organization
SOE	State- Owned Enterprise
TIFA	Trade and Investment Framework Agreement
TPP	Trans-Pacific Strategic Economic Partnership
UN	United Nations
UNCLOS	United Nations Convention on Law Of the Sea
USAID	US Agency for International Development
USDA	US Department of Agriculture
USTR	US Trade Representatives
VCP	Vietnamese Communist Party
VEF	Vietnam Education Foundation
WTO	World Trade Organization

PREFACE

Hans J Morgenthau's famous adage: 'there is neither permanent friend nor permanent enemy but only permanent interest' aptly reflects the trajectory of US-Vietnam relations. Due to Cold War considerations US fought a long and bloody War in Vietnam, from where it had to exit unceremoniously. In the post-Vietnam War era in the relationship between the two countries remained shaky. But with the end of the Cold War, economic factors and new geopolitical considerations compelled them to come closer.

After the Second World War, the fear of communism drove the US to use its foreign policy to contain communism and support French war efforts in Indochina. France ended its colonial rule of Vietnam in 1954 through the Geneva agreement, the US then slowly got entangled in the internal conflicts in Indochina in general and Vietnam in particular.

The US involvement incrementally got intensified. In 1961, President John F Kennedy sent military advisors to South Vietnam at the apparent request of South Vietnamese President Ngo Dinh Diem. After a coup in November of 1963 that led to the execution of President Diem, the United States substantially increased its military intervention and began to direct domestic political processes in South Vietnam. By mid-1960s, the civil war in Vietnam involving the Communist North and Non-Communist South had turned dangerous forcing the US to take more concrete steps to contain the Communist insurgents backed by Hanoi. In 1965, President Lyndon Johnson sent the first US combat troops to Vietnam and the Vietnam War began. The War dragged on, millions of US troops were deployed and more than 50,000 fatalities were reported, and by 1968, the Viet Cong's surprise "Tet Offensive" against South Vietnam diminished morale, making many Americans believe that their defeat was inevitable. Peace talks began in 1969 and finally concluded in 1973 with the signing of the Paris Accords. The United States withdrew its forces and left only a few military advisors. The Vietnam War was the longest military battle in the history of the United States even though technically the US Congress never officially declared war on North Vietnam. The US was defeated, although Washington never admitted it.

For the next 15 years, US-Vietnam relations were shaky. The US had a trade embargo on Vietnam and refused to assist with Vietnam's unification. Washington kept demanding Vietnamese withdrawal from Cambodia and information on the US Prisoners of War/Missing (POW/MIAs) in Actions.

After the Soviet collapse in 1991 and several other events propelled the US and Vietnam down the road of normalization of relations. The decision to lift trade embargo against Vietnam in 1994 and the Clinton administration's announcement regarding "normalization of relations" in the following year marked a milestone in US- Vietnam relations. Both the countries recognised each other and officially established diplomatic relations for the first time. As a result, the US embassy in Hanoi and the Vietnamese embassy in Washington D.C. were established. The two countries conducted a series of bilateral summits that helped in building closer ties. Most notable, in 1997 President Clinton appointed the first post-Vietnam War ambassador to Vietnam and visited Vietnam in November 2000.

Diplomatic relation was followed by economic ties where by important agreements such as the Bilateral Trade Agreement (BTA) was ratified in 2001. Moreover, the US granted Vietnam Permanent Normal Trade Relations (PNTR) in 2006, opening the way for Vietnam to become the 150th member of WTO in the year 2007. In spite of these co-operations, the differences between the two continued on the issues such as human rights and the war legacy of Agent Orange and the issue of MIAs.

However, political relations continued to move forward under George W Bush administration. The two countries exchanged high level visits that included President Bush's visit to Hanoi in November 2006, President Nguyen Minh Triet's visit to Washington D.C. in June 2007, and Prime Minister Nguyen Tan Dung's visit to Washington D.C in June 2008 and April 2010, Secretary of State Hillary Clinton's visit in July and October 2010 and President Truong's visit to Hawaii for APEC meetings in 2011. More recently, Secretary of State Hillary Clinton stated that "the Obama administration is prepared to take the US- Vietnam relationship to the next level... we see this relationship not only as important on its own merits, but as a part of a strategy aimed at enhancing American engagement in the Asia Pacific and in particular Southeast Asia."

Looking at the way the two sides have interacted in the post-Cold War era, no one can deny the fundamental shift in their relations from those between enemies with much hostility and suspicion to a much more open and co-operative relationship with direct discussion of issues that the two countries are concerned with.

REVIEW OF LITERATURE

There is a substantial body of literature on US Vietnam relations. Many of them focus on the war in Vietnam, trying to provide explanations for its causes, development and outcome. These include Morton Kaplan and others' *'Vietnam Settlement: Why 1973? Not 1969?'*; Robert McNamara's *'In Retrospect: The Tragedy and Lessons of Vietnam'*; Lawrence Serewicz's *'America at the Brink of Empire: Rusk, Kissinger and the Vietnam war'*; among others. In his book *'Cultures in Conflict: The Vietnam War'*, Robert Vadas sees the Vietnam War as battlegrounds of cultural conflict attributing the US failure to its insufficient understanding of the Vietnamese culture. In other words, the Vietnam War was and continues to be a favorite topic for scholars due to its political and psychological effects on US foreign policy.

The Vietnam War ended in 1975. After the end of the Vietnam War the relationship between Vietnam and the US continued to be strained. The scholars view that the Cold War had a great impact on the relationship and for the next 15 years, relations continued to be shaky.

George C Herring in his article "Cold War and Vietnam" argues that the Vietnam War and Cold War cannot be disentangled. According to him, if it would not have been for the Cold War then countries like the US, China and the Soviet Union would not have involved themselves in the way they did. The Cold War shaped the way the Vietnam War was fought and significantly affected its outcome.

Edwin A Martini's book *'Invisible Enemies'* (2007) examines the relationship between the United States and Vietnam following the American pullout in 1975. Drawing on a broad range of sources, from White House documents and Congressional hearings to

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comic books and feature films, Edwin Martini shows how the United States continued to wage war on Vietnam "by other means" for another twenty-five years. However, he does not suggest that the post war conflict was predetermined. In addition to imposing an extensive program of economic sanctions, the United States opposed Vietnam's membership in the United Nations, supported the Cambodians, including the Khmer Rouge, in their decade-long war with the Vietnamese, and insisted that Vietnam provide a "full accounting" of American MIAs before diplomatic relations could be established. According to Martini, such policies not only worked against some of the stated goals of US foreign policy, they were also in opposition to the corporate economic interests that ultimately played a key role in normalizing relations between the two nations in the late 1990s. Martini reinforces his assessment of American diplomacy with an analysis of the "cultural front"--the movies, myths, memorials, and other phenomena that supported continuing hostility toward Vietnam while silencing opposing views of the war and its legacies. He thus demonstrates that the "American War on Vietnam" was as much a battle for the cultural memory of the war within the United States as it was a lengthy economic, political, and diplomatic campaign to punish a former adversary.

After the end of the Cold War, the relationship between Vietnam and the US started normalizing with the Clinton Administration's announcement regarding normalization of relations. The Bush Administration created a "road map" for relation normalization and after that important steps were taken to improve the relationship.

In his article, 'Rapprochement between Vietnam and the United States' Frederick Z Brown (2010) argues that the improvement of bilateral relations between the US and Vietnam has added a fresh dynamic to the geopolitics of Southeast Asia. He discusses the laborious process of normalization of political relations between 1976 and 1995 and the course of economic normalization from the signing of the Bilateral Trade Agreement in 2001 and granting of Permanent Normal Trade Relations in 2006 to Vietnam's accession to the World Trade Organization in 2007. The article reviews current bilateral economic and trade issues and experiences which have acted as powerful forces in shaping the foreign policies of both the countries. The US criticizes Vietnam's human rights record and Vietnam has lingering qualms about alleged US designs for relations. The positive

factors at work in US-Vietnam relations includes Vietnamese students studying in the US, bilateral cooperation on global warming, environment, human trafficking and addressing seriously the Agent Orange issue. Thus, he concludes that the US Vietnam rapprochement is on a positive, mutually beneficial track but that its dimensions and durability have yet to be established.

Bich Ngoc Nguyen and William Jones Stover's article "Normalization of Relations between the US and Vietnam" sheds light on the various causes of the Vietnamese immigration to the US as determinant factors for the differences in the immigrants' attitude towards normalization of diplomatic relations between the US and Vietnam. They examine immigration patterns in three separate waves and look into the recent changes in Vietnam. They also present the attitude towards changes in relations between the US and Vietnam from the perspective of the Vietnamese community in San Jose, California.

Allan E Goodman in his article "Political Consequences of Normalization of US-Vietnam Relations" describes the political consequences of the normalization of the US Vietnam relations. According to him, the normalization of US Vietnam relations in the post-Cold War era poses very difficult challenges for both Hanoi and Washington. He argues that the leaders in both the capitals will be surprised by the sensitiveness involved in the negotiations ahead to establish full trade and commercial relations and that the US strategy of 'engagement and enlargement' may prove counterproductive. He also argues that Vietnam's embrace of free market principles is hastening the advent of civil society. The risk for American policy is that by pressing hard on the issues required full trade relations- as opposed to granting Vietnam the same waivers that facilitate US trade with China. Washington will convince the Vietnamese leadership that America is prepared to renew a struggle to liberate Vietnam.

M.S. Shiv Kumar in his article "A New Era for Vietnam and US" describes the 2005 visit of Prime Minister Phan Van Khai as a signal for the new dawn of the relationship between the two countries. While the relationship promises a new economic and strategic partnership, the US must allay suspicions that by 'wooing' Vietnam it is seeking to counter the China threat.

Lawrence E Grinter (*Vietnam's Trust into Globalization: DoiMoi's Long Road*, 2006), after noting the increase in trade volume between the two countries, observes that China has always been a key factor preventing closer ties between the US and Vietnam. He also acknowledges the differences the two sides need to overcome in terms of human rights, including minority rights and freedom of religion. Accounting for Missing in Actions (MIAs) is one of the issues that require continuing efforts from both the sides to settle.

Trung Pham's *US Vietnam Security Relations Since Normalization* examines U.S.-Vietnam security relations in the post-normalization period, from 1995 to 2008. It argues that the United States and Vietnam have basically overcome suspicions left by the Vietnam War and thus been able to pursue tentative but incrementally expanding security cooperation. This cooperation, seen by both parties as supplementary to economic and trade ties, has been intentionally kept on a slower track. U.S.-Vietnam security cooperation in the post-normalization era has been notable in both traditional and non-traditional security dimensions, ranging from ship port calls to collaborating in fighting epidemics. The potential for further cooperation is great. But building up mutual trust and understanding would be necessary and desirable for two sides to exploit this potential and deepen their security cooperation in order to serve their own national interest as well as regional peace and stability.

Lewis M Stern's book on *Defense Relations between the US and Vietnam* traces the development of US Vietnamese relations from the second half of the 1970s to the early 2000s but his main focus is on the normalization process and the development of military relations between the two countries in post-normalization period. Stern argues that defense relations between the US and Vietnam have developed slowly despite their promise and potential. This incremental approach from both sides has been adopted deliberately and carefully so that it does not negatively affect the overall relations or raise concerns of other countries, especially from China. In spite of this, he believes that the promise and potential are great and deserve the two countries' efforts to turn them into reality in order to serve each country's interest. Although, this productive work of Stern focuses exclusively on US-Vietnam defense matters, it covers the period only up to the early 2000s while the US Vietnam defense relationship has witnessed an important

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development in the last several years. In this work an attempt would be made to fill in this gap.

In his article “US-Vietnam Relations: A Scorecard”, Carlyle A Thayer notes that the US-Vietnam relationship has evolved from one preoccupied with legacy issues from the Vietnam War to one anchored in economic relations, political accommodation, and military-to-military ties. Thus, all the factors are in place for the US to take its relations with Vietnam to the next level of engagement, co-operation, friendship, and partnership. While there is definitely a new momentum in the relationship, there are constraints and potential difficulties in the path ahead. These constraints must be addressed if bilateral relations are to proceed smoothly to a higher level broad-based co-operation.

“Vietnam-US Relations: Past, Present, and Future” by Mann Hung presents an overview of the US Vietnam relations in the post war period and how the rapprochement of relationship took place after 1990s. He also explains that in the recent years, Vietnam has made efforts to reach out to overseas Vietnamese, through policy of national reconciliation. Steps have been taken to make it easier for overseas Vietnamese to buy houses in Vietnam, to visit the country, and to work there. These are small steps reflecting privileges accorded by the government to overseas Vietnamese, but they fail to address the need of genuine reconciliation based on mutual respect.

The most successful part of the US-Vietnam relations has been the economic ties. According to Brown (*Rapprochement Between Vietnam and the United States*), it was American business interests in the 1980s that was the catalyst for US-Vietnam relations.

According to Carlyle A Thayer (*US-Vietnam Relations: A Scorecard*, 2010), since the normalization of diplomatic relations between the US and Vietnam in 1995, the former enemies have become important trading partners. Today Vietnam has Permanent Normal Trade Relation (PNTR) with the US and the US was instrumental in Vietnam being accepted into the WTO in 2007. By 2010, the US had become Vietnam’s second largest trading partner with \$18.6 billion in trade. However, China was Vietnam’s largest trading partner in 2010 with \$20.5 billion.

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Michael F Martin (US-Vietnam economic and Trade Relations, 2010) believes that even though the US-Vietnamese economic relationship has come a long way, there are still many issues to be worked out. Both the US and Vietnam are negotiating membership in the multilateral trade group, the Trans-Pacific Strategic Economic Partnership Agreement (TPP). The Vietnamese for their part have expressed a desire to form closer trade relations with the Americans; Vietnam applied for acceptance into the US Generalized System of Preferences (GSP) program. Although the program is now lapsed, Congress still has the option of renewing it.

Emiko Fukase and Will Martin (The Effects of the United States Granting MFN Status to Vietnam, 2000) has assessed the economic effects of the US granting MFN status to Vietnam. After the lifting of the US embargo in 1994, trade between the US and Vietnam have grown rapidly. The large US market offers substantial potential for Vietnam to expand its exports, following the lead of the export oriented economies of its region. However, Vietnam remains one of a handful of countries to which the US has not yet granted MFN status and on which it imposes its general tariffs rather than the more widely used MFN tariffs. For inferring the economic impacts on Vietnam, the author used simulations with the Global Trade Analysis Model and found that the increased market access to the US brings significant welfare gains to Vietnam.

China has always been an important factor in the US Vietnamese relationship. Franklin B Weinstein (US-Vietnam Relations and the Security of Southeast Asia, 1978) argues that Vietnam-US relations have major impact on the security of Southeast Asia. According to him, establishing good relation with Vietnam and providing modest economic assistance would support the US interest in maintaining peace and stability in the Southeast Asia.

According to James Bellacqua (The China Factor in US-Vietnam Relations, 2012), bilateral relations between the US and Vietnam have evolved rapidly since ties were normalized in 1995. One factor drawing the two countries together is the complex relationships both have with the Peoples' Republic of China. The author assesses the extent to which shared concerns over China encourage and limit cooperation between the two countries. Relations between the US and Vietnam are on the ascendency. However, the South China Sea is the principal area where these shared concerns intersect. Vietnam

and China both claim significant portions of the South China Sea. Naval, law enforcement, and fishing vessels from the two nations have had several contentious encounters in these disputed waters. The US is concerned about preserving freedom of navigation through the heavily transited shipping corridors of the South China Sea.

STRUCTURE OF THE RESEARCH

Definition, Scope and Rationale of the Study

In the light of the above account, this dissertation analyzes the relationship between the US and Vietnam in the post-Cold War era. This research also identifies goals and interests of each country in this relationship. It also focuses on the factors which made these two countries to co-operate and build stronger economic ties. Moreover, the study also figures out the factors that still strain the relationship between these two countries. It also looks into the conflicting claims of China and Vietnam over South China Sea and the US role in the region.

Research Questions

The research attempts to explore the following research questions in order to solve the research puzzle:

- Why did the US intervene in Vietnam after the Korean War?
- What was the impact of withdrawal of the US forces from Vietnam?
- How did the two countries overcome their differences to create a stronger relationship
- What were the factors which promoted or hindered the US-Vietnam relations in the post-Cold War era?
- How has China's increased assertiveness in the South China Sea impacted the course of US-Vietnam relations?

Hypotheses

The hypotheses of this study include:

- China's emergence as a contestant to US primacy in the Asia- Pacific caused a fundamental shift in US relations with Vietnam from outright hostility to co-operative ties.
- Vietnam's Geo-strategic importance and its rising tensions with China in the South China Sea offered opportunities for an enhanced strategic relationship with the US.

Sources and Methodology

For proving the hypothesis, the research has used both descriptive and analytical methods. It has used available primary sources and secondary sources, such as relevant books, articles and journals. Content analysis of newspaper reports and articles has been done. A deconstructionist approach of examining speeches and statements of important leaders of both the countries has been done.

Economics as a factor has been an important part of the study as economic ties have been one of the most important element in bringing the US and Vietnam together. Moreover, the domestic factors shaping US and Vietnam relations in the post-Cold War has also been analyzed.

The research took a realist paradigm an important asset in studying how power -politics and national interest of the two countries compelled both the sides to move ahead from an era of antagonism and made them selectively co-operate in the post-Cold War era. More specifically, it focussed on structural realism to understand the impact of the Cold War and the complexities of the post- Cold War era on the US-Vietnam relationship.

Organization of the Study

The study has been organized in five chapters. The first chapter critically analyzes the US military intervention in Vietnam. The second chapter shows the shift in the relationship between the US and Vietnam. It shows how two countries with completely opposite views came together to cooperate. It also deals with the factors which promoted and hindered this relationship. The third chapter discusses the economic relationship between the US and Vietnam from the signing of the Bilateral Trade Agreement to Vietnam's entry into the World Trade Organization and the current issues in their economic relationship. The fourth chapter discusses the China factor in their relationship. It also deals with the issue of with the issue of contesting claims and freedom of navigation in the South China Sea and the role of the US in the region. Concluding remarks have been given in the fifth chapter.

