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U.S. VIETNAM  
RELATIONS

Issues and Implications







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The Honorable Craig Thomas  
Chairman, Subcommittee on East Asian  
and Pacific Affairs  
Committee on Foreign Relations  
United States Senate

The Honorable Doug Bereuter  
Chairman, Subcommittee on Asia and the Pacific  
Committee on International Relations  
House of Representatives

In early 1994, the United States ended its long-standing trade embargo against Vietnam. This decision was attended by considerable controversy, and debate about taking additional steps toward normalizing U.S.-Vietnam relations has continued through the January 1995 announcement that the United States and Vietnam were opening liaison offices in each other's capitals. Concerns remain as to whether the Vietnamese commitment to resolving the fate of unaccounted-for U.S. service personnel is sufficient to warrant continued movement forward.

Congressional notification and/or concurrence are required for some of the additional steps that the United States may consider taking toward full relations with Vietnam. To assist you in any deliberations you may have on these matters, this report provides information on (1) ongoing changes in Vietnam's foreign and domestic policies and the international community's reaction to these changes, (2) changes in U.S. policy toward Vietnam and the substance of bilateral relations between the two countries, (3) the interests that the United States and Vietnam are pursuing in their relations with one another, (4) prospects for Vietnam's economic and political development, and (5) key factors affecting the pace of movement toward normalized relations. We did not evaluate the efficacy of current U.S. and Vietnamese efforts to resolve the prisoner of war/missing in action (POW/MIA) issue and are not making any recommendations.

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## Results in Brief

Changes in Vietnam's foreign and domestic policies have led to broader acceptance of Vietnam by the international community. Vietnam's withdrawal from Cambodia and subsequent cooperation in the U.N.-coordinated search for a peaceful settlement in that country, and Vietnam's ongoing program of market-oriented domestic reforms have

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largely removed the basis for the international community's 1980s consensus that Vietnam should be isolated as an outcast. Multilateral organizations and most countries other than the United States have re-established full relations with Vietnam.

Although the United States has not established full relations with Vietnam, it has, among other things, ended its opposition to international financial institution (IFI) lending to Vietnam and lifted its embargo against trade with Vietnam by Americans. As legal restrictions have lessened, U.S. private sector interests, including businesses, nongovernmental organizations (NGO), and Vietnamese-Americans, have established growing ties with Vietnam. Government agencies, including the Departments of Defense and State, have established limited official ties. Constraints to full relations remain, however. For example, U.S. government programs typically used to facilitate foreign trade are statutorily barred from Vietnam.

U.S. foreign policy interests include the promotion of human rights and democracy in Vietnam, as well as U.S. commercial and security interests. For its part, Vietnam has important commercial and security interests to pursue with the United States.

Despite ongoing reforms and positive economic trends, Vietnam faces an uncertain future. While agreeing that Vietnam has considerable potential for growth and change, analysts point out that serious constraints remain. Vietnam remains one of the world's poorest countries, and the Communist party continues to exercise a monopoly on political power. Given its starting point, Vietnam is years away from developing an economy similar to those of its dynamic neighbors in Asia. Informed observers generally agree that political change is likely to come only gradually.

Executive branch officials and other analysts stated that the pace at which the administration moves forward in taking additional steps toward full bilateral ties will depend on U.S. conclusions regarding developments within Vietnam, particularly with regard to progress on the POW/MIA issue. Support for additional steps will also depend on the pace of political and economic change in Vietnam toward greater democracy and a more prosperous, market-oriented economy.

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## Background

During the 1980s and early 1990s, U.S. policy focused on pressuring the Vietnamese for cooperation in addressing a limited number of concerns.

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These included (1) clarifying the fate of U.S. POW/MIAs still officially unaccounted for; (2) obtaining Vietnam's cooperation in bringing about a peaceful settlement in Cambodia, which Vietnam had invaded in 1978; and (3) resolving issues related to emigration from Vietnam.<sup>1</sup>