CHAPTER 1

US INVOLVEMENT IN VIETNAM: HISTORICAL BACKGROUND

The post-World War II world was a vastly different place than it had been at any other time in history. Two superpowers emerged after the war, the US and the USSR, with totally opposite views. The Soviets advocated communism while the US represented democracy and capitalism. These superpowers envisioned a world that would embrace their respective ideologies. Consequently, the world became a theater of struggle between them unleashing a complex Cold War.

The fear of communism drove the US to apply its foreign policy to encourage anti-communism. The US supported the French war efforts in Indochina to re-establish colonial rule. When the colonial rule of France ended in Vietnam in 1954 through the Geneva agreement, the US got engaged in its efforts to establish a non-Communist state in Vietnam.

Prior to this, the US had no vital interest in Indochina (Cambodia, Laos and Vietnam) or Southeast Asia for that matter. In June 1940, when the Japanese threatened to attack Indochina, the US declined to supply aircraft and anti-aircraft artillery requested by the French. According to Bernard Fall, “the US followed the policy of non-involvement in the summer of 1940, which is clear from the fact that when the French asked about the supply of artillery, the Under Secretary of State Sumner Welles told the French Ambassador that the US could not get involved with Japan in view of the general situation and would not oppose a Japanese attack on Indochina.” Fall explained, however, that “this policy was apparently based on a State Department estimate that the Japanese were so tied up on the mainland of China that they could not undertake additional military commitments, and, in all probability were bluffing.” (Fall, 1964)

The situation changed after the Second World War at the onset of the Cold War. The US invested much blood and treasure in Vietnam which earlier was not so important. This

chapter examines the reason for the US involvement in Vietnam, the objective behind it, and the consequences of the Vietnam War.

The US involvement in Vietnam began in 1950 when the decision was made to supply military aid to France for prosecution of the war effort in Indochina. Although the US literally financed the war from 1950 to 1954, money and material alone were not enough to prevent the defeat of the French. Following the Geneva Accords of 1954, the US involvement began to deepen when it decided that economic and military aid to Cambodia, Laos, and Vietnam would be provided directly to these countries. This decision was followed by another decision to discontinue all support for the French in Indochina, which forced them to withdraw, leaving the United States as the sole defender and supporter of the non-Communist south. Thus, almost from the start of the post Geneva era, the United States got directly involved in Vietnam. Although this involvement was initially limited to the economic and military assistance in the usual sense, it was further expanded in subsequent years with an effort to stop the increasing aggression of the Communists.

It was expanded by increasing the number of US military support, providing helicopters and air transport lifts for the South Vietnamese forces, provisions through which US forces were to assist the Vietnamese forces in defending their country. All of these actions were the result of the US commitment first made in 1954 by President Eisenhower, and an obligation to respond to Communist aggression under the Southeast Asia Collective Defense Treaty signed about the same time. The US commitment, as first conceived, was to provide economic and military assistance to South Vietnam in the hope of building a strong, viable, government capable of resisting Communist hostility from either internal or external sources. The SEATO arrangement was planned to prevent and, if necessary, cope with Communist aggression which could not be repealed without outside help. The aggression imagined was by armed attack across an international boundary similar to the Communist aggression in Korea. Communist subversion and revolution was recognized as a threat.

Lyndon B Johnson became the US President at a time when the situation in Vietnam had begun to rapidly deteriorate. Moreover, he had assumed the office as a result of President

Kennedy's assassination. Thus, he felt committed to continuing the policies and programs of Kennedy's administration. Communists were quick to identify and exploit such situations.

By February 1965, South Vietnam was on the way to lose to the Communists. US needed some crucial action to reverse this trend. Thus, President Johnson ordered air attacks on North Vietnam and withdrew US dependents from South Vietnam in order to make it clear to Communists that the US had no intention of letting South Vietnam fall to Communism.

REASONS OF US INVOLVEMENT IN VIETNAM

“US intervention in Vietnam was the outcome of two major phenomena of the World War II era: the dissolution of colonial empires and the start of the Cold War.” (Herring, 1991)

The colonial system had been an established fact for centuries. After the end of the Second World War, the rise of nationalism and the Europeans' incapacity to rule destroyed the colonial system. The Europeans, willingly or unwillingly had to grant independence to the colonies. Like in South and Southeast Asia, British and Dutch unwillingly granted independence to their colonies. The French, on the other hand, attempted to regain control of their Indochinese Empire and put down the Vietnamese revolution by force, sparking a War in 1946.

The conflict in Vietnam was very significant from the American point of view as it was a revolutionary movement, under the Communist leadership of Ho Chin Minh. During the World War II, Communists exploited popular opposition to French and Japanese forces, and they adeptly moved into the vacuum when the Japanese surrendered in August 1945. During the ensuing War with France, they solidified their claim to the mantle of Vietnamese nationalism.

Meanwhile, the Cold War was gaining global dimensions. The US war with Vietnam was largely in terms of its war with the Soviet Union. Vietnam was seen as an instrument of the Soviet Union for world power, directed and controlled by the Kremlin.

The reality was much more complex. Ho and his top associates were communists, deeply committed to establish a state based on Marxist-Leninist ideology in Vietnam. “In addition, after 1949, the PRC and Soviet Union assisted the Vietminh and later North Vietnam in many important ways. On the other hand, it was equally clear that Ho initiated the revolt without explicit direction from Moscow and sustained it until 1949 without external support. The revolution grew in strength because it was able to identify with Vietnamese nationalism, and it had dynamism of its own quite apart from international communism.” (Herring, 1991)

The conflict in Vietnam was seen as an integral part of the US broader struggle with communism. According to the US policy-makers, “the fall of one nation to Communist rule would lead to the submission and fall of surrounding nations, resulting in the rapid and complete spread of Communism across the region.” (LaFeber, 1976) They referred to it as the ‘Domino Theory.’

The Communists had just taken over in China. Indochina, Burma and Malaya were swept by revolution, and the newly independent government of Indonesia seemed defenseless. Because of its location on China’s southern border, Vietnam was considered crucial. If it fell, all of Southeast Asia might be lost, denying the United States access to important raw materials and strategic waterways. In this context, the Domino theory perceived- “a world divided into two power blocs, a fragile balance of power, a zero-sum game in which any gain for communism was automatically a loss for the US- areas that previously had been no more than marginal importance suddenly became significant.” (Herring, 1991)

In a document entitled ‘Report by the National Security Council on the Position of the United States with Respect to Indochina’, dated February 1950, this theory was contextualized and the proposed actions given:

“A decision to contain communist expansion at the border of Indochina must be considered as a part of a wider study to prevent communist aggression into other parts of Southeast Asia... It is important to United States security interests that all practicable measures be taken to prevent further Communist expansion in Southeast Asia... The neighboring countries of Thailand and Burma could be expected to fall under Communist domination if Indochina were controlled by a Communist-dominated government. The balance of Southeast Asia would then be in grave hazard.” (The Pentagon Papers, 1950)

The ‘Domino theory’ was supplanted by the notion of credibility, which meant the US must stand firm in Vietnam to establish its determination to defend vital interests across the world. During the Cold War period, it was being believed by the US policy-makers that if they showed determination in one area it would deter the adversary in another; if they showed weakness, the adversary would be tempted to take steps that might ultimately leave no option but nuclear war.

Moreover, the US got involved in Vietnam because of the assumptions shared by administrations from Harry S Truman to Lyndon B Johnson that the fall of Vietnam to Communism meant terrible political consequences at home. This assumption was based on historical ground- loss of China in 1949 and the Republican exploitation of the issue at the polls in 1952.

America’s intervention in Vietnam was also an outcome of several qualitative reasons. Contradictorily, these were classified as both idealistic and imperialistic. There were several examples of the implementation of these idealistic policies. The amount of aid given to the ‘defending’ of South Vietnam (by 1968, there were 500,000 American troops in Vietnam, as well as substantial financial aid) showed the extent and amount of resources America was willing to provide in order to prevent further communist expansion.

The US idealistic policy was interpreted through the example of the ‘strategic hamlet’ system. Strategic hamlets were small, defended communities, providing shelter for the South Vietnamese civilians. “This initiative overtly aimed to ‘protect’ South Vietnamese civilians from danger and physical harm from the conflict.” (Maclear, 1981) However, it

also served American purposes — by isolating the civilian population from the Viet Cong, the guerillas lost the advantage of accessing local aid and knowledge. (Ibid) Kennedy outlined the idealistic policy in his inaugural address in 1961:

“To those peoples... struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required – not because the Communists may be doing it, not because we seek their votes, but because it is right.” (Heffner, 1965)

The continuance of America’s idealist policy served to better America’s image in the world as a benevolent nation. This had a dual purpose — firstly, it reiterated that communist nations were the ‘enemy’, and secondly, it allowed America influence more in the developing nations, and thus allowed it to establish, or extend itself, as a world power. Vietnam was the ideal place for this intervention because: ‘There [Kennedy] could... demonstrate conclusively that America lived up to her commitments...’ (Ambrose and Brinkley, 1997).

By exerting influence and power in Vietnam, through military intervention, and also through supporting political figures such as Diem, and policies such as the strategic hamlet scheme, America asserted itself as a ‘key player’ within international politics. Retaining this policy augmented America’s self-image, and power, within the region. These policies were outlined in a memo from General Omar Bradley to the Secretary of Defense, recommending that, “United States military aid not be granted unconditionally; rather, that it be carefully controlled and that the aid program be integrated with political and economic programs” (The Pentagon Papers, 1950)

It can be argued that America perhaps did not always best help the Vietnamese people ‘help themselves’, but rather imposed its own ideologies on the population. This was seen in the aborted elections in 1956. “The American-supported leader of South Vietnam, Diem, refused to hold the elections, believing they would most likely end in communist victory, and the reunification of the country.” (Maclear, 1981) Supporting Diem in this, instead of being prepared to listen to the will of the majority of the South Vietnamese

population, America allowed its own interests to come before those of the Vietnamese people.

US OBJECTIVES IN VIETNAM

After the end of World War II, the United States sought to maintain peace and stability throughout the world to promote their interest. However, it soon became ostensible that the Communist nations were not content to live and let live. Instead, they set out to extend Communist power and control over neighboring nations with a view toward eventual Communist control of the world. Thus, for many years Communist expansion was regarded by the US as the major threat to international peace and security.

To counter that threat, the Truman Doctrine was announced in 1947. Since then it had been the basic United States policy to contain communism by aiding any country with whom the US committed to prevent the extension of Communist power by use of force. "It was in furtherance of this policy that the US aided Greece and the Philippines in putting down the Communist inspired insurgencies in those nations, that the US came to the aid of South Korea when attacked by Communist North Korea, and that the US was helping South Vietnam to deal with the expansionist aims of North Vietnam." (Rusk, 1965)

But the Truman Doctrine was not the only step taken to encounter the Communist threat. The Marshall Plan was also instituted to help reconstruct and strengthen the nations of Western Europe. Not only this, NATO (1949) and SEATO (1954) were also established in order to stop further expansion of the Soviet Union and Communism and hostility in Europe.

According to the US News and World Report, 1966, in addition, "the US entered into a number of bilateral defense pacts for similar determinations with free nations on the periphery of the Communist world." (Rusk, 1966) Thus, the United States considered it to be in its national interest to meet the threat of Communist expansion, when such extension was undertaken by means of force against any ally or country with which US

was committed to defend. Clearly, it was this kind of threat which provoked the US in Vietnam at that point of time. And the US was meeting that.

Secretary of State Dean Rusk summed up the long range goal of US Foreign policy in an address on 16 October 1965 as follows:

“Our goal is the sort of world community sketched in the preamble and articles 1 and 2 of the United Nations Charter - a world of independent nations, each with the institutions of its own choice but cooperating with one another to promote the mutual interests of their citizens, a world free of aggression, a world which moves toward the rule of law, a world in which human rights are secure, a world of better life for all of mankind. That goal may seem distant. But is a working guide to our foreign policy...” (Rusk, 1965)

Thus, the ultimate objective of the United States in Southeast Asia as a whole, and in Vietnam in particular, was essentially the same as the world-wide goal cited above. President Eisenhower was the first to recognize that to achieve this goal, there should be stability in the area. He made it clear when he announced, in 1954, the so-called "Domino Theory". Thus, the US objectives in Vietnam were tied to the principle that failure to stand firm in Vietnam would mean taking a stand somewhere else at a later date and, perhaps, under less favorable circumstances.

The US objectives in Vietnam, in particular, cannot be found packaged in any single article or document. However, President Kennedy, Johnson and some high officials had stated it in many different ways.

President John F. Kennedy summarized US aims in Vietnam in 1963:

“It is our hope... to convince the Soviet Union that she, too, should let each nation choose its own future, so long as that choice does not interfere with the choice of others. The Communist drive to impose their political and economic system on others is the primary cause of world tension today... if all nations could refrain from interfering in the self-determination of others, the peace would be much more assured.” (Heffner, 1965)

In other times, the objectives had been stated in broad terms, such as to bring peace to Southeast Asia, to stop Communist expansion, to contain Communist China, to prevent

hostility, to prevent the forceful conquest of South Vietnam by North Vietnam, to prove that 'wars of national liberation' cannot succeed, to restore the conditions contemplated by the Geneva Accords of 1954, to prove the value of an American commitment, and to preserve the freedom and independence of South Vietnam. At the same time, the US also said that they sought "no wider war", "no military bases", "no territory", "no dominion over any other people, or the destruction of any other government". Thus, the American citizen seemed to be confused at times as to what exactly were their objectives in Vietnam.

However, on the basis of different speeches made by the President Johnson, Secretary Rusk and other Administration Spokesmen, the US objectives in Vietnam (at that time) were:

- To prove to the people and government of South Vietnam and other nations that the United States stood by its commitments.
- To prove to the Communist-World that "wars of national liberation" were not a means for spreading communism.
- To convince Hanoi, Moscow and Peiping that the US has drawn a line in Southeast Asia beyond which communism was not permitted to expand by force of arms.
- To persuade North Vietnam to withdraw its regular army units from South Vietnam to stop supplying the Viet Cong with arms, men, munitions and other logistical support.
- To assist the South Vietnamese forces in rooting out and destroying Viet Cong main-force units.
- To assist the South Vietnamese government in bringing about economic, political, and social reforms.
- To obtain a political settlement in order to guarantee the freedom and independence of South Vietnam as envisaged in the 1954 Geneva Accords.

However, the US failed to achieve these objectives. The US conquest in Vietnam was self-inflicted. "Some scholars argue that a hostile and hypercritical media and a near-treasonous antiwar movement turned the public opinion against the War, forcing Presidents Johnson and Nixon to scale back US involvement just when victory was within grasp. Such arguments imply, if they do not state outright, that the United States could have prevailed had it used its military power without limit and suppressed domestic dissent. They have provided the basis for numerous 'lessons', some of them applied with a vengeance in the Persian Gulf." (Herring, 1991)

However, this ideological interpretation of the war had been fundamentally flawed because no one can actually say what would have been the result of the War if it was fought differently. More important, to attribute US failure to an errant strategy and lack of will oversimplified a very complex problem and provided a partial explanation.

"The strategy applied by President Johnson and his secretary of defense, Robert McNamara, was without question doomed to failure. The theory was that if the United States gradually increased the level of military pain it would reach a point where the Vietnamese communists would decide that the costs were greater than the potential gain. The theory turned out to be wrong. The level of pain Hanoi was prepared to endure was greater than Washington could inflict." (Herring, 1991) Even if the US had destroyed the cities and industries of North Vietnam, there were no doubts that the Vietnamese were prepared to fight.

The reasons why President Johnson declined to expand the war must also be considered. He feared that if the United States strapped North Vietnam to the brink of downfall, the Soviet Union, China or both might intervene, broadening the war to dangerous proportions, perhaps even to the level of nuclear war.

But these explanations pictured the problem in too ethnocentric way. They reflected the persistence of what British writer D W Brogan once called "the illusion of American omnipotence the belief that the difficult we do tomorrow, the terrible may take a while." (Brogan, 1952)

Thus, the America's failure must be found in the local circumstances of the War, the nature of the battle, the weakness of America's allies and the strength of its enemy.

REASONS FOR THE US FAILURE IN VIETNAM

The Vietnam War posed extremely tough challenges for Americans. It was fought in a climate and on a terrain that were singularly uncongenial: thick jungles, threatening swamps and paddies, rugged mountains, excruciating heat and humidity. The climate and terrain counterbalanced America's technological pre-eminence and control of the air. Needless to say those who had endured the land for centuries had a distinct benefit over outsiders, particularly when the latter came from a highly industrialized and urbanized place.

Americans as individuals and as a nation could never really bridge the vast cultural gap that separated them from the Vietnamese. Not knowing the language or culture, they had difficulty at times even distinguishing between a friend and an adversary. Their mission was at best morally ambiguous and, however generous their intentions, Americans often found themselves on the wrong side of Vietnamese nationalism.

“More important perhaps was the formless, yet lethal, nature of warfare in Vietnam, a war without distinct battle lines or fixed determinations, where traditional concepts of victory and defeat were blurred. This type of war was mainly difficult for Americans schooled in the conventional warfare of World War II and Korea. And there was always the worrying but fundamental question, first raised by John F. Kennedy: how can we tell if we are winning? The only answer that could be devised was the notorious body count, as grim and corrupting as it was ultimately unreliable as a measure of success.” (Herring, 1991)

Not only this, the unequal balance of forces the US inherited in Vietnam was another vital reason. In South Vietnam, the Americans attempted a truly formidable undertaking on a very weak foundation. “The country to which they committed themselves in 1954 lacked many of the essential ingredients for nationhood. Indeed there was hardly a less

promising place in the world to conduct an experiment in nation-building. The French had destroyed the traditional political order, and their departure left a gaping vacuum no firmly recognized political institutions, no native elite willing to work with the United States and skilled of exercising effective leadership. Southern Vietnam was rent by a multitude of conflicting ethnic, religious and political forces. When viewed from this perspective, there were probably built-in limits to what the United States could have accomplished there.” (Herring, 1991)

From beginning to end the United States underestimated the strength, determination and staying influence of its adversary. They made immense blunders and paid an enormous price for their success. They showed a far greater capacity for making battle than for nation building. Still, in terms of the local balance of forces, they had tremendous advantages. They were tightly mobilized and regimented and deeply committed to their goals. They skillfully employed the strategy of protracted war, already tested against France, perceiving that the Americans, like the French, would become impatient and, if they bled long enough, might be turned weary of the war. America's fatal error, therefore, was to underestimate its enemy. The US policymakers rather casually assumed that the Vietnamese, rational beings like themselves, would know better than to stand up against the most powerful nation in the world.

One popular interpretation is that American leaders feared direct Chinese entry into the war and that this concern precluded full-scale use of US military supremacy against North Vietnam. According to Harry G. Summers, “American leaders' lack of appreciation of the relationship between military strategy and national policy was the major cause of U.S. defeat in the war. Such a mistake was born of Washington's fear of Chinese intervention in Vietnam to the extent that the United States limited the conflict with Hanoi.” (Summers, 1996)

The circumstances of the war thus posed a dilemma that Americans never really understood, much less resolved. Success would probably have required the physical annihilation of North Vietnam, but given the limited American goals this would have been distasteful and excessively costly. The only other way was to establish a viable South Vietnam, but given the weak foundation from which America worked and the

cultural gap, not to mention the strength of the internal revolution, this was probably beyond its capacity. “To put it charitably, the United States may have positioned itself in a classic no-win situation.” (Herring, 1991)

CONSEQUENCES OF THE VIETNAM WAR ON AMERICA

The Vietnam War, considered as the most controversial war spanned officially from November 1, 1955 to April 1975. It not only affected those in battles, but also left behind long term effects on the people afterwards.

The immediate effect of the Vietnam War was the staggering death toll. The War killed an estimated 58,000 US troops. Over 15,000 wounded in the battle.

Socially, the Vietnam War had many impacts on the US. After the Vietnam War, many people had a huge loss of confidence in the US, which they thought was “invincible.” Skepticism and a high degree of suspicion and distrust toward authority of all kind characterized the views of an increasing number of Americans in the wake of the War. The military, especially, was discredited for years.

During the Vietnam War, one of the biggest social impacts was the use of protesting. Protesters believed that mass gatherings and constant protesting would actually influence government decisions. But, the protests did nothing to stop the U.S. from getting involved, the war continuing, or ending.

The Vietnam War definitely had some economic impacts. According to the Institute For Economics and Peace, “it had a lasting fiscal legacy due to the increased levels of government expenditure which was financed by increases in taxation from 1968 to 1970. The blowout in budget deficits was driven by both military and non-military outlays in combination with an expansionary monetary policy that led to rapidly rising inflation in the mid-1970s. The slight fall in government spending after 1969 and up to 1973 was due to falling military expenditure that outweighed the increases in non-military expenditure. Consumption was negatively affected by rising unemployment and inflation after the 1973 oil shock, while the prior government attempts to rein in inflation with price and

wage controls also kept investment almost flat through most of the 1970s.” (Economic Consequences of War, 2012)

Politically, the decision to involve in war should be taken consciously. The fact that the US gave up and had to pull out after over a decade of fighting, was very painful and embarrassing for such a strong country. Many things were learned during the Vietnam War to prevent mistakes from happening again. For example, in 1973 the Passage of the War Powers Resolution made it impossible for presidents to single-handedly dictate military policy as Commander in Chief of the armed forces. This meant that the president could no longer ignore Congress’s word, much like Kennedy, Johnson, and Nixon did. After the decision to enter the Vietnam War and then give up, showed that it should’ve never happened in the first place. President Reagan also said that there would be “no more Vietnams”.

Militarily, the Vietnam War had many effects and impacts on the current US military structure. “The US developed a better understanding of guerrilla warfare. The US also developed a new look at how to approach decisions by forming new laws that made sure that things were thought out and passed through Congress before immediate action was taken, which could result in a larger problem.” (Biello, 2010)

OUTCOME OF THE WAR

The war killed an estimated 2 million Vietnamese civilians, 1.1 million North Vietnamese troops, and 200,000 South Vietnamese troops. Those wounded in combat numbered tens of thousands more. The massive US bombing of both North and South Vietnam left the country in ruins, and the US Army’s use of herbicides such as Agent Orange not only devastated Vietnam’s natural environment but also caused widespread health problems that persisted for decades.

In July 1976, the new unified Vietnam was officially reunited as the Socialist Republic of Vietnam with its capital at Hanoi.

Thus, on the basis of above account following analysis can be made:

The United States military involvement in Vietnam grew out of its fundamental policy to contain communism. In furtherance to this policy, the US established a series of alliances around the world for the purpose of halting Communist expansion or aggression by use of force. The United States pictured an overt armed attack by Communist forces across an international boundary and reacted with a united action. The US did not anticipate military intervention against Communist-led or inspired revolutionary movements, even though externally supported, unless external Communist military forces intervened overtly. The US apparently did not know how to cope up with covert military intervention, that is, by infiltration as in Vietnam. Thus, the US might have become involved militarily in Vietnam much before, if the other partners of the US were willing to join the US in a united effort as they did in Korea. If the US had not been confronted with crises in other parts of the world, and if Administration officials had been able to convey to the American people and the US allies, the concept that armed aggression by infiltration was tantamount to armed attack across an international boundary.

The United States commitment to South Vietnam made by President Eisenhower in 1954 did not envisage the participation of US forces in a combat role in Vietnam. Nor did the commitment made by President Kennedy in 1961. President Kennedy did, however, enlarge the commitment to the extent of increasing the number of US military advisers and by providing helicopter and air transport lift. Thus, the commitment of US forces in a combat role was the decision of President Johnson. Although he had gone to great lengths to convince the American people that in committing US forces he was merely keeping the pledges of Presidents Eisenhower and Kennedy, the decision to widen the commitment was his alone.

These incidents were the first and, the only direct attacks by regular North Vietnamese forces on United States forces. At the time the US replied with a single retaliatory air raid and President Johnson made it clear that we would respond to any further armed attacks. But, he also made it clear in subsequent statements that he did not intend to supply American boys to do the job that Asian boys do or to extend the war by bombing North Vietnam, which would result in the US committing a good many American boys to fighting a war that ought to be fought by the boys of Asia to help protect their own land.

US objectives in Vietnam had been stated many times but in so many different ways that it was difficult to determine exactly what they were. Moreover, they cannot be found neatly packaged in any single document and must be derived from statements saying what we seek as well as those pointing out what we do not seek. Thus, it can be said that the US objectives were, realistic and attainable, and the actions being taken to achieve them appear to be leading to their successful accomplishment. However, their attainment was a long and costly effort because of US self-imposed constraints on the use of military power. On the one hand US recognized that North Vietnam was the aggressor and the cause of most of the trouble in South Vietnam, and that achievement of other US objectives was contingent upon persuading North Vietnam to stop its aggression. On the other hand, the US was using our military power with restraint in North Vietnam for fear of becoming involved in a war with Red China, while at the same time, the US literally killed with kindness its friends in the south by driving the Viet Cong from their villages time and time again.

The United States made no serious attempt to exhaust international remedies prior to recourse to unilateral military power. Only belatedly and in a pro forma fashion did the United States refer the dispute to the United Nations. The United States made no attempt to comply with "the international law principle" to govern the action of North Vietnam. Nor did it attempt during the early phases of the war to subordinate its discretion to the Geneva machinery. No use was made even of the consultative framework of SEATO, an organization inspired by the United States initiative for the specific purpose of inhibiting Communist aggression in Southeast Asia. Policies of force were unilaterally adopted and put into execution; no account was taken of the procedural devices created to give a collective quality to decisions about the use of force.

By extending the scope of violence beyond the territory of South Vietnam the United States created an unfortunate precedent in international affairs. "Where international institutions fail to provide clear guidance as to the character of permissible action, national actions create quasi-legislative precedents. In view of the background of the conflict in Vietnam (including the expectation that South Vietnam would be incorporated into a unified Vietnam under the control of Hanoi after the French departure), the

American decision to bomb North Vietnam set an unfortunate precedent. If North Viet Nam and its allies had the will and capability to employ equivalent military force, the precedent would have even allowed them to claim the right to bomb United States territory in reprisal.” (Falk, 1966)

CHAPTER- 2

NORMALIZATION OF US RELATIONS WITH VIETNAM

Relations between the United States and Vietnam soured after the end of the Vietnam War. They did not fully recover until the mid-1990s, when economic, political, and cultural ties revived, leading to a vibrant period of political reconciliation by the year 2000. “The path to normal relations was strewn with obstacles that were emotional and psychological as well as political — the “Vietnam syndrome”. The humiliating collapse, and tragedies inflicted on the South Vietnamese, left Americans with a sense of national sorrow and shame; Southeast Asia was often cast aside as a diseased part of the Indochina debacle.” (Brown, 2010).

PERIOD OF CONTINUED HOSTILITY

Normalization between the US and Vietnam was a “step-by-step” process. Negotiations with the Vietnamese under President Jimmy Carter, Ronald Reagan and George H.W. Bush (Bush 41) did not produce any fruitful result. The US attitude toward Vietnam continued to be hostile.

In the Paris Peace Accords (which intended to establish peace in Vietnam and an end to the Vietnam War), the United States had agreed to provide \$3.3 billion aid over five years to help rebuild the shattered infrastructure of Vietnam. But, the US did not meet its obligation. The US extended the trade embargo against communist North Vietnam which was ratified under the Trading with the Enemy Act. However, the US hostility continued further. The US was not allowed to take credit and loans from monetary institutions such as the World Bank, the International Monetary Fund, and the Asian Development Bank. Moreover, Vietnam also attempted several times to join the United Nations. But, each and every time the US vetoed against it, halting Vietnam’s entry.

The relationship between the two countries began to soften during the early years of the Carter administration. But the war wounds still did not permit a relationship of cooperation and agreement between the two nations. "President Carter and Congress indicated that relations could be normalized if the vexing issues surrounding Prisoners of War (POWs) and soldiers Missing in Actions (MIAs) were resolved. Approximately 2,500 US service personnel continued to be reported as missing in the jungles of Vietnam, and Americans desperately wanted an accurate assessment of their numbers and of whether any of them were still alive in Vietnamese camps. Optimism grew in 1977 and 1978 as the two nations discussed preliminary issues." (Fikelman, 2005)

The Assistant Secretary of State Richard Holbrooke was sent by Carter in May 1977 to meet Vietnamese officials. In the meet, Vietnam demanded several billion dollars in payment for war damages. The United States rejected Vietnam's demand because the Vietnamese had allegedly violated the 1975 Paris Accords by invading South Vietnam. President Carter indicated that the United States would provide aid, but that funding could not be linked to normalization or the POW-MIA issue.

When the Vietnamese finally relented on their demands for compensations, they failed to receive a corresponding offer from the United States. This stemmed from official and public alarm over Vietnamese immigration, a Vietnamese invasion of Cambodia, and an increasingly powerful Soviet presence in the region (epitomized by the Soviet base at Cam Ranh Bay, the largest military installation of the USSR outside of its borders). After the Vietnamese invasion of Cambodia, the United States sent covert aid to non-communist Cambodian guerrillas who were fighting Vietnam.

Meanwhile, the relationship between Vietnam and China worsened over the Cambodia issue. This made the US and China closer and both the countries established full diplomatic ties in the year 1978. Improvement in the US- China relationship, combined with Vietnam's invasion of Cambodia in 1978, its Treaty of Friendship and Co-operation with the Soviet Union the same year, and a border war with China in 1979 gave more

stimulus to American hostility toward Vietnam. Consequently, during the final years of the Cold War, Vietnam became aligned with the anti-American forces .

In the 1970s and 1980s the American and Vietnamese leaders was not able to resolve the troublesome POW/MIA issue. “Although the number of MIAs in World War II and the Korean War was much greater than MIAs in the Vietnam War, the small number of missing American soldiers in the latter conflict (1,992 in all of Southeast Asia, 1,498 in Vietnam) captured the national psyche. They became the focus of a national struggle that retained its zeal into the 21st century.” (Fikelman, 2005)

VIETNAM IN THE 1980’S

By the mid-1980s, Vietnam's isolation from the rest of the world, coupled with the Soviet Union's eventual demise devastated the economy. Repeated crop failures left millions close to starvation. Infrastructure was crumbling and basic industries were unable to meet consumers' needs. Attempts to gain control over the economy through currency reform only made a bad situation worse. Inflation at mid-decade stood at about 700 percent, and foreign debt had mushroomed. With a per capita annual income of about \$180, Vietnam was among the poorest countries in the world.

Overcoming its ideological disdain for open markets, a desperate Hanoi government began instituting economic reforms in 1986. It was designed to encourage foreign investors to abandon the US-led boycott of international aid to the country. A newly elected premier, Nguyen Van Linh, launched the reform campaign, called “doi moi,” which disbanded many non-productive agricultural cooperatives, discarded central planning of most economic sectors and offered incentives for limited private enterprise.

But the Communist Party leadership continued to maintain firm control over the country's political life, rejecting calls for multiparty elections and freedom of the press. The regime continued to introduce economic reforms during the late 1980s, notably a liberal foreign-investment law that immediately began to draw investments, even in the absence of

multilateral assistance, which was still blocked by the United States. In 1987, attracted by Vietnam's highly skilled and poorly paid labor force, Japanese and South Korean businesses began setting up assembly plants in Vietnam to produce motorcycles, television sets and other consumer goods. The same year, an Australian firm built a satellite telecommunications station in Ho Chi Minh City, and other countries in the region increased trade with Vietnam.

In an effort to stop draining its meager resources, Vietnam announced it would withdraw its forces from Cambodia in December 1989. Eager to attract international assistance, Hanoi pulled out its forces by September.

After Carter, normalization became a third rank foreign policy issue and was dealt with mainly in the context of US relations with ASEAN and China. "President Ronald Reagan entered office in January 1981 unencumbered by doubts. He had served in World War Two and viewed the Vietnam War as a "noble cause". During his two terms, the United States refused to consider normalization with Vietnam." (Brown, 2010)

President Reagan viewed the US relations with Vietnam, mainly in terms of the MIA issue. Reagan harnessed a national crusade to pivot the normalization of relations with Vietnam on the fate of the MIAs. An American inspection team was allowed by the Vietnamese to visit alleged MIA burial sites. This eased tensions between the two nations and led to further investigations. In 1987 and 1989 General John Vessey, former chairman of the Joint Chiefs of Staff, was allowed to visit with Vietnamese leaders as an emissary of Presidents Reagan and George H. W. Bush.

Vietnam realized that further concessions would help improve a stagnant economy. Thus, "Vietnam assisted in returning the remains of more than two hundred American soldiers between 1985 and 1990 and also provided access to archives, war files, and cemetery records. They also allowed the United States to establish a Hanoi office to oversee MIA investigations." (Fickleman, 2005)

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Consequently, during the 1990s, relations between the United States and Vietnam improved. After the end of the Cold War, Vietnam withdrew all of its troops from Cambodia and thus, Vietnam's period of isolation from the United States ended. The Cold War's termination also improved relations by ending the Soviet-Vietnamese partnership. To further ease foreign resentment toward Vietnam and to increase foreign investment, other developments which took place were removal of critical characterizations of Western countries from the Vietnamese Constitution and signing of agreements between the two nations regarding the issue of Vietnamese political refugees.

As a result of this agreement, the Vietnamese government "in September 1987 released more than six thousand military and political prisoners, many of them senior officials in the former government of South Vietnam. Under the Orderly Departure Program in 1990, Vietnam agreed to assist the United Nations in helping refugees utilize official channels rather than leaky boats to immigrate to America. Another agreement, signed in 1990, enabled former South Vietnamese officials and army officers to immigrate to America." (Manyin, 2007)

BEGINNING OF RAPPROCHEMENT

Under the administration of President William Jefferson Clinton during the 1990s, the Vietnamese-American relations continued to improve. In 1993, Clinton announced 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, the US economic embargo on Vietnam remained in effect. A high-level US delegation visited Hanoi in mid-July and pressed for the progress on POW/MIAs. This delegation also disclosed that US 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 in Vietnam that allowed US companies to bid on development projects funded by international financial institutions in Vietnam. Also in September 1993, the Administration approved \$3.5 million in US 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.” (Manyin, 2008)

The US trade embargo was lifted in 1994. Consequently, the economic relations started and American companies increased their investments in Vietnam. Educational and cultural exchanges were fostered. The US government and private association provided humanitarian aid to Vietnam. Tourism became a vibrant element of the national economy. Both the countries signed an agreement that provided for an exchange of diplomats and other officials as a prelude to full normalization of relations. As expected, President Clinton extended full recognition to Vietnam in July 1995. In announcing his decision to extend diplomatic recognition to the Government in Hanoi, President Clinton made his own hopes clear:

“I believe normalization and increased contact between Americans and Vietnamese will advance the cause of freedom in Vietnam, just as it did in Eastern Europe and the former Soviet Union.” (Peters and Wolley, 1995)

Following-up on the President's point, Secretary of State Warren Christopher visited Hanoi in August 1995 and, in a speech to students at Vietnam's diplomatic academy, he observed that:

“A powerful revolution of ideas has swept the world. Indeed, the main story of the late twentieth century is the ascendancy of open societies and open markets in country after country. The former Soviet Union has been transformed. In Europe, the fastest growing economies are those Eastern nations that moved decisively toward economic and political reform.” (Goodman, 1996)

Turning to the specific case of Vietnam, the Secretary then noted that "this is a time of great possibility for our relations with Vietnam, for your country's continued growth and its integration in the region. But while further progress is possible, it is not guaranteed. If Vietnam is to find an important place in the community of nations and to attract

investment, it should move beyond just opening its doors." Christopher recommended that

"The key to success in this rapidly changing world is the freedom to own, to buy, to sell, the freedom to participate in the decisions that affect our lives." (US Deptt of State, 1995)

In subsequent meetings with Vietnamese officials in Hanoi, the US delegation made it clear that the next steps in the relationship would, in fact, depend largely on American judgments about whether those freedoms existed. Indeed, most of America's trade legislation was highly politicized by the Cold War and in the absence of a bipartisan consensus for reform, it was not possible to de-couple the conditions in which Vietnam could access to the American market and trade preferences from a set of measures that were designed to isolate and ostracize the Soviet Union. While Vietnam was willing to open its markets and doors, the trade and other commercial preferences which the Vietnamese Government hoped to achieve immediately after the announcement of diplomatic recognition required the President to certify to the Congress that he did not control that the country's emigration, human rights, and labor policies were consistent with American values.