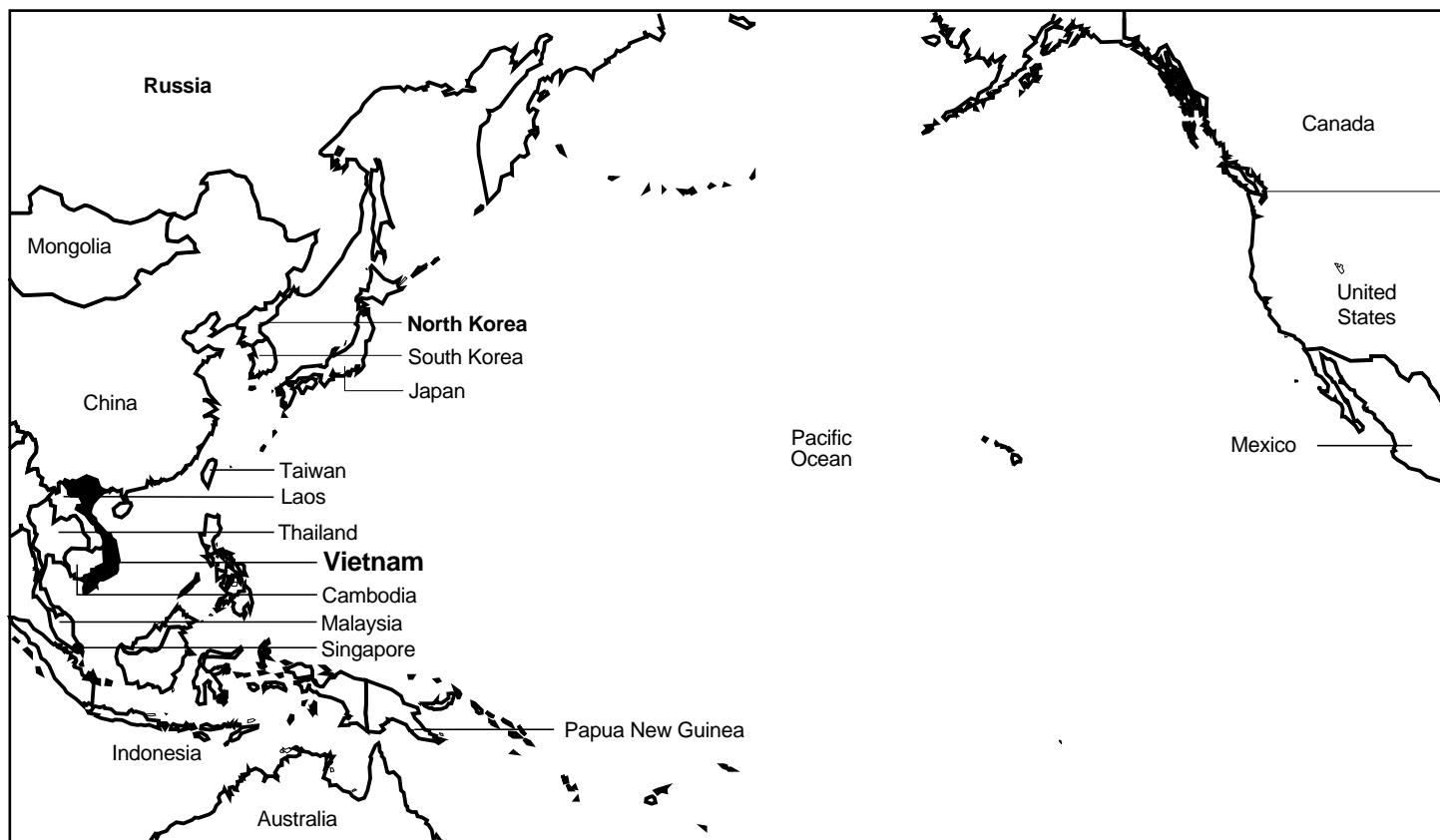
To obtain Vietnamese cooperation on these issues, the United States withheld diplomatic relations, enforced a complete bilateral trade embargo, and continued to block access to frozen Vietnamese assets held in the United States or under U.S. jurisdiction since 1975. Other countries, including the members of the Association of Southeast Asian Nations (ASEAN),<sup>2</sup> Japan, China, as well as the United States, cooperated in isolating Vietnam, primarily to express their opposition to Vietnamese aggression in Cambodia. Among other consequences, this internationally supported isolation policy resulted in Vietnam's being barred from access to credit from IFIS. (See fig. 1 for a map of the Asia-Pacific region.)

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<sup>1</sup>The United States has been concerned about (1) freedom of emigration for Vietnamese citizens stigmatized by association with the U.S. war effort in South Vietnam, including Amerasians and former U.S. government employees and (2) the welfare of several hundred thousand people who began fleeing Vietnam in the late 1970s to seek asylum in other countries.

<sup>2</sup>Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Brunei.

Figure 1: The Asia-Pacific Region



## Vietnam Has Made Important Changes in Its Foreign and Domestic Policies

Several internal and external factors combined in the late 1980s to force a change in Vietnam's foreign and domestic policies. Foremost among these was the failure of Vietnam's centrally planned economic system, recognized in the Communist party's December 1986 call for "Doi Moi", or renovation. Pressure for change was augmented by the continuing costs of involvement in Cambodia, particularly the international community's resulting unfriendly stance toward Vietnam. The reform movement also gained impetus from the collapse of the Soviet Union and Communist governments in Eastern Europe, wherein Vietnam lost its major markets and primary sources of economic assistance and political support.