In the above scenario, when Vietnam was willing to have normal trade relations with the US, the US government was not ready for the same. The reason behind it was- for establishing normal trade relations with Vietnam; the US President was required to certify that Vietnam was not one of those countries which "engage in a consistent pattern of gross violations of internationally recognized human rights" (Clinton, 1994). Moreover, it also required US officials to look at Vietnamese economic, social and political life more intrusively and critically and to encourage the development not only of a civil society in Vietnam, but also of pluralistic political system. Thus, normal trade relations were still a long way off.

Hence, it was clear that wanting was not the same thing as having America's way. The most notable thing about Vietnam's renovation so far was that "it had been financed

largely by investments from countries where political change and democratization considerations play no role in foreign investment or trade relations decisions” (Gates, 1995). But, the US was far different from this perspective because US believed in democracy not only for political considerations but also for economic decision making. On the diplomatic front, for the next two years, President Clinton established the diplomatic structures necessary to bring the two nations close together.

Thus a series of amendments were brought in the 1990s with the help of Congress. In 1975, a United States trade embargo, that for 11 years prior had only affected North Vietnam, was extended to the entire country. In 1994, Clinton ordered an end to the US trade embargoes on Vietnam and passed the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 that supported the normalization of relations with Vietnam. Also, the property claims were reconciled and the openings of liaison offices in both Washington DC and in Hanoi were announced.

By now, Vietnam had diplomatic relations with 170 countries (as Vietnam became member of the UN in 1977) and the focus of its foreign policy was to co-operate with other countries while maintaining status as an independent and sovereign state. The foreign policy had a robust focus on economics. The policy also highlighted human rights by giving prominence to humanity and considering “people the root of everything else”. The foreign policy of Vietnam, thus, emphasized on maintaining diplomatic relations to promote a peaceful worldly environment and modernization and industrialization of the country. On the other hand, United States foreign policy was less about development and more about national security. The policy stated “there are instances and individuals who can be met only by force”.

In May, Vietnam provided the Presidential delegation a document on missing Americans which the Pentagon considered as the most detailed and informative of their kind.

In early August 1995, embassies were opened in Washington and Hanoi. The following month, when the US Senate attempted to restrict trade ties with Vietnam, it failed.

“The FY 1996 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 this bill 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 US relations with Vietnam, and that would admit additional boat people from camps in Hong Kong and elsewhere to the United States. H.R. 1561 was passed by the 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 the President Clinton on April 26, 1996 as part of H.R. 3019 Appropriation Bill. To comply with the provisions, President Clinton issued Presidential Determination 96 saying that Vietnam was co-operating in full faith with the United States on POW/MIA issues. (CRS Report, 3rd January, 2008)

In June, 1997, Secretary of State Madeleine Albright visited Vietnam and urged greater economic reform and better human rights. In the meantime, attempts were made by the US administration 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 US 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.” (Manyin, 2007)

On September 13, 2000, the relationship between the US and Vietnam gained momentum when the two sides signed a landmark trade agreement; in November of 2001, the agreement, known as “the Bilateral Trade Agreement (BTA), was ratified by the Vietnam National Assembly. In December of the same year, the agreement was signed into full force” (Vietnam Trade Office, 2008). The BTA was a major step toward normalizing US-Vietnam “commercial relations, as it restores reciprocal most-favored-nation treatment

(MFN, also known as normal trade relations status) between the two countries, and commits Vietnam to undertake a wide range of market-oriented economic reforms” (Manyin, 2001).

For the United States, the BTA provided many benefits. In return for giving the U.S. most-favored-nation status, Hanoi agreed to take on an extensive range of “market-liberalization measures”; these actions included broadening MFN treatment to U.S. exports, dropping tariffs on goods, “easing barriers to US services (such as banking and telecommunications), committing to protect certain intellectual property rights, and providing additional inducements and protections for inward foreign direct investment” (Manyin, 2001).

In the words of President Clinton this agreement “will dramatically open Vietnam's economy, further integrate it into the international community, and increase trade between two nations. And so from the bitter past, we plant the seeds of a better future.” (The Presidential Documents, 2000)

The another historic step in the process of normalization, reconciliation and healing between the two nations was observed when the then President William J. Clinton visited Vietnam on 16th November, 2000. Clinton was the first President to visit Vietnam since President Nixon’s visit in 1969. “The purpose of Clinton’s trip was to discuss relations between the two countries. Ahead of his arrival, President Clinton said he hoped his presence “opens a new page in our relations ... hopefully one that will put an end to the divisions.” (ABC News, 2000). The visit marked a new chapter in the political relations between the two nations, and ushered in a new era of economic boom in Vietnam that was unparalleled in its tragic history of successful resistance against foreign military intervention. “Vietnamese analysts predicted that Vietnamese exports to the United States, hovering near the \$800 million mark in 2001, could top \$3 billion in 2005 and \$11 billion by 2010. U.S. investment in Vietnam had already increased from \$4 million in 1992 to \$291 million in 1999, providing hope that this trend would continue well into the twenty-first century.”(Fikleman, 2005)

In 2000, the Office of the United States Agency for International Development (USAID) was also opened in Hanoi. The office was the part of Regional Development Mission/Asia (RDM/A) based in Bangkok. USAID supported Vietnam in several activities in the areas of legal reform, governance, market based economy, prevention and treatment of HIV/AIDS, improve vulnerable groups' access to educational and other social services, urban environmental protection and flood mitigation. Since the ratification of the Bilateral Trade Agreement (BTA) between the US and Vietnam in 2001, USAID provided substantial support to help the Government of Vietnam implement the commitment it made in the BTA. In total, USAID contributed over \$200 million for relief and development activities in Vietnam.

RAPPROCHEMENT CONTINUES

After Clinton, George W Bush became the President of US. During first six months of his administration in 2001, Bush pledged to continue Clinton's policy of economic liberalization toward Vietnam. In one of his first actions as president, Bush “reappointed as Ambassador Pete Peterson, who in the Clinton years had been instrumental in helping to negotiate the bilateral trade agreement. Although Bush was associated with a conservative Republican bloc that in the past had voiced criticism of American reconciliation with Vietnam, the new administration recognized the potential economic windfall awaiting US investors in Vietnam.” (Fickleman, 2005)

In the month of January, the US Congress passed the Vietnam Education Foundation Act, which provided annual funding of \$5 million until 2019 and enabled Vietnamese students to study in the United States. The VEF Fellowship Program and VEF Visiting Scholar Program were two key components of VEF Act and it enhanced bilateral relations between the United States and Vietnam, creating educational exchange activities for Vietnamese nationals to pursue graduate studies and professional development at US

universities. The VEF programs focused on the sciences, engineering, mathematics, construction, medicine and technology.

In July, Secretary of State Colin Powell paid a three-day visit to Vietnam where he attended the ASEAN Regional Forum in Hanoi. It was Powell's first visit to Vietnam since he served in the War in 1969.

In December, a historic bilateral free trade agreement was signed by the US and Vietnam that promised to strengthen economic and political ties- the US Agency for International Development (USAID)-funded STAR (2001–2006). It began reforms needed for accession to the World Trade Organization (WTO). “Following on enormous success of STAR I, STAR II (2006–2010) focused on supporting development of institutional and administrative systems needed to implement the massive legal and regulatory changes that have been promulgated during this period in the areas of trade, commercial dispute settlement, intellectual property rights, foreign direct investment, and transparency and the right to appeal. These reforms were partnered with extensive educational programs that include training for officials, lawyers, judges, and business leaders; revision of university curricula and capacity development; and media-based public education campaigns.” (DAI, 2002) In 2010, the STAR Plus strategy was launched in 2010 which “included advising the Office of the Government, Ministry of Finance, and State Bank of Vietnam on macroeconomic policy, and ramping up Vietnam’s governance skills, systems, and processes at all levels. STAR Plus focused on furthering Vietnam’s integration into the global economy as it continued its transition to a market-driven system.” (Ibid)

In November, Vietnam's National Assembly ratified the trade agreement with the United States but warned that any US interference in Vietnam's internal affairs could jeopardize implementation of the agreement. The Vietnamese government voiced strong concerns over the US House of Representatives' passage of a Vietnam Human Rights Act which tied future US non-humanitarian aid to improvements in Vietnam's human rights record.

In 2003, the Vietnam-US Garment and Textile Agreement was signed in Hanoi by Vietnamese Minister of Trade Truong Dinh Tuyen and US Ambassador Raymond

Burghardt that “placed quantity quotas on 38 categories of clothing imports from Vietnam from May 1, 2003, until December 31, 2006. The quotas automatically rolled over in subsequent years—with the inclusion of annual quantity increases of 2% for wool products and 7% for all other products. The agreement also lowered Vietnam’s tariffs on US clothing and textiles exports to 7% for yarn, 12% for fabric, and 20% for clothing.” (USTR, 2003)

In the month of November, Minister of Defense Pham Van Tra visited the United States to discuss cooperation in regional security promotion. As a result of which, in the same month, Navy missile frigate USS Vandegrift docked in Ho Chi Minh City, becoming the first U.S. Navy ship to dock in Vietnam since the end of the War, a symbolic act aimed at boosting relations between Vietnam and the United States.

In December 2003, Vietnam Deputy Prime Minister Vu Khoan visited Washington, DC and signed a Bilateral Air Transport Agreement (which was later amended in the year 2010) to allow the two countries to boost their operation in aviation sector. As a result of this agreement, United Airlines (UA) launched flights between San Francisco and Ho Chi Minh City via Hong Kong; making United the first US carrier to provide direct service between the United States and Vietnam.

Year 2004 was a landmark year for the US Vietnam relationship as there was formation of the Congressional US-Vietnam Caucus. It was established to monitor and support normalized relations between the United States and Vietnam. It was formed to address issues of interest to the government and people of Vietnam and the US focusing on- post War issues; bilateral trade and WTO accession; human rights, religious freedom and labor rights; and defense co-operation and the US led War on Terror. Bush also designated Vietnam as one of 15 “focus countries” for the \$15 billion President’s Emergency Plan for AIDS Relief (PEPFAR) to combat HIV/AIDS globally. First American Corner was opened in Danang.

Moreover, Truong Dinh Tuyen, Vietnam's Minister of Trade, met in Washington with key US government officials to discuss Vietnam's accession to the World Trade Organization (WTO). According to the US Embassy office, "Vietnam also held the 8th Working Party round of WTO accession negotiations in Geneva, Switzerland. Bilateral negotiations were held with various member countries including Australia, the EU, and the United States. In the month of October, members of the US Working Party and Vietnam's World Trade Organization negotiating team met in Washington, D.C. for another round of bilateral negotiations and discussions on multilateral commitments for Vietnam's WTO accession." (Embassy of the US at Hanoi, 2010)

Year 2005 marked the 10th anniversary of normalization of US-Vietnamese relations. The USS Gary arrived in the port of HCMC, marking the celebration of the 10th anniversary of the normalization of diplomatic relations between the United States and Vietnam. Deputy Secretary of Veterans Affairs Gordon Mansfield visited Hanoi as the White House representative to celebrate this anniversary. Many events took place to celebrate including several musical performances and a photography exhibit.

The relationship between the two nations reached a new height when the Vietnamese Prime Minister Phan Van Khai visited the US. When Khai was in Washington, he and Bush issued a joint statement expressing their "intention to bring bilateral relations to a higher plane." Bush strongly supported Vietnam's accession to the WTO and 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." "The two countries signed an agreement on implementing a bilateral International Military Education Training (IMET) program to send two Vietnamese officers to the United States for training, under which two Vietnamese officers attend English classes at the U.S. Air Force's Defense Language Institute at Lackland Air Force Base in San Antonio. The two sides also announced an agreement to resume US adoptions of Vietnamese children, which Hanoi halted in 2002." (Manyin, 2008)

On March 1, 2006, the US Ambassador Michael W Marine and Vietnamese vice Minister of Public Security Le the Tiem signed the Amendment to the US-Vietnam Letter of Agreement on Counter-narcotics. While signing the Agreement Tiem stressed that

“Drug control is a global issue on which all countries must cooperate, and the LOA amendment is a great step forward to increase mutual trust and understanding between the United States and Vietnam in this field.”

Prior to the signing ceremony, the two discussed bilateral law enforcement cooperation and other issues. However, the Ambassador stressed, the two countries can do more, and he urged MPS to sign the Memorandum of Understanding with the Drug Enforcement Administration. The Ambassador also requested the support of MPS in efforts to control the spread of HIV in Vietnam. On a trade-related note, the Ambassador observed that MPS could play a role in overcoming obstacles to the import of American motorcycles with large engines.

In the month of May, Deputy United States Trade Representatives Susan Schwab and Karan Bhatia visited Ho Chi Minh City to participate in this Asia-Pacific Economic Cooperation (APEC) Trade Ministers meeting. After the APEC meeting, the United States and Vietnam sign the bilateral agreement in-principle on Vietnam’s accession to the WTO. As a result of this, in June, “Senators Max Baucus and Gordon Smith introduced bill S.3495 to grant Vietnam Permanent Normal Trade Rights (PNTR). In the House of Representatives, H.R.5602, a companion bill of S.3495, was introduced.” (Manyin, 2007)

The year 2006 saw a significant change in the US and Vietnam relationship. The US President Bush along with the Secretary of State Condoleezza Rice paid a four-day visit to Vietnam where he participated in the Asia-Pacific Economic Cooperation (APEC) Leaders' meeting. After the meeting, President Bush visited an ecumenical church and the Joint P.O.W./M.I.A. Accounting Command, which searched for the remains of

Americans still listed as missing in the Vietnam War. He also met with business leaders at the country's stock exchange. Throughout his visit, the President praised Vietnam's economic development and "reiterated his firm support for the earliest possible Congressional approval of Permanent Normal Trade Relations."

In the last days of the year 2006, US House of Representatives and the US Senate passed legislation to allow extension of Permanent Normal Trade Relations (PNTR) status to Vietnam. President Bush also signed proclamation extending PNTR to Vietnam. The other achievement came to Vietnam when the World Trade Organization formally invited Vietnam to become a member; as a result, Vietnam became 150th member of WTO on 11th January 2007.

In 2007, March, Deputy Prime Minister Pham Gia Khiem visited the United States and a historic US-Vietnam Bilateral Maritime Agreement was signed in Washington DC. This new agreement created a meaningful business opportunities for US shipping and logistics companies. In the words of US Maritime Administrator Sean T. Connaughton, "The agreement puts American ship operators on an equal footing in Vietnam, paves the way to forming US controlled joint ventures, and sets a course to achieve wholly foreign-owned subsidiaries in Vietnam in the short run." Amcham Vietnam, 2007)

During 18-23 June, President Nguyen Minh Triet along with Deputy Prime Minister and Foreign Minister Pham Gia Khiem, Minister of Education and Training Nguyen Thien Nhan, and Minister of Post and Telecommunications Do Trung Ta. The visit included a call on President George W. Bush to discuss cooperation in the areas of economics and trade. He was accompanied by The Bilateral Trade Agreement Review took place in Washington. Vice Minister of Post and Telecommunications Nguyen Cam Tu and Deputy USTR Karan Bhatia signed Trade and Investment Framework Agreement (TIFA) on June 21 which created a platform to further expand and deepen bilateral trade and investment ties between the two countries. Signing TIFA on behalf of the US, Ambassador Karan Bhatia said,

“The TIFA signing marks another important step forward for both countries in the steady expansion of our economic relations. I am pleased with the ambitious work program we’ve agreed to undertake under the TIFA, which will support Vietnam’s domestic economic reform agenda, create new opportunities for US and Vietnamese businesses, and allow us to consider additional steps we may want to take to further strengthen our relationship. We applaud the substantial progress Vietnam has made to implement its bilateral and WTO commitments and to reform and open its economy. While there is additional work to be done, we look forward to continuing to support Vietnam’s efforts, which have generated impressive economic gains and boosted immensely Vietnam’s regional and global competitiveness.”

In the months of September, Vietnam Prime Minister Nguyen Tan Dung paid a five-day visit to New York to attend the 62nd Session of the UN General Assembly. PM Dung delivered an important speech at the UN General Assembly and had meetings with world leaders to garner support for Vietnam’s bid for a UN Security Council non-permanent seat. He also met with many US companies and press and visited the New York Stock Exchange. His visit became fruitful when Vietnam became the non-permanent member of the UN Security Council for the 2008-2009 term.

In May 2008, Vietnam and United States held the 13th round of dialogue on human rights in Hanoi. In this dialogue, the Vietnamese delegation informed the US guests of the nation’s achievements in all fields of social life, especially in economic and socio-cultural development, legal reforms, freedom of religion and in ensuring the basic rights and freedom of citizens. The US delegation noted Vietnam’s comprehensive achievements, including progress made in democracy, human rights and religion. They said the dialogue took place in an open, constructive and serious atmosphere, helping the US side further understand the human rights situation in Vietnam. They agreed to continue coordination of action with Vietnam in an effort to boost bilateral relations in various fields.

In order to boost the relationship further, Prime Minister Nguyen Tan Dung officially visited the US from 23-26th June as a guest of President George W. Bush. During his meeting with high-ranking US officials including leaders of the Senate and the House of Representatives and ministers of the Departments of Defense and Treasury, the PM received positive signals for acceleration of bilateral ties in all areas, particularly in economics, trade, investment and education. The results of the PM's visit marked a new step forward in bilateral relations.

On October 6, Vietnam and the US conducted their first ever strategic dialogue addressing political, security, defense and humanitarian cooperation issues, in Hanoi. The dialogue aimed at fostering mutual understanding on related issues and contributing to cultivating bilateral ties between Vietnam and the US in the interests of their respective citizens and for peace, cooperation and development in the Asia-Pacific region. The two sides discussed a number of issues related to bilateral ties as well as regional and international issues of mutual concern at the event as part of an agreement signed by high-ranking officials of the two countries during Prime Minister Nguyen Tan Dung's visit to the US in June 2008.