In foreign affairs, Vietnam abandoned its goal of creating an Indochina bloc and made promoting good relations with all nations its stated guiding principle. Withdrawal from Cambodia in 1989 was followed by the

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conclusion in 1991 of an international accord to resolve the unsettled political situation in that country. Since then, Vietnam has focused on developing closer relations with its neighbors—particularly the members of ASEAN—to promote domestic prosperity by becoming a participant in the regional international-trade-based economic boom.

Improved relations with ASEAN members and other countries in the region are also designed to promote economic progress indirectly by ensuring regional peace and stability. Although still a point of contention with some nearby countries, Vietnam has cooperated in working toward resolving the situation of the thousands of Vietnamese remaining in foreign refugee camps throughout the region through the U.N. Comprehensive Plan of Action. Vietnam has also worked with the United Nations, the United States, and other countries to regularize emigration from Vietnam through the Orderly Departure Program. The program was established to provide a legal alternative to the dangers of emigration by sea—the boat people phenomenon.

Although Vietnam's leaders have also worked to develop cordial relations with China, they remain concerned about China's intentions—particularly with regard to sovereignty over the potentially oil-rich Spratly Islands.<sup>3</sup> Greater integration with ASEAN is seen as strengthening Vietnam's position with regard to China.

Vietnam has increased its collaboration with the United States to determine the fate of the more than 2,200 U.S. service personnel who are still officially unaccounted for in Indochina. After gaining initial access to crash sites in 1988, the U.S. Department of Defense opened a POW/MIA investigative office in Hanoi in 1991 and has since gained expanded access to crash sites, relevant archival material, Vietnamese witnesses, and other sources of information. Vietnam's primary contribution to this effort has been cooperation with the Department of Defense Joint Task Force-Full Accounting, which conducts search activities in Vietnam, as well as in Laos and Cambodia. In July 1994, a U.S. delegation received Vietnamese commitments to take additional steps, including unilateral actions, that may shed light on some unresolved cases. For example, the Ministry of Interior appointed a team to review archival materials for relevant documents, and measures were taken by the government to solicit useful information from the general public.

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<sup>3</sup>The Spratlys are located in the South China Sea and are the object of boundary disputes among Vietnam, the People's Republic of China, Taiwan, the Philippines, Malaysia, and Brunei.

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Domestically, Vietnam has made considerable progress in its Doi Moi program of market-oriented reforms. Key structural steps taken to date have included abandoning collectivized agriculture, decontrolling most prices and the rate of exchange for the Vietnamese currency, introducing positive interest rates to the banking system, reducing impediments to international trade and investment, and increasing the autonomy of state-owned enterprises. A new constitution, adopted in 1992, confirms the legitimacy of the private sector, and the government continues its efforts to create a legal framework adequate for a modern, market-oriented economy.

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## Other Countries and Multilateral Institutions Have Resumed Normal Relations With Vietnam

Vietnam has made substantial progress toward full integration into the international community. Vietnamese withdrawal from Cambodia and cooperation in working toward bringing an end to the conflict in that country removed the primary cause for continued antagonism between Vietnam and its neighbors. One indication of Vietnam's growing acceptance was the recent ASEAN decision to work toward elevating Vietnam from observer status to full membership in the near future. Vietnam was also granted observer status in the General Agreement on Tariffs and Trade—now succeeded by the newly created World Trade Organization.

During 1993, Japan and France led an international consortium that arranged financing to settle Vietnam's outstanding debt to IFIs so that these institutions could resume lending to Vietnam. While the United States delayed this consortium from clearing Vietnam's debt for a time, U.S. objections were eventually dropped. The World Bank, Asian Development Bank, and International Monetary Fund have since resumed operations in Vietnam.

This resumption of operations, coupled with the end of the U.S. trade embargo in February 1994, has brought a surge of foreign public and private sector interest in the Vietnamese economy. According to the government of Vietnam, total foreign assistance disbursed to Vietnam in 1993 approached \$500 million, compared with an average of about \$75 million annually during the last half of the 1980s. In the fall of 1993, multilateral and bilateral donors combined pledged nearly \$1.9 billion in development assistance at the first international donors conference on Vietnam. The World Bank pledged to provide approximately \$400 million a year for the next 5 to 10 years, the Asian Development Bank pledged about \$300 million for 1993, and the International Monetary Fund granted



Vietnam access to credits in excess of \$200 million for the initial year of lending.<sup>4</sup>

Vietnam's international trade (imports and exports combined) increased from about \$3.6 billion in 1988 to \$8.2 billion in 1993,<sup>5</sup> while the stock of foreign investment commitments rose from about \$364 million in 1988 to nearly \$11 billion as of December 1994. In line with Vietnam's stated foreign policy orientation, Asian countries dominate Vietnam's trade and investment statistics. In addition to being by far the largest supplier of foreign assistance with over \$1 billion in development loan commitments (focused primarily on infrastructure projects), Japan is Vietnam's largest trade partner, followed closely by Singapore. Table 1 lists Vietnam's five largest trade partners for 1993. Table 2 lists Vietnam's largest sources of foreign investment.