On October 13, a delegation from the US Institute for Global Engagement (IGE) visited Hanoi and was welcomed by Deputy Prime Minister and Foreign Minister Pham Gia Khiem. During this visit, the IGE signed "a detailed agreement regarding Article Six of a Memorandum of Understanding between the Vietnam - US Association and the IGE on organizing the necessary training on publicizing legal documents relating to religion and belief." (Manyin, 2009)

In January 2009, more than 400 educators and officials attended Higher Education in Vietnam: American-Vietnamese Partnerships, an Education Conference organized by the US Mission in Vietnam, Vietnam National University and the Ministry of Education and Training. The event was held in Ho Chi Minh City and drew more than 200+ Americans representing 120 universities, colleges and companies, and about 200 Vietnamese representing 104 educational institutions and government offices. Participants engaged in

intense discussions about their experiences establishing and operating joint educational programs in Vietnam, including 2+2 programs and the Ministry's Advanced Programs. Speakers noted best practices, what worked and what did not work obstacles they encountered and the solutions they found.

From April 15-22, the secretariat of the Vietnam-US Trade and Investment Framework Agreement (TIFA) Council convened in Washington to discuss bilateral cooperation in agriculture, trade, intellectual property protection and labor. Both the countries discussed measures to speed up the implementation of the Vietnam-US joint statement signed in June 2008 during Vietnamese Prime Minister Nguyen Tan Dung's visit to US. Both parties also discussed measures to facilitate trade activities, such as information exchanges, cooperation on customs procedures and the granting of licenses. They also talked about a recent law suit by several US companies regarding Vietnamese exports. The two sides also discussed measures to promote Vietnamese fruit exports such as litchi, rambutan and longan berries as well as remove barriers that restrict the shipment of shrimps, catfish, ornamental fish and wooden furniture from the Southeast Asian market to the US. Also high on the meeting's agenda were intellectual property protection and bilateral cooperation during negotiations for a Trans-Pacific Strategic Economic Partnership Agreement. The US delegation brought up an initiative to set up two taskforces, one on trade and the environment and the other on bio-technologies. The two parties also discussed ways of implementing an early-warning mechanism in an effort to avoid trade disputes.

US interagency delegation led by Deputy Secretary of State James Steinberg visited Hanoi from September 26-27 to discuss bilateral ties and a range of regional and global security issues including activities in the South China Sea and the nuclear programs of North Korea and Iran.

On September 30, Ambassador Michalak and Ministry of Education and Training Vice Minister Luan signed the long-awaited US-Vietnam Education Task Force Final Report containing recommendations on ways that the "US and Vietnamese governments can

cooperate to support public-private sector partnerships to improve the Vietnamese educational system and increase the number of Vietnamese studying at American schools. The Report also laid out a roadmap for the development of an American-style university in Vietnam.” (Embassy of the US in Hanoi, 2010)

Military ties were also strengthened between the US and Vietnam when Naval ships USS Blue Ridge and USS Lassen docked at Da Nang port on November 7 for a good will visit.

On December 16, The United States Government and Vietnam’s Ministry of Natural Resources and the Environment (MONRE) signed a memorandum of understanding laying the framework for implementing environmental health and remediation programs. “The MOU established the framework for the cooperation between the Government of Vietnam and the United States to implement health and environment remediation activities relating to Agent Orange/Dioxin.” (Manyin, 2010)

In 2010, the two countries took a variety of steps indicating that they may be poised to enter a new level of cooperation, particularly on strategic issues. The 2010 US Quadrennial Defense Review stated that “Vietnam is a country with which the United States seeks to build a new comprehensive partnership”. (Quadrennial Defense Review, 2010) The intensity of high level US-Vietnam diplomatic interaction peaked in 2010. During that year, bilateral visits were made by high officials of both the countries. “The trips were partly due to Vietnam’s one year stint as chair of the Association of Southeast Asian Nations (ASEAN), during which time the used them as occasions to signal its determination to increase its presence in Southeast Asia generally, and upgrade its strategic relationship with Vietnam in particular. Of particular note, during the July ASEAN Regional Forum (ARF) meeting, Vietnamese and the US officials orchestrated a multilateral diplomatic push-back against perceived Chinese assertiveness in the South China Sea.” (Manyin, 2012)

In October, Vietnam then convened and secured US attendance in the first ever ASEAN Defense Ministers’ Meeting + 8, in which “Secretary Gates participated and reiterated US

concerns about China's actions in the South China Sea. Later that same month, Secretary Clinton traveled back to Hanoi to join in the East Asia Summit (EAS), the first time the United States officially participated in the five-year old gathering." (Manyin, 2012)

Both the countries also signed an agreement to begin a cooperative effort to deter, detect and interdict illicit smuggling of nuclear and other radioactive material. The agreement paved the way for the US Department of Energy's National Nuclear Security Administration (NNSA) to work with the Ministry of Finance's General Department of Customs and other ministries in Vietnam to install radiation detection equipment at ports in Vietnam.

During one of her visits, Secretary Clinton summed up the new emphasis on Vietnam when she stated that "the Obama Administration is prepared to take the U.S.-Vietnam relationship to the next level.... We see this relationship not only as important on its own merits, but as part of a strategy aimed at enhancing American engagement in the Asia Pacific and in particular Southeast Asia."(US Department of State in Hanoi, 2010.)

MILITARY TIES

In the late 2000s, the United States and Vietnam began significantly upgrading their military-to-military relationship, driven in large measure by Vietnam's increased concerns about China. In 2000, the US and Vietnam initiated defense ministers' visits, on a reciprocal basis, every three years. In August 2010, the United States and Vietnam held their inaugural Defense Policy Dialogue, a high-level channel for direct military-to-military discussions. "Previously, the main formal vehicle for the two militaries to hold regular annual dialogues had been through the US- Vietnam Security Dialogue on Political, Security, and Defense Issues, a forum that is run by the US State Department and Vietnamese Ministry of Foreign Affairs and includes officials from the two countries' militaries." (Manyin, 2012) In 2006, International Traffic in Arms Regulation (ITAR) restrictions were modified to enable some non-lethal arms sales.

Military relations improved noticeably in 2009, in response to Chinese assertiveness in the South China Sea. Vietnamese military officials visited an aircraft carrier operating in the South China Sea.

According to Carl Thayer, an expert on Vietnamese military matters, “the two militaries appear to be working out a program of practical activities that will enhance the professionalism of the Vietnamese military, including peacekeeping activities, environmental security, multilateral search and rescue coordination and regional disaster response.” (Thayer, 2010)

NUCLEAR DIPLOMACY

According to Economist Intelligence Unit , “Vietnam’s energy demands had grown 15% annually in the first decade of the century and energy consumption is expected to more than triple from 2015-2030.” (Vietnam: Energy Report, 2009) In order to meet its energy demand, Vietnam in 2008, planned to build 10 nuclear power plants in the period 2020-2030, with the expected construction of first one to begin in 2015. The US Department of Energy (DoE) and the Nuclear Regulatory Commission assisted with the drafting of Vietnam’s Atomic Energy Law, passed in June 2008.

In a related development, in March 2010, the United States and Vietnam signed a Memorandum of Understanding Concerning Cooperation in the Civil Nuclear Field, designed to increase cooperation in a number of areas. Then-US Ambassador to Vietnam Michael Michalak said “the agreement will be a “stepping stone” to a bilateral nuclear energy cooperation agreement, which, under section 123 of the Atomic Energy Act, would be subject to congressional review.”(Manyin, 2012). In December 2010, the United States and Vietnam established a legal framework for US-Vietnam cooperation for full conversion of the research reactor.

Thus, in this way the relationship between the two nations continued to improve. But the relationship had some bitter and thorny issues which continued to impact their effort to improve the relations. Some of the important issues are discussed as under:

AGENT ORANGE

One major legacy of the Vietnam War that remained unresolved had been the damage that Agent Orange, and its accompanying dioxin, had done to the people and the environment of Vietnam. For the last 30 years, this issue had generally been pushed to the background of bilateral discussions by other issues considered more important by the United States and Vietnam. With most of those issues presently resolved, the issue of Agent Orange/dioxin had been a regular topic in bilateral discussions.

Agent Orange was a powerful mixture of chemical defoliants used by US military forces during the Vietnam War to eliminate forest cover for North Vietnamese and Viet Cong troops, as well as crops that might be used to feed them. The US program of defoliation, codenamed Operation Ranch Hand, sprayed more than 19 million gallons of herbicides over 4.5 million acres of land in Vietnam from 1961 to 1972. Agent Orange, which contained the chemical dioxin, was the most commonly used of the herbicide mixtures, and the most effective. It was later revealed to cause serious health issues--including tumors, birth defects, rashes, psychological symptoms and cancer--among returning US servicemen and their families as well as among the Vietnamese population.

After a decade of bureaucratic fumbling, Agent Orange became a high profile issue during President Bush's visit to Hanoi in 2006 "with the formal establishment of a joint committee to oversee a cooperative effort, and it was further discussed during Prime Minister Nguyen Tan Dung's visit to Washington in June 2008. Among the dozens of NGOs involved in Agent Orange activities, the Ford Foundation and the Aspen Institute played the lead roles. There had been two aspects to the issue: first, cleaning up the "hot" storage sites that actively poison their immediate environment; and second, addressing

the health problems of the hereditary dioxin-affected population, which included a generation of Vietnamese born after the war.” (Brown, 2010) For dioxin removal and health care facilities in DaNang, in 2007, Congress appropriated \$63.4 million.

In June 2010, the US-Vietnam Dialogue Group on Agent Orange/Dioxin, a bi-national committee of individuals and organizations involved in this issue, released a proposed 10-year, \$300 million ‘action plan’ designed to provide a ‘significant part of the long term solution to the Agent Orange/Dioxin legacy in Vietnam.’ (US-Vietnam Dialogue Group on Agent Orange/ Dioxin, “Declaration and Plan of Action: Addressing the Legacy of Agent Orange in Vietnam,” Aspen Institute, June 2010) While the Dialogue Group did not make specific recommendations on how to fund the plan but it did state, “The US Government should play a key role in meeting these costs, along with other public and private donors, supplementing an appropriate continuing investment from the government and the people of Vietnam.” (Manyin, 2012)

HUMAN RIGHTS AND RELIGIOUS FREEDOM

Human Rights had been the biggest thorn in the US-Vietnam relationship. US and Vietnam always had opposite views regarding human rights, religious freedom and philosophies of governance. US being a democratized nation had been supporting the issue of human rights. But Vietnam being an authoritarian state ruled by Vietnamese Communist Party (VCP) had been following a strategy of limited personal and religious freedom, leading to human rights abuse. Article 69 of Vietnam’s 1992 Constitution states that “the citizen shall enjoy freedom of opinion and speech, freedom of the press, the right to be informed, and the right to assembly, form associations, and hold demonstrations in accordance with the provisions of the law.” However, “in practice, the application of law in exercise of these “freedoms” had been extreme and abusive. Thus, it could be said that Article 69 was framed in the Constitution to protect the power of the VCP rather than provide impartial justice.” (Brown, 2010)

The government also periodically targeted various ethnic minority groups, most prominently the Montagnards in the country's Central Highlands, where clashes between protestors and government security forces flared. The government also cracked down harshly on anti-government activity, as shown by the wave of arrests of political dissidents in the winter and spring of 2007.

After the United States and Vietnam reestablished relations in the mid-1990s, the Clinton and early Bush Administrations generally appeared to assign human rights, including religious freedom, a lower priority than improving economic ties and securing a full accounting for US personnel listed as prisoners of war/missing in action (POW/MIAs). In 2003, the Bush Administration began to take a more assertive position, after determining that the previous approach had “yet to translate the increased recognition of problems into tangible steps to improve the human rights situation.” (State Department, Supporting Human Rights and Democracy, 2003-04 Report) The Administration designated Vietnam as a “country of particular concern” (CPC) in the State Department's International Religious Freedom Report.

Since the 107th Congress, when Members of Congress became concerned with Vietnamese government crackdowns against protestors in the Central Highlands region, various legislative attempts had been made to link US assistance to the human rights situation in Vietnam. “A number of measures entitled “The Vietnam Human Rights Act” had been introduced, with most proposing to cap existing non-humanitarian US assistance programs to the Vietnamese government at existing levels if the President does not certify that Vietnam is making “substantial progress” in human rights.” (Manyin, 2011)

Proponents of the Vietnam Human Rights Act argue that additional pressure should be placed on the Vietnamese government to improve its human rights record. Additionally, “in the 112th Congress, H.R. 156 (Royce), the Vietnam Human Rights Sanctions Act was

introduced, which imposed financial and immigration/entry sanctions on listed Vietnamese who are deemed to be complicit in human rights abuses.” (Ibid)

However, the conservatives in Vietnam view these improvements over the human rights issue with suspicion. “They not only characterize human rights, religious freedom and democracy as tools to determine Vietnam’s socialist regime but also argue that educational exchanges are part of the “plot of peaceful evolution.” (Thayer, 2010)

PRISONERS OF WAR/MISSING IN ACTIONS (POW/MIAs) ISSUE

In the mid-1990s, the United States and Vietnam devoted increasing 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. Both the countries allowed each other access to their respective POW/MIAs related archives and records. The increased efforts led to a substantial understanding about the fate of several hundred of the over 2,000 Americans still unaccounted for in Indochina. During Secretary of Defense Rumsfeld’s June 2006 trip to Vietnam, “the two countries discussed expanding their cooperation in recovering remains, including the possibility of using more advanced technology to locate, recover, and identify remains located under water. Despite these steps, the POW/MIAs remained a thorny issue in the bilateral relationship between the US and Vietnam.” (Manyin, 2007)

CHAPTER 3

US-VIETNAM ECONOMIC RELATIONS: ISSUES AND DIMENSIONS

Bilateral trade and investment had been “bread and butter” of the new US-Vietnam relationship. According to Frederick Brown, “it was American business interests in the 1980s that was the catalyst for US-Vietnamese relations.” (Brown, 2010) “The normalization process itself was successful primarily because of the support from the business such as Boeing, United Airlines, United Technologies, Caterpillar, Chevron, Exxon Fluor, and Phillips Petroleum.” (Goodman, 1993) Bilateral trade and investments provided stimulus to propel normalization ahead.

After the reunification of North and South Vietnam in 1975, an economic crisis caused Vietnam’s inflation rate to rise significantly leaving a serious need for outside assistance. However, “this inflation was mainly due to US imposed trade and aid embargo and the problems that the Vietnamese government had with the US” (Nguyen, 2002). It was only since the implementation of “doi moi” that the Vietnamese perceived a great change in their socio-economic status.

“Doi moi”, meaning renovation, was set in place by the Central Committee of the Vietnamese Communist Party (VCP) in December of 1986” (Dodd, 1998). Doi Moi instituted a series of economic reforms. As a result of Doi Moi, privately owned enterprises were permitted in commodity production (and later encouraged) by the Communist Party of Vietnam. Furthermore, the push to collectivize the industrial and agricultural sectors of Vietnam (previously the focus of intense efforts by the Communist authorities), was abandoned. As a result of economic reform and opening, Vietnam’s foreign policy became more pragmatic, flexible and less ideological. However, the

Ronald Reagan administration did not produce fertile negotiations with Vietnam in trade related matters.

Viewing the reforms undertaken by Vietnam through Doi Moi in 1990, it was the Bush administration which prepared a detailed “Roadmap for the normalization of relations with Vietnam.” As a result of this, “travel restrictions were eased, non-governmental organizations were allowed in Vietnam, US commercial sales were permitted and communication improved in the early 1990s.” (Largo, 2002) But the Reagan and Bush administrations made only policy initiatives and development toward Vietnam.

It was the Clinton administration, which brought a quicker pace of amendments in the 1990s with the help of Congress. “In 1975, a United States trade embargo, that for 11 years prior had only affected North Vietnam, was extended to the entire country. In 1994, President Clinton ordered an end to the nearly 21 year-old US trade embargoes on Vietnam.” (Largo, 2002).

The US-Vietnam bilateral economic relationship, thus, occurred in two steps. “The first step was from political normalization in July 1995 to the signing of the BTA at the end of 2001 which granted normal trade relations (NTR) status to Vietnam. The second step was from the BTA to Vietnam receiving permanent normal trade relations (PNTR) status with the US, and Vietnam’s acceptance into the World Trade Organization (WTO) in January 2007.” (Brown, 2010) Through it all, the government of Vietnam had to overcome many obstacles from drafting laws and regulations regarding its economic system such as the state-owned enterprises (SOE), to dealing with human rights and religious freedom. The determination and efforts on both the Vietnamese and the US sides were rewarded on January 11, 2007, when Vietnam was welcomed into the WTO as its 150th member.

On September 13, 2000, nearly a quarter of a century after the end of the Vietnam War, the two sides signed a landmark trade agreement. “In November of 2001, the agreement, known as the Bilateral Trade Agreement (BTA), was ratified by the Vietnam National Assembly. In December of the same year, the agreement was signed into full force”

(Vietnam Trade Office, 2008). The BTA was a major step toward normalizing US-Vietnam “commercial relations, as it restored reciprocal most-favored-nation treatment (MFN, also known as normal trade relations (NTR) status) between the two countries, and committed Vietnam to undertake a wide range of market-oriented economic reforms” (Manyin, 2001). For the United States, the BTA provided many benefits. In return for giving the US Most-Favored-Nation status, Hanoi agreed to take on an extensive range of “market-liberalization measures”. These actions included broadening MFN treatment to US exports, dropping tariff on goods, “easing barriers to US services (such as banking and telecommunications), committing to protect certain intellectual property rights and providing additional inducements and protections for inward foreign direct investment” (Manyin, 2001). While announcing the BTA at a White House Rose Garden ceremony, President Clinton said:

“This agreement will dramatically open Vietnam's economy, further integrate it into the international community, and increase trade between two nations. And so from the bitter past, we plant the seeds of a better future.” (Weekly Compilation of Presidential Documents, 2000)

The US Agency for International Development (USAID)-funded STAR (2001–2006) - the first major USAID technical assistance project in economic growth implemented in Vietnam since 1975 - supported the Government of Vietnam in implementing the US-Vietnam Bilateral Trade Agreement (BTA). It began reforms needed for accession to the World Trade Organization (WTO). Since the Bilateral Trade Agreement, the US witnessed a surge in US-Vietnam economic relations as there was an increase in the volume of trade and investment.

Trade had been the most impressive area where the US and Vietnam restored and developed their relationship. At the beginning of post-normalization era (1995), the US-Vietnam trade was very low, at \$450 million, but in 2010 this figure increased to \$18 billion. Vietnam became the US' 45th largest goods export market in 2010. US goods exports to Vietnam in 2010 became \$4.3 billion. The top export categories included

machinery (\$520 million), electrical machinery (\$372 million), cotton/yarn/fabric (\$364 million), meat (beef and poultry) (\$298 million), and vehicles (\$271 million). US exports of agricultural products to Vietnam totaled \$1.6 billion in 2010. The leading category included cotton (\$362 million), red meats fresh/chilled/frozen (\$197 million), dairy products (\$187 million) and feed and fodders (\$186 million).

TABLE 2.1**US TRADE IN GOODS WITH VIETNAM (All figures in billions of US dollar)**

YEAR	EXPORT	IMPORT	BALANCE
1995	252.3	199	53.3
1996	616.6	331.8	284.8
1997	286.7	388.4	-101.7
1998	273.9	554.1	-280.1
1999	291.5	608.4	-316.9
2000	367.5	821.3	-453.8
2001	460.4	1,053.20	-592.8
2002	580	2,394.8	-1,814.8
2003	1,323.8	4,554.8	-231.1
2004	1,105.5	5,275.3	-4169.8
2005	1,193.2	6,631.2	-5438.0
2006	1,100.3	8,566.7	-7466.4
2007	1,903.1	10,632.8	-8729.8
2008	2,789.4	12,901.1	-10,111.6
2009	3,097.2	12,287.8	-9,190.6
2010	3,705.5	14,867.9	-11,162.3

Source - Department of Commerce, United States Census Bureau

Vietnam became the US' 26th largest suppliers of goods in 2010. The US goods imports from Vietnam totaled \$17.5 billion. The top imports categories included knit apparel (\$3.8 billion), woven apparel (\$2.8 billion), footwear (\$2 billion), furniture and bedding (\$1.8 billion) and electrical machinery (\$998 million). The US imports of agricultural products from Vietnam totaled \$1.3 billion. The leading categories included coffee (\$487 million) and tree nuts (\$410 million).

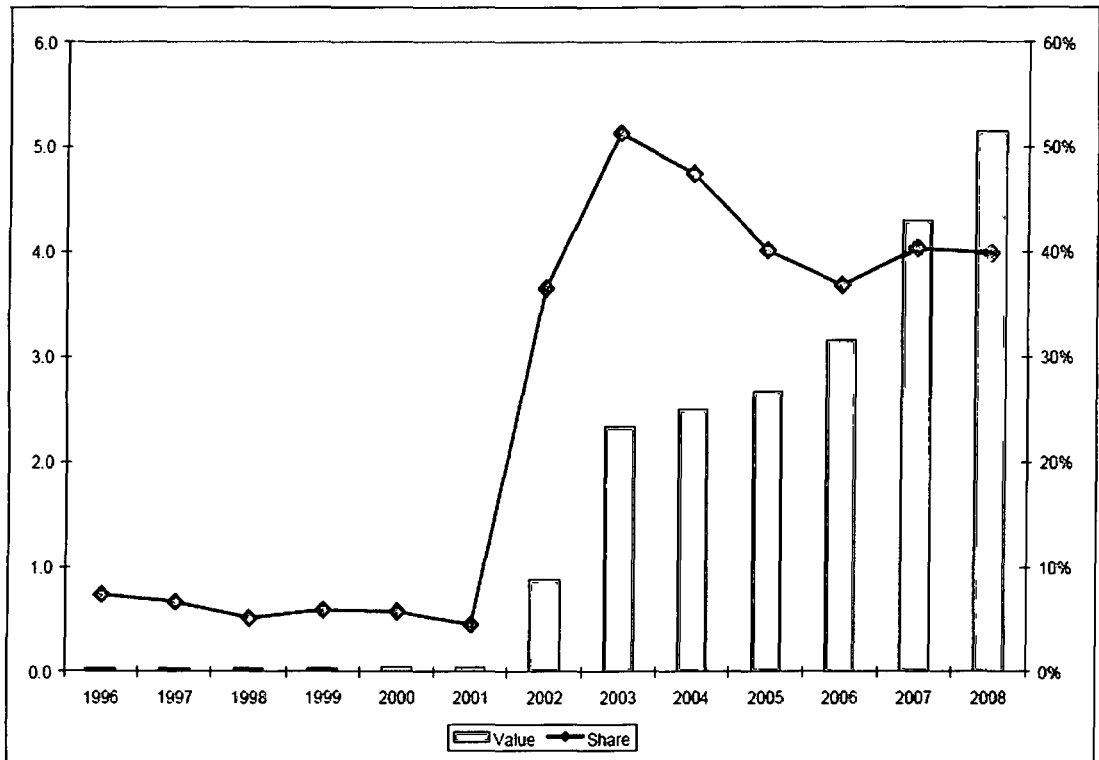
Vietnam's clothing exports to the United States were among the greatest beneficiaries of the US decision to grant Vietnam conditional NTR status in December 2001. Up till 2002, "US imports of clothing from Vietnam were small both in value (below \$50 million) and as a share of total imports from Vietnam (below 10%). Following the US extension of conditional NTR to Vietnam, clothing imports from Vietnam shot up in value and share. As a share of total imports, clothing peaked in 2003 at 51.4%. The value of the US clothing imports from Vietnam continued to rise every year since 1996, with the largest year-on-year increases occurring in 2003 and 2007, the first full years after the US granted Vietnam conditional and permanent NTR status, respectively. The two spikes which gave rise to the efforts to control clothing trade with Vietnam were- first in the form of a separate Bilateral Textile Agreement and second in the form of a unilateral monitoring program that expired in January 2009." (Martin, 2009)

Vietnam had been encouraging investment as a part of its developmental strategy. The Government of Vietnam had been committed to improving the country's business and investment strategy. The Investment Law of Vietnam provided legal framework for foreign investment in Vietnam. As a result of which, the US investment in Vietnam increased tremendously. In 2010, US Foreign Direct Investment in Vietnam was \$747 million, and, Vietnam's Foreign Direct Investment in the US was \$20 million.

FIGURE 2.1

US CLOTHING IMPORTS FROM VIETNAM

Value (\$ billions) and Share of Total U.S. Imports from Vietnam



Source: U.S. International Trade Commission.

Notes: Imports valued using General Customs method.

The relationship between the two countries continued to improve. It was in 2003 that a landmark treaty between the US and Vietnam was signed. The Vietnam-US Garment and Textile Agreement was signed in Hanoi by Vietnamese Minister of Trade Truong Dinh Tuyen and the US Ambassador Raymond Burghardt that “placed quantity quotas on 38 categories of clothing imports from Vietnam from May 1, 2003, until December 31, 2006. The quotas automatically rolled over in subsequent years—with the inclusion of annual quantity increases of 2% for wool products and 7% for all other products. The agreement also lowered Vietnam’s tariffs on US clothing and textiles exports to 7% for yarn, 12% for fabric, and 20% for clothing.” (Manyin, 2009)

By now, Hanoi and Washington had become satisfied that their improved bilateral trade relations were in the national interest of both the countries. The next step was to negotiate the terms of Permanent Normal Trade Relations (PNTR) status for Vietnam as a prelude to entering the WTO.

In June 2005, Phan Van Khai met George W Bush. He was accompanied by more than 100 public and private sector representatives; visited three other cities and signed a number of business agreements. When Khai was in Washington, a joint statement was issued expressing their “intention to bring bilateral relations to a higher plane.” President Bush expressed “strong support” for Vietnam’s accession to the WTO and pledged to attend the November 2006 Asia Pacific Economic Cooperation (APEC) summit in Hanoi.

Following his commitment, the US President George W. Bush paid a four-day visit to Vietnam, where he participated in the Asia-Pacific Economic Cooperation (APEC) Leaders’ meeting. The President and Secretary of State Condoleezza Rice visited Hanoi and Ho Chi Minh City. During his visit, the President praised Vietnam’s economic development and “reiterated his firm support for the earliest possible Congressional approval of Permanent Normal Trade Relations.”

The final step toward full economic normalization between the US and Vietnam was accomplished in December 2006, when “Congress passed and President Bush signed H.R. 6111 (P.L. 109-432), extending Permanent Normal Trade Relations (PNTR) status to Vietnam. The decision to extend PNTR status to Vietnam was debated in the context of Vietnam’s bid to enter the World Trade Organization (WTO), which occurred in January 2007. Under WTO rules, it was necessary for the US to extend PNTR in order for it to enjoy the benefits of trade concessions that Vietnam granted to all WTO members. The US was a major player in Vietnam’s accession process. Hanoi’s bilateral WTO accession agreement with Washington was the last and according to most observers, the most difficult of the 28 bilateral agreements Vietnam completed. Vietnam’s entry into the WTO did not establish any new obligation on the part of the US

but only on the part of Vietnam. However, Vietnam's accession to the WTO required the US and Vietnam to adhere to WTO rules in their bilateral trade relations, including not imposing unilateral measures, such as quotas on textile imports, that had not been sanctioned by the WTO." (Manyin, 2008)

Thus, Vietnam's accession required the US to terminate the quota program it negotiated with Vietnam in 2003, under which quotas were placed on 38 categories of Vietnam's clothing exports.

TRADE AND INVESTMENT FRAMEWORK AGREEMENT

In order to take the trade relationship ahead, the TIFA negotiations between the United States and Vietnam were launched in March 2007, during the visit to Washington of Vietnam's Deputy Prime Minister and Foreign Minister Pham Gia Khiem. The TIFA was negotiated under the Enterprise for ASEAN Initiative (EAI). President Bush launched the EAI to further strengthen ties with countries in the commercially and strategically significant Southeast Asian region.

After one year of negotiation, the United States and Vietnam finally signed Trade and Investment Framework Agreement (TIFA) in 2008 in order to further enlarge and deepen bilateral trade and investment ties between the two countries. "The TIFA signing marks another important step forward for both countries in the steady expansion of our economic relations," said Ambassador Karan Bhatia, who signed the TIFA on behalf of the United States. "I am pleased with the ambitious work program we've agreed to undertake under the TIFA, which will support Vietnam's domestic economic reform agenda, create new opportunities for U.S. and Vietnamese businesses, and allow us to consider additional steps we may want to take to further strengthen our relationship." (Office of the USTR, 2008)

Under the TIFA, the United States and Vietnam decided to discuss the implementation of 2001 US-Vietnam Bilateral Trade Agreement (BTA) and Vietnam's WTO commitments. The two sides also decided to explore new initiatives to increase trade in industrial and agricultural products and services and to encourage further investment between the two countries.

GENERALIZED SYSTEM OF PREFERENCES

In May 2008, Vietnam formally requested to the US to be considered for the US Generalized System of Preferences (GSP) program as a "beneficiary developing country" (BDC). On June 20, 2008, the office of the US Trade Representative (USTR) announced that "it was initiating a formal review of Vietnam's eligibility for GSP benefits and would accept public comments on the application until August 4, 2008." (Office of the USTR, 2008) Since then, there had not been any formal announcement from the USTR regarding this issue. But the question arises, why Vietnam was pressing so hard for GSP?

The US Generalized System of Preferences had been a program designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 5000 products when imported from one of 127 designated beneficiary countries and territories. According to a 2005 US Chamber of Commerce study, "over 80,000 American jobs are associated with moving GSP imports from the docks to farmers, manufacturers, and retail shelves." GSP was instituted on January 1, 1976, by the Trade Act of 1974.

Products that were eligible for duty-free treatment under GSP- most manufactured items; many types of chemicals, minerals and building stone; jewelry; many types of carpets; and certain agricultural and fishery products. Among the products that were not eligible for GSP duty-free treatment- most textiles and apparel; watches; and most footwear, handbags, and luggage products.

Vietnam Government considered the US GSP Program as of high priority. Vietnam had been the member of other GSP programs such as Canada, the European Union (EU), and Japan. When Vietnam's Prime Minister Nguyen Tan Dung officially visited the White House in 2004, he raised the issue of Vietnam's GSP acceptance with the US President George W. Bush. "The status of Vietnam's GSP application was also raised during the meeting of the US-Vietnam Trade and Investment Framework Agreement (TIFA) Council in Washington, DC, from April 15-22, 2009." (Vietnam Business Forum, 2009) "According to sources in Vietnam's Ministry of Foreign Affairs (MOFA), the Vietnamese government sees its acceptance into the GSP program as another step in the normalization of bilateral relations." (Manyin, 2009)

For the United States, Vietnam's GSP application had several problems as Vietnam was not able to meet the eligibility criteria of the program. In particular, there was a question whether "Vietnam is a "Communist" country according to the definition specified in US law. Under the provisions of the Trade Act of 1974, a Communist country is ineligible for the GSP program unless it meets certain additional conditions." (Manyin, 2009)

Another area where there had been non-compliance was whether Vietnam had "taken steps to provide its workers with internationally recognized worker rights." Moreover, Vietnam's IPR protections were not adequate to satisfy GSP eligibility. "In its present form, the GSP program excludes "Communist" countries unless the President determines three conditions have been met. First, the United States must have conferred NTR status to the country. Second, the country is a member of both the International Monetary Fund (IMF) and the World Trade Organization (WTO). Third, the country is not dominated or controlled by international communism." (Manyin, 2009)

"US law does not provide any definition of a "Communist" country. Some observers point to

Vietnam's official name—the Socialist Republic of Vietnam—and the government's control by the Communist Party of Vietnam (Đảng Cộng Sản Việt Nam) as prima facie evidence that Vietnam is a "Communist" country. Other observers counter that after over

two decades of *doi moi*, Vietnam no longer is a “Communist” country in terms of its economic system. In addition, even if Vietnam was a “Communist” country, according to these observers, it is “not dominated or controlled by international communism” because no such entity exists following the collapse of the Soviet Union.” (Manyin, 2009).

On December 31, 2010, the GSP program expired. The 111th Congress did not pass legislation expanding the GSP program beyond the extension it passed on December 22, 2009, as part of P.L. 111-124. So, till then there was no such decision on Vietnam’s pending application.

BILATERAL INVESTMENT TREATY

During 2008 meeting, President Bush and Vietnamese Prime Minister Dung announced to launch negotiations of a Bilateral Investment Treaty in order to strengthen investor protections and encourage the continuation of market-oriented economic reforms in Vietnam.

Bilateral investment treaties (BITs) had been providing important legal protections for nationals and companies of one country when investing in another country. The United States negotiated BITs on the basis of a model text characterized by high standards of investment protection and market access commitments. The US model text, last updated in 2004, was substantively similar to the investment chapters of the free trade agreements.

The first round of BIT negotiations was held in Washington, DC, from December 15-18, 2008. The Vietnamese delegation included representatives from the Ministry of Planning and Investment, the Ministry of Industry and Trade, the Ministry of Finance, the Ministry of Justice and the State Bank of Vietnam. The US delegation included representatives of the US Trade Representative’s Office, the Department of State, the Department of Commerce, and the Treasury Department. Since then, two more rounds of talks were

held- in June 2009 in Hanoi and in November 2009 in Washington, DC. A proposed fourth round of talks that was to be held in early 2010 did not happen. As the host for the next bilateral BIT talks, Vietnam was supposed to suggest when and where to hold the meetings. According to USTR, Vietnam did not suggest date for the talks.

“The Vietnamese government appears interested in concluding a BIT with the United States, both because it could foster greater inward FDI from the United States and because it could serve as a stepping-stone to a possible free trade agreement (FTA) with the United States. The US government’s interest in BIT negotiations appears primarily focused on providing better protection and access to US investors in Vietnam, while avoiding compromising domestic economic priorities and needlessly relinquishing national sovereignty. Representatives of the business communities in both the United States and Vietnam have expressed interest in the successful conclusion of the BIT negotiations.” (Manyin, 2011)

TRANS-PACIFIC ECONOMIC STRATEGIC PARTNERSHIP

The Bush Administration notified Congress of its intention to enter into negotiations with the members of the Trans-Pacific Strategic Economic Partnership Agreement (TPP) on September 22, 2008. The TPP—previously known as the P4—had been a multilateral free trade agreement between Brunei, Chile, New Zealand, and Singapore that came into force in 2006. The Agreement aimed at enhancing trade and investment among TPP partner countries; promoting innovation, economic growth and development; and supporting the creation and retention of jobs. The US announcement of interest in joining the TPP was quickly followed by similar expressions of interest by Vietnam.

In the President’s 2009 Annual Report on the US trade agreements program, the Obama Administration stated that “US participation in the TPP would strengthen US trade and investment ties in the Asia-Pacific, help US businesses compete in the region and ‘could serve as a vehicle for achieving the long-term APEC objective of a Free Trade Area of the

Asia-Pacific.” (Office of the USTR, 2009) Vietnam’s Deputy Prime Minister and Foreign Minister Pham Ga iKhiem listed negotiations to join the TPP along with the US BIT talks.

But according to Manyin, “Vietnam’s interest in the TPP could complicate U.S. intentions for two major reasons. First, whereas the other parties involved in the negotiations are generally viewed as having comparatively open trade policies, Vietnam has made less progress in trade and investment liberalization. Given that the apparent US goal is to create a more open and comprehensive free trade area in the Asia-Pacific, Vietnam’s participation in the talks could constrain US efforts to expand the scope and depth of the TPP. Second, if Vietnam were to successfully negotiate TPP membership before the United States does, under the current rules of the TPP, Vietnam would have the ability to block US membership. Another complicating factor is Vietnam’s membership in the Association of Southeast Asian Nations (ASEAN) and ASEAN’s discussions with other nations to form a Pan-Asian trade association that could exclude the United States.” (Manyin, 2009)

Till December, 2010, four rounds of negotiations for TPP was held. But Vietnam had not been granted TPP by the US till 2010.