**Table 1: Vietnam's Largest Trading Partners in 1993**

Dollars in billions	
Partner	Total trade
Japan	\$1.72
Singapore	1.33
South Korea	0.82
Hong Kong	0.65
France	0.46
Others	3.23
<b>Total</b>	<b>\$8.21</b>

Source: International Monetary Fund.

**Table 2: Five Largest Sources of Foreign Direct Investment in Vietnam (as of December 1994)**

Dollars in billions	
Source	Commitments
Taiwan	\$1.96
Hong Kong	1.79
Singapore	1.07
South Korea	0.88
Japan	0.78

Source: Vietnam State Committee for Cooperation and Investment.

<sup>4</sup>An additional \$2 billion was reported as pledged at the second annual donors conference in November 1994, but complete information on these pledges was not immediately available.

<sup>5</sup>The 1988 figure, including ruble-denominated trade, was provided by the Central Intelligence Agency. The 1993 number was provided by the International Monetary Fund.

In addition to Japan, other governments in the region have resumed full diplomatic relations with Vietnam and are taking other steps to facilitate growth in commercial relations. For example, during his 1994 visit, Australia's Prime Minister announced plans to provide about \$200 million (in Australian dollars) in assistance to Vietnam over the ensuing 4-year period. One objective of this assistance is to promote Australian private sector success in Vietnam. The government of Taiwan has also pledged a substantial amount of assistance and, under its recently announced southward trade and investment policy, has encouraged Taiwanese companies to become engaged in Vietnam, along with other Southeast Asian countries. Countries outside of the region, most prominently France, have undertaken similar efforts. France's President has visited Vietnam, and France is providing Vietnam economic assistance and export credits.

## The United States Has Taken Significant Steps Toward Full Relations With Vietnam, but Constraints Remain

The United States and Vietnam have not yet established full diplomatic relations. However, since 1991 the United States has taken several steps toward resuming full relations. In April of that year, the United States presented Vietnamese officials with a "road map" outlining a series of actions to be taken by Vietnam to assist in resolving the POW/MIA issue and the unsettled situation in Cambodia and to facilitate emigration for persons in detention in Vietnam due to their association with the pre-1975 U.S. war effort. Progress in these areas on the Vietnamese side would be met by a series of specific U.S. steps toward expanded relations. While not specifically embracing the road map, the Clinton administration has stated that additional movement toward full relations would depend on tangible progress in specific areas of concern regarding the POW/MIA issue.

Beginning in 1991, the U.S. government permitted (1) financial institutions to transfer remittances from Vietnamese-Americans back to their families in Vietnam and (2) travel service providers to arrange travel to Vietnam. During 1992, the U.S. government liberalized controls on NGO operations and permitted U.S. companies to establish telecommunications links with Vietnam, provide goods and services addressing basic human needs, and sign executory contracts, in anticipation of the end of the embargo.

In 1993, the United States ended its opposition to resumption of IFI lending and shortly thereafter permitted U.S. companies to participate in IFI-funded projects. In February 1994, the President announced a decision to expand the official U.S. presence in Vietnam to the level of a liaison office (pending resolution of technical issues discussed later in this report) and to end the trade embargo.

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In practical terms, the end of the embargo meant that persons subject to U.S. jurisdiction were now free to engage in business with Vietnam. The end of the embargo was accompanied by a downgrading of Vietnam's classification for export control purposes. Most U.S. exports to Vietnam can now be made without restriction.<sup>6</sup>

The two countries announced the opening of liaison offices in each other's capitals at the end of January 1995. These offices will have small staffs (e.g., 11 U.S. State Department personnel in Hanoi) and will be headed by officials with the rank of consul-general, rather than ambassador. They will, however, conduct most consular and other functions (e.g., economic reporting) on a limited scale.

Though other legal constraints remain, the Foreign Operations Appropriations Act for Fiscal Year 1995 removed certain of the outstanding prohibitions on activity within Vietnam by a number of U.S. agencies, including the U.S. Agency for International Development (USAID), the Trade and Development Agency, the Overseas Private Investment Corporation, and the Eximbank. The act omitted language included in prior appropriations acts that specifically prohibited direct and indirect assistance to Vietnam and repealed similar language that had been included as section 13 of the State Department Appropriations Authorization Act of 1973.<sup>7</sup> These changes built upon the executive branch's existing authority to establish a diplomatic presence in Vietnam and take some other actions. Other legal constraints, discussed below, continue to limit development of U.S. relations with Vietnam.