ECONOMIC ASSISTANCE TO VIETNAM

As the normalization process proceeded, most of the Cold War-era restrictions on aid to Vietnam were eliminated. The US assistance increased markedly from the provision of about \$1 million when assistance was resumed in 1991. Since the late 2000s, estimated US aid surpassed \$100 million, about five times the level in FY2000, making Vietnam one of the largest recipients of US aid in East Asia. Estimated US assistance to Vietnam in FY2010 was around \$140 million.

The US aid program had been dominated by health-related assistance. Ever since Vietnam was designated as a “focus country” by the US spending on HIV/AIDS prevention and treatment rose. Vietnam also became eligible to receive increased funding in order to combat HIV/AIDS under the President’s Emergency Plan for AIDS Relief (PEPFAR).

The USAID Support for Trade Acceleration Project (STAR), was granted to Vietnam in response to the Vietnamese government’s request for technical assistance in meeting the terms of the 2001 BTA and WTO membership. “The BTA and WTO membership forced Vietnam to examine its antiquated legal system and undertake reforms in order to deal with life in the international commercial and business community. STAR provided technical expertise to the Ministry of Justice, the National Assembly, and the Supreme People’s Court and the Vietnam Chamber of Commerce and Industry. It helped government agencies establish a regulatory framework for a market economy and to draft 100 comprehensive reform of laws (of which 75 have been enacted as of 2008) and policies related to trade and investment.” (Brown,2010)

According to Sidel, “STAR also helped the government to harmonize its laws and their implementation with international practice. This included training officials in workshops with other Southeast Asia countries, English translations, revision of court procedures, and a gazette to inform the public of judicial verdicts and proceedings and legislative planning at the National Assembly.” (Sidel, 2008) In October 2010, STAR was extended for a third multi-year term.

Other US assistance items included programs assisting Vietnam’s economic reform efforts and governance, programs to combat trafficking in persons, and de-mining programs. Cumulatively, the 110th and 111th Congress appropriated \$9 million for cleaning up dioxin storage sites as of April 2010.

CONTENTIOUS ISSUES IN ECONOMIC RELATIONSHIP

Bilateral trade and investment became, literally, the bread and butter of the new Vietnam-US relationship. “The United States ranked either number one or two in dollar value among Vietnam’s trading partners, two-way trade rose from \$220 million in 1994 to \$15.7 billion in 2008; the balance ran heavily in Vietnam’s favor (\$12 billion versus \$3.7 billion). Top US exports to Vietnam in 2009 were electrical machinery, non-railway vehicles, aircraft, meat, wood, iron and steel, plastic and animal feed. Top US imports from Vietnam in 2008 were clothing, fish, furniture, footwear, electrical machinery, spices, coffee, tea and nuts. Vietnam’s electrical machinery exports to the United States grew more than 1,000-fold over the last ten years, reaching nearly \$500 million in 2009.” (Brown, 2010)

As part of BTA implementation, Vietnam agreed to allow greater liberalization of its services sectors, including financial services, telecommunications and express delivery. Vietnam committed to allow 100 per cent foreign ownership of securities firms.

But there still remained certain issues which continued to affect the US-Vietnam trade relations. One such issue was Vietnam’s desire for the US Generalized System of Preferences (GSP) program. But the US considered Vietnam as a “communist country” and a “non-market economy”. Under the US Trade Act of 1974, “Vietnam is thus ineligible for GSP unless certain additional conditions were met: one is that Vietnam takes meaningful steps to provide workers with internationally recognized workers’ rights. In addition to allegations of substandard working conditions including “sweatshop” working conditions and the use of child labor, the prime issue is Vietnam’s restrictions on the right of association and collective bargaining. The Vietnamese government claims it is trying to comply with internationally recognized labor standards, focusing on its partnership with the International Labor Organization (ILO) and ratification of several ILO conventions to demonstrate a commitment to international labor rights standards.” (Brown, 2010)

Intellectual Property Rights (IPR): The US kept Vietnam in Special 301 Watch List in 2009. This was due to the rise in online piracy. Although Vietnam made progress in modernizing its legal framework for IPR protection and enforcement, trademark infringement was rampant. Thus, Vietnam's corrective actions, or lack thereof, influenced any consideration of its GSP application.

A constant source of trade friction between the United States and Vietnam had been the catfish. Vietnam had been a major exporter of basa and tra (commonly referred to as catfish in the global fish market). Since 1999, Vietnamese exports of basa and tra secured a growing share of the US market, despite the objections of the US catfish industry and the actions of the US government. Over the last 10 years, the United States took several actions that were designed to impact on the import of Vietnamese basa and tra, including the passage of legislation that prohibited referring to basa and tra as catfish and the imposition of anti-dumping duties on "certain frozen fish fillets from Vietnam," including basa and tra. Despite these measures, Vietnam's exports of basa and tra continued to rise.

"The ongoing tensions around catfish trade were recently heightened by two events. The first was the passage of the 2008 Farm Bill (P.L. 110-246) by the 110th Congress on May 22, 2008, transferring regulatory oversight of the import of catfish and "any additional species of farm raised fish" to the Department of Agriculture (USDA) under the provisions of the Federal Meat Inspection Act (21 U.S.C. 601 (w)) and requiring the Secretary of Agriculture to develop adequate regulatory procedures for examining and inspecting imported catfish. There had been reports that draft USDA regulations redefined basa and tra as catfish, making them subject to the stricter USDA regulations. The second event was the ITC's determination on June 15, 2009, to keep in place the anti-dumping duties on certain frozen fish fillet imports from Vietnam." (Martin, 2009)

The Bilateral Investment Trade Agreement (BIT): In a June 2008 meeting, President Bush and Prime Minister Dung announced the launch of talks to establish a BIT. It was "designed to improve the climate for foreign investors by establishing dispute settlement procedures and by protecting foreign investors from performance requirements,

border of Cambodia in 1977. Sino-Vietnamese relations continued to decline and by late 1978 Beijing cut its assistance to Vietnam. Vietnam responded by joining the Soviet-led Council for Mutual Economic Assistance (CMEA) in June 1978 and “by November Vietnam signed the Treaty of Friendship and Cooperation with the Soviet Union, formally becoming allies.” (Amer,1999) This Soviet-Vietnamese treaty allowed the Soviets military access to airports and the seaport in Cam Ranh Bay; and in return Hanoi received economic and military assistance to counter the Chinese threat. “To the Vietnamese, this treaty also implied that the Soviet Union would support and intervene on Vietnam’s behalf if China interfered with its plans to invade Cambodia.” (Ross,1988) Vietnam invaded Cambodia on December 25, 1978. The Chinese saw this invasion of Cambodia as a Soviet-Vietnamese attempt to encircle China. China used its United Nations Security Council seat to rally support internationally and condemn Vietnam’s action. On February 17, 1979, the People’s Liberation Army (PLA) launched a large-scale ground attack into Vietnam. Deng Xiaoping’s intention was to “teach Vietnam a lesson.” According to Henry Kenny, the Vietnamese Army newspaper, *Quan Doi Nhan Dan*, reported the next day: “February 17, 1979 will go down in history as a severe verdict of the ‘Great Han’ expansionists’ crimes in trying to subdue and annex Vietnam...Let us severely punish the barbarous aggressors and firmly defend our sacred national independence and sovereignty!” (Kenny, 2003) Militarily, it was the Vietnamese that taught the Chinese a lesson. After the three weeks of war, the Chinese forces withdrew back to China. According to Kenny,

“There was no question that Vietnam had taught China a military lesson. Not only was the PLA badly bloodied, but it was bloodied mainly at the hands of Vietnamese militia, while main force Vietnamese units were held in reserve. This result should not have been a surprise. The Vietnamese Army was combat experienced, and fighting for its homeland. The PLA, on the other hand, had neither the motivation nor the understanding of the terrain that characterized the Vietnamese side. It had not seen serious combat in many years, and had suffered during the Cultural Revolution. Thus when the Chinese force withdrew, Vietnam was legitimately able to claim a military victory. On the other hand, there is no question that China taught Vietnam a political lesson—you do not create a

sphere of influence in Laos or and Cambodia; you do not attack Cambodia, a country friendly to China. You do not ally with the Soviet Union against us. You do not harass ethnic Chinese people in Vietnam. You do not make claims in the South China Sea that conflict with those of China. In a word, you are not fully independent to act as you wish in disregard of our interests. Remember, you are independent only because of Chinese help in your war of national liberation, so do not get out of line with your big neighbor.” (Kenny, 2003)

To pressurize Vietnam to withdraw from Cambodia, China again used its influence in the UN, ASEAN, and its new warmed relationship with the US to isolate Vietnam. Vietnam for its part, believed that Chinese support to Cambodia was an attempt by Beijing to encircle Hanoi. Thus, China was referred to as the direct enemy of Vietnamese people. Therefore, during this period (1980-86), Vietnam attempted to consolidate power in Indochina and suppress the Chinese influence.

Matters became worse for Vietnam, when in the mid-1980s the Soviet Union was looking to improve relations with China. Beijing agreed to a détente with Moscow but asked that Vietnam first withdrew from Cambodia. The Soviet Union quickly pressured Vietnam to resolve the Cambodia issue with China. Moreover, “the Soviet Union began to slowly decrease its economic aid to Vietnam; this greatly affected Hanoi because Moscow’s economic assistance accounted for 38 percent of Vietnam’s total annual budget.” (Phong, 2006) The Vietnamese leadership decided that they must change course if they wanted to survive as an independent country. Hanoi seeing the success of China’s economic reforms, decided to implement Doi Moi. In 1987, Vietnam began to meet secretly with China to negotiate the Cambodia issue; and after more negotiations, Vietnam and China agreed to resolve the Cambodia issue through the United Nation. In April 1989, Vietnam announced that it would completely pull out of Cambodia by September. It must be noted that during this period of Sino-Vietnamese negotiations over the Cambodia issue, China’s engagements in the South China Sea alarmed Hanoi. In 1988, the PLA Navy established its physical presence on six reefs in the Spratly’s; and the Chinese sank two Vietnamese ships, claiming that the Vietnamese vessels were harassing Chinese ships doing scientific

research. Vietnam attempted to discuss this issue through diplomatic channels, but without the support of the Soviet Union it was not in position to do so. In 1990 Vietnam approached China to begin dispute settlement and bring itself out of international isolation; with the Beijing warming of relations with Moscow and Vietnam's withdrawal from Cambodia, China was receptive to peace and normalization. In September 1990, Chinese and Vietnamese leaders met in Chengdu, China to begin the process of normalization. Finally, in November 1991, Vietnam and China re-established ties. Sino-Vietnamese relations continue to improve since the 1990s. "Most notably, in 1999 both countries signed a land border treaty and in 2000 they also signed a sea border treaty for the Gulf of Tonkin and began joint naval patrols in the Gulf in 2006. As bilateral relations have developed, Hanoi made a concerted effort to cultivate and maintain cordial ties with Beijing, with the goals of deepening economic relations and reducing outstanding frictions between the two neighbors." (Bellacqua, 2012)

But there still remained significant frictions in the Sino-Vietnamese relations such as the South China Sea, economic frictions, Mekong river dams, and growing US-Vietnam relations. Out of all the frictions in Sino-Vietnamese relations, South China Sea dispute had been the most complex and problematic.

Home to some of the world's most well-traveled shipping lanes as well as potentially rich hydrocarbon deposits, the South China Sea had been one of the world's most strategically significant waterways. According to Michael Klare, "no other region in the world holds the potential for a future conflict on a global scale more than the South China Sea." (Klare, 2001) being strategically important, the South China Sea had been critical to the economic development of all the countries in the region. According to Robert Kaplan,

"More than half the world's annual merchant fleet tonnage passes through these choke points, and a third of all maritime traffic. The oil transported through the Strait of Malacca from the Indian Ocean, en route to East Asia through the South China Sea, is more than six times the amount that passes through the Suez Canal and 17 times the amount that transits the Panama Canal. Roughly two-thirds of South Korea's energy

supplies, nearly 60 percent of Japan's and Taiwan's energy supplies, and about 80 percent of China's crude-oil imports come through the South China Sea. What's more, the South China Sea has proven oil reserves of 7 billion barrels and an estimated 900 trillion cubic feet of natural gas, a potentially huge bounty” (Kaplan 2011)

With such an enormous impact on the global economy, the United States also started considering it to be its national interest. The important economic and security partners of the US in the region included Japan, South Korea, the Philippines, Thailand, and Taiwan. Moreover, China’s growing economy required protection of shipping lanes and access to natural resources. China therefore, increased its military presence and became more assertive in the South China Sea. The military assertiveness of China and its claim to the entire South China Sea as its territorial waters raised serious concerns for the entire Asia Pacific and threatened to destabilize the region.

MARITIME DISPUTES

Six countries laid their conflicting claims to some part or all of the South China Sea: Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam. The PRC claimed sovereignty over the entire South China Sea, including the Spratlys, Paracels, and Pratas Islands; the Macclesfield Bank; much of the Gulf of Tonkin; and the James Shoal off Malaysian Borneo. Vietnam also claimed a sizeable portion of the South China Sea, including the Paracel and Spratly islands in their entirety. “In addition to territorial claims, these countries also have overlapping disputes regarding EEZ rights and continental shelves as well as the range of permissible activities that can be carried out within these areas. Such disputed activities include the exploitation of natural resources, fishing rights, and military patrols and reconnaissance operations.” (Bellacqua, 2012)

The Chinese Claim: In 1992, China’s top legislative body, the Standing Committee of the National People’s Congress formally passed the “Law on the Territorial Waters and Their Contiguous Areas.” This law formally recognized the U-shaped dotted loop, also known as the “cow’s tongue” as its territorial waters. (Kaplan, 2001) The Chinese

CHAPTER 4

CHINA FACTOR

Bilateral relations between the US and Vietnam evolved rapidly after the normalization in 1995. With the growing economic interactions and geopolitical developments, the two countries came closer. Both the countries had a complex relationship with the People's Republic of China. This also turned to be the basis for strengthening the US-Vietnam relationship.

New challenges were created for Washington and Hanoi when there was an increase in the economic growth, the global search for resources and military modernization of the PRC. The most important of these challenges was Beijing's assertiveness in the disputed waters of the South China Sea. "The United States had a number of controversial encounters with Chinese naval and law enforcement vessels within China's Exclusive Economic Zone (EEZ) and was concerned about preserving the freedom of navigation in the international waters of the South China Sea. Vietnam, for its part, had an overlapping territorial disagreement with Beijing over the South China Sea, marked by frequent incidents at sea, a few of which led to brief hostilities. Consequently, Vietnam remained observant against China's attempts to enforce its sovereignty claims." (Manyin, 2007)

In order to delve into the details of China factor in the US-Vietnam relationship, it is imperative to discuss briefly the relationship between Vietnam and China.

CHINA-VIETNAM RELATIONSHIP

After the Communist victory in 1975, the newly unified Vietnam wanted to continue good relations with China and the Soviet Union, the two countries that supported Vietnam during its fight for independence. However, Sino-Vietnamese relations soon soured after Vietnam's harsh treatment of ethnic Chinese and the fighting along the

restrictions on transferring funds, and arbitrary expropriation. For Vietnam, a BIT could foster greater FDI flow and become a stepping stone to a free trade agreement with the United States.” (Brown, 2010) Vietnam’s clothing exports to the United States were the greatest beneficiaries of the BTA. Following the US extension of conditional NTR, US clothing imports increased in value and market share, peaking in 2003 at 51.4 per cent. In response to Congressional “hold” placed on the 2006 PNTR bill, the Bush administration put in place a monitoring program from January 2007 to January 2009.