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## U.S. Private Interests Are Building Relations With Vietnam

Even before the trade embargo was lifted, U.S. companies, NGOs, and Vietnamese-Americans had begun to build relations with Vietnam, as permitted under regulations in effect during that time. These relationships have continued to grow. According to the American Chamber of Commerce in Vietnam, approximately 30 U.S. companies had established offices in Vietnam by the time the embargo was lifted, and the number has grown steadily since that time. During 1993, U.S. companies exported products valued at less than \$7 million to Vietnam, but this total increased to about \$156 million for the first 11 months of 1994. The total stock of

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<sup>6</sup>For export control purposes, Vietnam is now in the same country group as Russia. Commerce Department officials noted that restrictions may still be applied to some exports—for example, high-powered computers that may have potential for applications in nuclear weapons programs.

<sup>7</sup>In 1990, Congress repealed an explicit prohibition on Public Law-480 food assistance to communist countries, including Vietnam.

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U.S. investment commitments rose from nothing prior to the embargo's being lifted to a reported \$270 million as of December 1994.

U.S. companies seeking opportunities or already doing business in a variety of sectors in Vietnam include Fortune 500 companies as well as smaller firms. Petroleum products companies figure prominently because of interest in production from offshore oil fields, including some in or near the disputed territory in the South China Sea. Others include service companies (e.g., consulting, construction, banking, and insurance) and companies selling manufactured goods ranging from aircraft to pharmaceuticals and other consumer products.

Some U.S. NGOs were involved in Vietnam through the 1980s. However, their presence has grown significantly in recent years. From 1990 through 1994, the number of U.S.-based NGOs reporting operations in Vietnam rose from 49 to 73. One official estimated the value of U.S. NGO operations in Vietnam during 1993 at approximately \$15 million. Overall, officials in Vietnam estimated that more than 200 foreign NGOs operated programs valued at about \$50 million during 1993. U.S. NGOs formerly focused on health and education/exchange programs in order to comply with U.S. restrictions, but now that restrictions have been removed the focus has already broadened to include long-term development issues.

The Vietnamese-American community, estimated to number over 750,000 people, is made up largely of refugees and others who left Vietnam under adverse circumstances. Vietnamese-Americans have maintained substantial links to family and friends in Vietnam, sending back hundreds of millions of dollars each year in cash and goods and visiting with some frequency. Estimates of both remittances and travel vary considerably. However, we were told that Vietnamese government sources estimated that 1993 remittances amounted to about \$600 million and that about 87,000 overseas Vietnamese visited Vietnam during that year. Vietnamese-Americans have also begun to sponsor NGO activities focusing on humanitarian assistance and educational and cultural exchange and are moving in greater numbers to establish business relations with Vietnam. Although the community has generally opposed movement toward increased official U.S. ties with Vietnam, the intensity of that opposition has declined to some extent in recent years. Nonetheless, Vietnamese-American leaders continue to urge the United States to seek improvements in democracy and respect for human rights before fully normalizing relations with Vietnam.

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## U.S. Government Engagement With Vietnam

Even before the embargo was lifted, the U.S. government had already engaged with Vietnam in a number of discrete areas. The most prominent of these interactions have centered on POW/MIA resolution, the Orderly Departure Program, and bilateral assistance programs. The United States has also been contributing assistance to Vietnam through its share of support for multilateral organizations active in that country. While continuing to emphasize the necessity for continued progress toward resolution of outstanding POW/MIA cases, U.S. officials have sought to expand the scope of bilateral relations.

The priority that continues to be attached to the POW/MIA issue is reflected in U.S. search and identification activities. While exact numbers are not available, Department of Defense officials estimated total fiscal year 1994 expenditure on such activities at about \$59 million.<sup>8</sup> According to Department officials, expenditures for related activities within Vietnam totaled more than \$11 million in fiscal year 1994. Among other things, this total includes expenditures for Vietnamese personnel assisting in joint field activities, helicopter services provided by Vietnam, and per diem for U.S. personnel on temporary duty in Vietnam.

With congressional support, the executive branch has established a number of bilateral assistance programs in Vietnam. In commenting on a draft of this report, State and Defense Department officials emphasized the linkage between U.S. humanitarian efforts in Vietnam and Vietnamese cooperation in resolving outstanding POW/MIA cases. U.S. bilateral programs have included USAID-funded assistance to victims of war and displaced children (valued at about \$10.4 million during fiscal years 1991-94) and State Department-funded assistance to NGOs assisting refugees returning to Vietnam (\$4.3 million through fiscal year 1994).

The U.S. government has also supported a number of programs aimed at such purposes as encouraging Vietnam's transition toward democracy or development of free markets, or building foundations for greater U.S.-Vietnamese understanding. For example, the National Endowment for Democracy is currently providing about \$580,000 to five different grantees for such purposes as training Vietnamese legislators and journalists. The Asia Foundation devoted about \$336,000 of its 1994 congressional grant to relevant programs, including support for grantees working to improve

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<sup>8</sup>This figure includes expenditures on resolution of POW/MIA cases stemming from U.S. involvement in Vietnam, as well as other conflicts such as the Korean War and World War II. It does not include regular pay and allowances for U.S. military personnel working on these issues.

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Vietnam's legal, financial and monetary systems.<sup>9</sup> In addition to supporting Vietnamese-language broadcasting, the United States Information Agency also funds Fulbright scholarships for Vietnamese students studying in the United States. Total funding since 1992 has been about \$4.3 million, including support for the program's recent expansion to include U.S. scholars going to Vietnam.

The United States has not actively participated in international discussions concerning economic assistance for Vietnam. Nonetheless, the United States is an indirect source of development assistance to Vietnam through its contributions to the IFIs and the United Nations. In 1993, the estimated U.S. pro-rated share of aid pledged to Vietnam by multilateral organizations exceeded \$170 million. This estimate should not be regarded as precise since it is not possible to establish a direct link between U.S. contributions to each organization and specific activities in Vietnam.

The recent opening of liaison offices came only after resolution of two technical issues: (1) consular access to U.S. citizens incarcerated in Vietnam and (2) compensation to the United States for 22 diplomatic properties expropriated by the Vietnamese.

Consular access became an issue because Vietnam officially permits its citizens to renounce their citizenship only by approval of the government. The government therefore regards naturalized U.S. citizens of Vietnamese origin as citizens of Vietnam. This issue was resolved through an agreement permitting U.S. officials to see U.S. passport holders within 96 hours of their being detained by Vietnamese authorities.

Regarding the diplomatic properties in Vietnam, U.S. and Vietnamese negotiators arrived at an agreement wherein compensation will be provided to the United States through (1) outright return of 5 properties, (2) cash compensation for 12 properties, and (3) exchange of the remaining 5 for equivalent properties in Vietnam. To ensure that these properties would be valued at fair market rates, the State Department employed the services of valuation experts from internationally recognized real estate firms.

At the time the liaison offices were opened, the Department of State also announced the successful conclusion of negotiations aimed at obtaining

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<sup>9</sup>The East-West Center, a think-tank associated with the University of Hawaii, also receives substantial support from the U.S. government, and is currently working with Vietnamese scholars on a variety of development issues. According to the Center, however, all of its work with Vietnam is supported by grants from private foundations.

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compensation for about \$209 million in claims (including interest) by U.S. private sector claimants and the Overseas Private Investment Corporation for losses incurred due to Vietnamese expropriation. The private claims, amounting to about \$204 million of this total, were adjudicated by the U.S. Foreign Claims Settlement Commission under a statutory program that ended in 1985. Payment to claimants came from more than \$350 million (including interest) in blocked Vietnamese assets held in U.S. financial institutions since 1975. Vietnam took possession of the assets that remained after U.S. claims were satisfied.

Negotiations are still ongoing concerning agreement on a repayment plan for more than \$150 million in official debt owed to the U.S. government by the former Republic of Vietnam. While Vietnam recognized its obligation to pay the official debt of the former Republic of Vietnam in Paris Club negotiations during 1993, these negotiations have proceeded slowly, and matters are not yet resolved. The United States has also initiated a dialogue on human rights with Vietnam.

In addition, State and Transportation Department officials are pursuing the establishment of civil aviation links between the United States and Vietnam. However, differing views on market access seem likely to delay the initiation of regularly scheduled service between the two countries for some time. U.S. negotiators are seeking to establish a bilateral relationship based on open competition, while Vietnamese negotiators seek to strictly limit market access.

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## Statutory Constraints Remain

A complex set of statutory constraints continues to bar U.S. foreign assistance and trade support agencies (USAID, the Trade and Development Agency, the Overseas Private Investment Corporation, and the Eximbank) from operating in Vietnam and otherwise restrict expansion of U.S.-Vietnamese relations.<sup>10</sup> Many of these constraints may be overcome if the executive branch determines that certain conditions have been met. Congressional notification and/or concurrence is required in some instances—including for any proposals for USAID activity in Vietnam.

The most well-known of the remaining constraints is the Jackson-Vanik amendment (section 402 of the Trade Act of 1974, as amended). Under this provision, the United States cannot award most-favored nation (MFN) trade

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<sup>10</sup>USAID programs in Vietnam to date have been limited to categories wherein successive appropriations acts have permitted assistance to be provided “notwithstanding any other provision of law.”