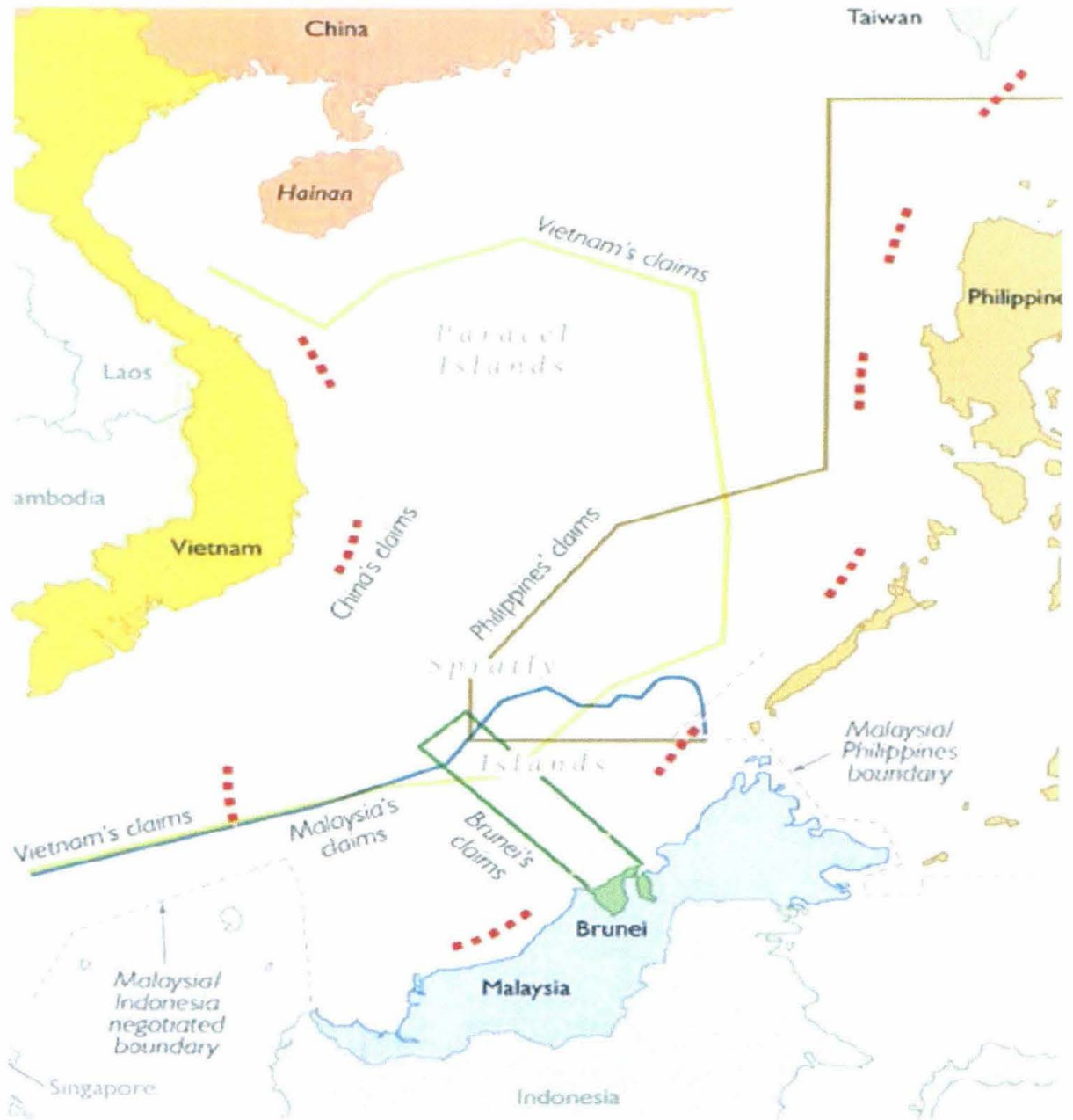
Another problem in the bilateral trade relations had been Vietnam’s Exchange Rate Policy which was not reformed by Doi Moi. Vietnam had been maintaining a government-managed exchange rate system. “The State Bank of Vietnam (SBVN) had been setting a range in which the value of the Vietnamese dong used to fluctuate relative to the U.S. dollar. On March 25, 2009, the SBVN widened the band to $\pm 5\%$ from the official exchange rate of 16,980 dong = \$1. Between July 2008 and 2009, the value of the dong depreciated in value by 8.7% against the U.S. dollar.” (Martin, 2009)

government also empowered its military, the People's Liberation Army (PLA) to use force if necessary to defend the islands against foreign occupation or attack. "The Chinese for the most part base this claim to the Spratly Islands on the continuous Chinese administration of the archipelago since the Tang dynasty. The Chinese government also cites various accounts of Chinese naval and maritime operations in the South China Sea over the centuries." (Kang, 2000)

The Vietnamese Claim: To the Vietnamese, their claim on the islands had been the oldest and the strongest. Both the Paracel and the Spratly Islands were considered to be Vietnamese territory during the reign of King Le Thanh Tong (1460–1497). "Vietnam has documents and maps from the 17th, 18th, and 19th Centuries to prove that it made frequent visits, erected pillars, and planted trees to aid in navigation on both the Spratly and Paracel Islands. During the French and Japanese occupation, both of the islands chains were considered to be within Vietnamese territory." (Kang 2000)

However, during the Vietnam War period, the Vietnamese historical claim to the islands was not a major concern. The North Vietnamese even supported the Chinese when China sent troops to capture the Paracel Islands from the South Vietnamese in 1974. It was not until after re-unification in 1975 that Vietnam again re-asserted its claims to the island groups.

Map 4.1
CONFLICTING CLAIMS OF THE SOUTH CHINA SEA



SOURCE: James Bellacqua (CHINA FACTOR IN THE US-VIETNAM RELATIONS)

The claims made by Vietnam were on the basis of international law and the United Nations Convention on the Law of the Sea (UNCLOS). “Vietnam states that the principle of ‘first discovery’ claim by the Chinese is not acceptable and that it should be coupled with the principle of ‘effective occupation.’ In this context, Vietnam argues that its claims are based on international law and history of occupation.” (Ballacqua, 2012)

Both the China and Vietnam attempted to strengthen their claims through the occupation and fortification of islands in the South China Sea. As of early 2010, Vietnam occupied 29 land features in the Spratly archipelago while the PRC troops stationed on another seven. China also garrisoned military personnel on Woody Island in the Paracels, which it seized from South Vietnam in 1974 shortly before the fall of Saigon. The military fortification of these islands led to armed clashes between the two countries in the past, most recently in a March 1988 naval battle at Johnson Reef in the Spratly Islands. In a victory that gave the PRC its first grip in the Spratlys, Chinese forces overpowered their Vietnamese counterparts, killing 64 Vietnamese soldiers and sinking several naval vessels.

Another complicating matter had been the failure of China and Vietnam to agree on their preferred means of negotiating a resolution to the dispute. Beijing advocated for a bilateral approach to negotiating with each of the countries involved in this dispute separately. On the other hand, Vietnam rejected this bilateral approach and advocated for a multilateral solution involving the disputed parties.

The implications of this dispute brought the negotiation to a deadlock and complicated efforts to establish a legally solution for the South China Sea. “Although China and ASEAN signed a ‘Declaration on the Conduct of Parties in the South China Sea’ in 2002, the document lacked penalty clauses and enforcement mechanisms and had been generally ineffective at regulating behavior in the South China.”

The deadlock and the lack of a legal framework gave rise to the following tense situation in the South China Sea:

Asserting China's historic claim over the South China Sea: In May 2009, "China rejected a joint Malaysian-Vietnamese submission to the UN Convention on the Law of the Sea (UNCLOS) that claimed an extended continental shelf." (Kuan, 2010)

China rejected to this proposal and "submitted a map to the UN outlining its traditional 'nine-dash line' claim to the entire South China Sea dating back to 1947, before the founding of the PRC." (Jinming, 2003)

Detaining Vietnamese fishermen: According to Vietnamese government statistics, "between January 2009 and May 2010, China detained at least 36 fishing boats and 468 crew members." (Thayer, 2010)

Developing tourism on disputed islands: In 2010, China's State Development and Reform Commission issued a plan to develop fishery logistics and tourism facilities in the Paracels, entitled the "2010-2020 Grand Plan for the Construction and Development of Hainan as an International Tourism Island." Tran Cong Truc, former head of Vietnam's Government Border Committee, dismissed the plan as a "clever trick" using "a totally civil and peaceful activity combining culture and tourism to cover an intricate strategy to claim sovereignty over the islands." (VietnamNet Bridge, 2010)

Creating a county-level government to manage the Spratly and Parcel Islands: In 2007, the PRC announced the establishment of a county-level government under Hainan Province encircling the Parcel and Spratly islands as well as the Macclesfield Bank. "Vietnam countered with its own plans to hold elections for National Assembly deputies and People's Council representatives from the Spratly Islands, a decision China protested as an illegal and invalid action." (Bellacqua, 2012)

Strengthening China's naval presence in the South China Sea: "The PLA Navy (PLA (N) has incorporated new frigates, destroyers, and submarines into the fleet in recent years and the South China Sea is the focus of much of this build-up. The PLA(N) has constructed a new nuclear submarine base on the southern Hainan Island in close proximity to these contested waters" (Torode, 2010)

DISPUTE SETTLEMENTS

There were two dispute settlements offered to the South China Sea. The first was the 1982 United Nations Convention on the Law of the Sea. Under the United Nations Convention on the Law of the Sea (UNCLOS), "countries that share an ocean or sea border can claim an Exclusive Economic Zones (EEZs) covering coastal waters out to two hundred miles from the shoreline. However, when the EEZ of a country overlaps with the area claimed by a neighboring country, such as the case with China and Vietnam, each state may claim an EEZ extending out to a line equidistant between them." (Klare, 2001)

But this concept can only work well in theory, when there are no islands or offshore features in the area or if the states involved agree on the ownership of these features. However, "the South China Sea, in reality, has many islands and the ownership of these islands is contested." (Thayer, 2009)

In the South China Sea, it had been impossible to determine the EEZ boundaries. Countries in the region such as Malaysia and the Philippines both claimed areas off the eastern coast of Borneo. Malaysia and Vietnam wrangled over their shared border in the Gulf of Thailand; and Vietnam and the Philippines sparred over overlapping claims. And to add even more complexity to the disputes, China claimed the entire South China Sea as its territorial waters. This claim by China had been in direct conflict with other countries in the region, but most importantly with Vietnam, which also claimed the Paracel islands and Sparty islands.

“China and Vietnam continued to have conflicting claims over their maritime border in the Gulf of Tonkin, the Paracel Islands, and fishing rights in the South China Sea, but for the most part, the conflict between China and Vietnam had been over the sovereignty of the energy-rich Spratly Islands.” (Klare 2001)

The second had been the 2002 Association of Southeast Asian Nations (ASEAN) and China Declaration on Conduct of Parties in the South China Sea (DOC). The DOC had ten points and essentially China and ASEAN agreed to:

- Prohibit the use of force and threats of force
- Exercise self-restraint
- Settle international disputes peacefully
- Co-operate
- Consult, and
- Respect the freedom of international air and maritime navigation.

The DOC was meant to diminish the threat of war or a military clash in the South China Sea. “It has important significance in creating an environment for cooperation, peace, and stability in the region and in promoting trust, confidence building, and mutual understanding between ASEAN and China. However, the implementation of the principles contained in the DOC depends upon the good will and efforts of its parties.” (Nguyen, 2003)

Both the UNCLOS and DOC were difficult to enforce as China wanted to deal with each claimant separately in order to coerce the weaker claimant.

2010 ASEAN REGIONAL FORUM

Shared concerns over perceived Chinese assertiveness in the South China Sea prompted the United States and Vietnam to work together to address this common challenge. On

23rd July, 2010, at the ASEAN Regional Forum (ARF) in Hanoi, Secretary Clinton asserted US support for a “collaborative diplomatic process for resolving various territorial disputes without coercion” and said the “United States believes... legitimate claims to maritime space in the South China Sea should be derived solely from legitimate claims to land features.” She also said that “United States had a national interest in preserving freedom of navigation in the South China Sea and in the peaceful settlement of the dispute in accordance with international law. Secretary Clinton offered a facilitative role for the United States in multilateral negotiations.” (Brown, 2010)

“Clinton’s comments were echoed by the foreign ministers from 11 of the 26 nations in attendance, several of which were ASEAN member states.” (Emmerson, 2010) Seemingly caught off guard, Chinese Foreign Minister Yang Jiechi walked out of the meeting, returning later “to accuse the United States of mounting an attack on China and to warn some of the smaller countries of Southeast Asia of the dangers of confronting Beijing.” (Yew, 2010)

The ASEAN Regional Forum was, thus, important in several respects. “First, it signified that the United States and Vietnam are prepared to work together on issues of common concern when their interests are aligned. It also demonstrated that internationalizing tensions with Beijing by involving other concerned parties could be an effective tool in confronting Beijing: after the showdown in Hanoi, the South China Sea was placed back on the ASEAN agenda.” (Bellacqua, 2012) The meeting also signified that Southeast Asia was no longer in the mood to accept Chinese assertiveness. Thus, it showed regional eagerness for the sustained US presence in the region.

CONCLUSION

This research began with a few questions. Why did the US intervene in Vietnam after the Korean War? What was the impact of withdrawal of the US forces from Vietnam? How did the two countries overcome their differences to create a stronger relationship? What were the factors which promoted or hindered the US-Vietnam relations in the post-Cold War era? How has China's increased assertiveness in the South China Sea impacted the course of US-Vietnam relations? After analyzing the historical background, the current relationships between the US and Vietnam, the economic factors working as an important determinant and the China factor some important conclusions can be drawn.

After the United States entered World War II, the US President Roosevelt expressed some strong opinions regarding French colonial rule over Indochina. He felt that the French had so misruled, exploited and oppressed the Indochinese people that they should not be allowed to go back after the war and reestablish their empire. After the end of the Second World War, the Truman administration showed little interest in Indochina. At that time US was confronted with many problems such as the reconstruction of Europe, the Communist insurgency in Greece, the Berlin Blockade, and the civil war in China. When the Chinese Communist forces rolled to the borders of Indochina late in 1949, the US perceived clearly the Communist threat to Southeast Asia. Hence, a decision was made to aid France and the people of Indochina in combating communism. Thus, the US involvement in Vietnam began in early 1950s following the Geneva Accords of 1954. The US involvement began to deepen when it decided that economic and military aid to Cambodia, Laos, and Vietnam would be provided directly to those countries. This decision was followed by another decision to discontinue all support for the French in Indochina, which forced them to withdraw, leaving the United States as the sole defender and supporter of the non-Communist South Vietnam. Consequently, French were decisively defeated in their war against Vietnamese freedom fighters and lost colonial control over Vietnam.

A conference was called in Geneva and it was decided to temporarily divide Vietnam into two parts, communist north and non-Communist south along the 17th parallel. It was agreed in Geneva that reunification elections in Vietnam were to be held in 1956. The US and South Vietnam never agreed to these elections and the elections were never held. Thus, Vietnam remained permanently divided into two countries, communist North and non communist South. America pledged itself to the survival and military defense of South Vietnam. By the early 1960's the southern communist Viet Cong began a military campaign to overthrow the government of the South. By the mid 60's it was clear to the US that this insurgency was sponsored and aided by North Vietnam who in turn was aided and supported by Communist China and the Soviet Union. By 1965 the North Vietnamese actively joined the Viet Cong in a military attempt to take over South Vietnam. By that time the US had developed the policy of containment to halt the spread of communism and adopted the Truman Doctrine to help free peoples resist subjugation by others, it became logical to commit American troops to the defense of South Vietnam. North Vietnam and the Viet Cong militarily moving against the government of South Vietnam were viewed as contrary to the policy of containment and the Truman Doctrine. America viewed this attack as another attempt to spread international communism sponsored by the Soviet Union and Communist China. Thus, the US became intensely involved in a war with Vietnam to contain Communist expansion. The War continued for fifteen years. However, the US could not win the War. After the US withdrew its troops from Vietnam, Vietnam was reunited as a communist country.

In the next fifteen years, the relationship between the US and Vietnam remained shaky. The United States imposed a trade embargo on Vietnam and refused to assist Vietnam unification efforts. On the other hand, information on U.S. Prisoners of War/Missing in Actions was demanded by Washington. Vietnam in return wanted billions of dollars as promised by the Nixon administration as postwar reconstruction aid. But there was little exchange and very little co-operation.

When Vietnam militarily intervened in Cambodia, removed the regime, Washington had no appetite for intervention in Indochina affairs. However, the US gave diplomatic

support to ASEAN backed resurgents who fought against pro- Vietnamese regime in Cambodia.

Relations between the US and Vietnam slowly improved starting in the late 1980s when Vietnam began withdrawing troops from Cambodia. The international scenario also changed. The Soviet Union disintegrated and there was no one to support Vietnam in Cambodia. The United States became the sole superpower.

By the 1990s there was also a change in Vietnam's ideology. Vietnam instituted economic reforms through the noticeable concept of "doi-moi". With the change in the international scenario and the economic reforms in Vietnam, the relationship between the US and Vietnam started normalizing. In 1991, the Bush Administration created a "road map" for relation normalization. That same year, the US was given permission to open an office in Hanoi to handle POW/MIA issues President Bill Clinton brought a quicker pace of amendments with the help of Congress. In 1994, President Clinton ordered an end to the nearly 21 year-old US trade embargo on Vietnam. Then, in 1995, the US and Vietnam reconciled property claims and announced the opening of liaison offices in both Washington D.C. and in Hanoi. Two years later, the U.S. Senate approved a US Ambassador to be posted in Hanoi, making the relationship between two former enemies even stronger. Clinton helped establish fresh diplomatic relations between the U.S. and Vietnam, allowing the countries to reopen to each other.

Nearly a quarter of a century after the end of the Vietnam War, the two sides signed a landmark trade agreement; in November of 2001, the agreement, known as the Bilateral Trade Agreement (BTA). It was ratified by the Vietnam National Assembly. In December of the same year, the agreement was signed into full force. Since the Bilateral Trade Agreement, the combination of increased trade between the two countries and large-scale investment in Vietnam from the US improved the economic relationship between Vietnam and the United States. . At the beginning of post- normalization era (1995), the US-Vietnam trade was very low, at \$450 million, but in 2010 this figure

increased to \$18 billion. Vietnam became the US' 45th largest goods export market in 2010. US goods exports to Vietnam in 2010 became \$4.3 billion.

The normalization process between the two countries continued to progress under the second Bush administration. However, the terrorist attack on September 11, 2001 changed the focus of relations. Instead of focusing on merely economic ties, the two governments worked together for security co-operation. Vietnam agreed to share information with the US on terrorism related issues.

The bilateral relationship reached the milestone when Vietnam was granted PNTR by the US. The decision to extend PNTR to Vietnam was mainly in the context of Vietnam's bid to enter the World Trade Organizations, which occurred in 2007. However, the contentious issues in their economic relationship continued to exist such as Vietnam's application for US GSP, IPR, Catfish etc.

While the trade relations and the future of this relationship looked optimistic, the legacy of the Vietnam War, Agent Orange, human rights and POW/MIAs issues still existed. Some Americans opposed the positive relationship with Vietnam on the ground that the country maintains a poor record on human religious and labor rights.

Moreover, the complex relationship both the countries had with China also strengthened their relationship. The relationship between the China and Vietnam made it clear that Hanoi had been considering Beijing's military as a threat. Moreover, the assertiveness of China in the entire South China Sea and its unwillingness to compromise drew the attention of US. It became a concern for the United States because it considered that the stability of the region was necessary for its national interest. The conflict also provided an opportunity for the US to influence the region and exercise its leadership. The United States also used this opportunity to create partnerships in the region, especially with Vietnam, and made it clear that the US would challenge the assertiveness of China in the South China Sea.

Another stepping stone in the bilateral relationship of the two nations was the signing of Memorandum of Understanding between the US and Vietnam concerning the co-operation in the civil nuclear field, which was designed to increase co-operation in a number of areas.

Thus, it can be concluded that the overall relationship between the US and Vietnam improved greatly since the 1990s. The research which started with the hypotheses that the China's emergence as a contestant to the US primacy in the Asia-Pacific and Vietnam's geo-strategic importance offered opportunities for enhanced strategic relationship with the US seems to be partially correct. As there were some other reasons also which enhanced the relationship of these two nations. One of the important basis for this relationship had been the trade relationship. The US perceived Vietnam as an attractive market destination. Moreover, the nuclear co-operation cannot be ignored. Thus, the improved relationship between the US and Vietnam had been the outcome of a number of different factors.

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