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status, extend official credits or investment guarantees,<sup>11</sup> or conclude commercial agreements with nonmarket economies unless they are found to provide their citizens with the freedom to emigrate. The President can overcome this provision either by issuing a report to Congress indicating that the conditions listed in the law have been satisfied or by waiving application of the conditions on the basis of his determination that the waiver will substantially promote the amendment's objectives. Determinations of full compliance must be renewed every 6 months, while waivers must be renewed annually. The waiver authority provided by the amendment has been used on several occasions—for example, for the People's Republic of China. Provision is made in the law for Congress to disapprove determinations of compliance or waivers by joint resolution. In addition, MFN status cannot be granted until the United States and Vietnam conclude a trade agreement approved by both houses of Congress. Such an agreement must include a reciprocal grant of MFN status and other specified provisions (e.g., protection for intellectual property). Even if Vietnam becomes a full member of the World Trade Organization, the United States cannot accord MFN status to Vietnamese exports until the requirements of Jackson-Vanik are met.

In addition to Vietnam's ineligibility for MFN status, Vietnamese access to the U.S. market is further limited by Vietnam's ineligibility for participation in the Generalized System of Preferences. This program provides duty-free access to the U.S. market for developing country products. Countries' participation in the program is conditioned on a variety of factors. Some, including progress toward adequate worker rights protection, may be waived by the President if he determines that this is in the national economic interest of the United States. Other factors, however, including some that apply specifically to Communist countries, cannot be waived. These include the precondition that a country have MFN status with the United States and be a member of the General Agreement on Tariffs and Trade (now succeeded by the World Trade Organization).

Section 620(f) of the Foreign Assistance Act prohibits assistance (including through the Trade and Development Agency and the Overseas Private Investment Corporation) to Communist countries (including Vietnam) unless the President makes certain determinations or exempts a country from application of this provision on the grounds that such a

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<sup>11</sup>Affected credit programs include those provided through Eximbank and the Department of Agriculture. However, Agriculture officials pointed out that legal restrictions on credit do not apply to a number of programs in which food is donated or otherwise provided to other countries through outright subsidization. This includes the USDA's Export Enhancement Program and others aimed at promoting exports of particular commodities.



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move is important to U.S. national interests. The matters to be determined are that (a) the assistance is vital to U.S. security, (b) the country is not controlled by the international Communist conspiracy, and (c) assistance will promote independence from international Communism. The law also suggests that progress in fostering democracy and respect for human rights be one of the factors weighed in considering assistance to countries that the President has exempted from application of this section. Action has been taken under this provision on several occasions—for example, for China during 1985 and for certain Eastern European countries and the Soviet Union during 1989-91. In addition, the Eximbank is specifically prohibited by its authorizing legislation from doing business in Marxist-Leninist countries, but this restriction may also be waived by the President if it is determined that proposed transactions are in the U.S. national interest.

Foreign assistance legislation also prohibits assistance to countries with which the United States has severed diplomatic relations or that have (1) expropriated U.S. property without just compensation or (2) defaulted on loan repayments.<sup>12</sup> While the United States and Vietnam have reached an agreement with regard to expropriated U.S. property, the two countries still do not have full diplomatic relations, and, as already noted, negotiations aimed at addressing outstanding Vietnamese debt to the United States have not yet been concluded.

In the International Monetary Fund and the World and Asian Development Banks, the United States abstains from voting on proposals for assistance to Vietnam—except for projects addressing basic human needs. In the case of the Fund, this policy was adopted in compliance with the Gramm amendment (section 43 of the Bretton Woods Agreement Act, as amended), which requires the United States to actively oppose Fund credit facilities for Communist dictatorships. However, the amendment contains a mechanism that allows U.S. support for individual proposed loans if the executive branch certifies to Congress that such loans meet certain criteria. These criteria are that loans (1) assist in correcting balance of payments difficulties, (2) advance market-oriented forces, and (3) are in the best economic interests of the majority of the population. This voting pattern was extended to the banks as well as a matter of policy.

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<sup>12</sup>Regarding countries with which the United States has severed diplomatic relations, see section 620(t) of the Foreign Assistance Act of 1961, as amended. Regarding expropriated property, see section 620(e) of the Foreign Assistance Act of 1961 as amended (the Hickenlooper Amendment) and section 527 of the Foreign Relations Authorization Act for Fiscal Years 1994 and 1995 (the Helms Amendment). Regarding delinquent loans, see section 620(q) of the Foreign Assistance Act of 1961 and section 512 of the Foreign Operations Appropriations Act for Fiscal Year 1995 (the Brooke Amendment).

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A number of other constraints also exist. For example, Eximbank and the Department of Agriculture can only provide credit to countries that they deem to be acceptable credit risks—an uncertain issue for Vietnam at the present. In addition, the Overseas Private Investment Corporation can only operate in countries where it has determined that substantial progress is being made toward providing adequate protection for internationally recognized workers rights unless the President waives this restriction in the national economic interest.

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**Several Features of Normal U.S. Relations With Developing Countries Are Absent With Vietnam**

The United States and its trading partners typically seek to protect their commercial interests in each other's territories through multilateral and bilateral agreements regulating trade, investment, and taxation practices. Because Vietnam does not belong to the World Trade Organization and has concluded no bilateral agreements with the United States in these areas, there is no international mechanism in place to regulate or protect U.S. business interaction with Vietnam.

U.S. businesses in other countries can also typically benefit from (1) the information and advocacy services provided by the U.S. Foreign and Commercial Service and the Foreign Agricultural Service, (2) the credit facilities of the Eximbank and the Department of Agriculture, (3) investment insurance and other services through the Overseas Private Investment Corporation, (4) feasibility studies and other activities by the Trade and Development Agency, and (5) a number of types of activities undertaken by USAID. However, legal restrictions and administration policy keep these other agencies inactive in Vietnam for the most part. For example, the U.S. and Foreign Commercial Service and the Foreign Agricultural Service do not have personnel permanently assigned to Vietnam. However, current policy does permit them to assist U.S. businesses in a more limited fashion—for example through written and electronic communications with Vietnam and ad hoc travel.

The U.S. policy of abstaining on most IFI votes on assistance to Vietnam limits U.S. influence on the courses of action recommended to Vietnam by these agencies. Since USAID is not active in Vietnam, the United States also does not contribute to dialogue on Vietnamese policy making through this agency's operations.

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## U.S. and Vietnamese Interests in Bilateral Relations

Relations between the United States and Vietnam continue to be troubled by the aftermath of the armed conflict between the two countries that ended 20 years ago. U.S. decisionmakers continue to agree that highest emphasis should be placed on obtaining tangible progress toward obtaining the fullest possible accounting for U.S. service personnel still unaccounted for as an underlying requirement for forward progress in U.S.-Vietnamese relations. Executive branch officials, for example, stated that the decisions to end the embargo and open liaison offices were made only after concluding that significant tangible progress was being made on this issue. Similarly, executive branch officials concluded that these actions would contribute to further progress being obtained.

Although this issue remains the focal point of official U.S.-Vietnamese interaction, the United States and Vietnam each have a number of other interests in pursuing improved bilateral relations. Both have commercial and security interests, while the U.S. agenda also includes promotion of democracy and respect for human rights.

In the commercial area, a number of U.S. companies and business organizations have pointed to opportunities in the Vietnamese market. In a survey by the U.S.-ASEAN Business Council, 110 companies estimated that they expected more than \$8 billion in trade and investment opportunities in Vietnam over the next 5 years. The projected points of concentration in this universe reflect portions of Vietnam's national agenda for investment for development. They include the power sector, transportation, road construction, and telecommunications, as well as the oil and gas sector. Services and consumer goods are also expected to offer opportunities. While name brand recognition is often already high for U.S. products, private sector representatives pointed out that firms that successfully establish themselves in this new market at an early date may have an advantage over their later-arriving competitors. Vietnamese officials have indicated that American products are welcome, while adding that U.S. capital, technology, and management expertise are highly valued in Vietnam. Aviation, oil and gas, and telecommunications are singled out as sectors where access to superior U.S. technology is highly desired.

For their part, Vietnamese officials believe that the United States can be a lucrative market for Vietnam's exporters, just as it has proven to be a key market for other developing countries in Asia. This will be especially true if the United States grants Vietnam MFN status. U.S. imports from Vietnam were reported to amount to about \$48 million during the first 11 months of 1994, with coffee accounting for nearly 60 percent of this total. However,

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the Vietnamese garment industry is growing, and, if the example set by other Asian success stories is followed, Vietnamese exports of apparel, electronics, and other labor-intensive products can be expected to rise rapidly. In addition, while retaining, to a degree, the suspicions held over from a prior era, Vietnamese authorities are anxious to benefit from the assistance that can be provided by Vietnamese expatriates, especially technical and managerial skills that are lacking in Vietnam. Improved relations with the United States may facilitate Vietnamese access to this expertise.

In the security area, the United States shares Vietnamese interest in maintaining stability in the region. The United States has increased its overall foreign policy emphasis on the Asia-Pacific region, largely because of the United States' increased stake in the area's economic growth. In this context, the United States has renewed its commitment to maintaining peace and stability in the region. While maintaining a military presence in the region, the United States has supported development of new regional mechanisms to avoid conflict. These include the ASEAN Regional Security Forum, which includes the United States and Vietnam, as well as China and others in the region. Peaceful settlement of the regional dispute over the Spratly Islands and other issues involving Vietnam that may arise is in the interest of the United States. One motivating factor behind Vietnam's efforts to develop better relations with the United States is the balancing effect that a U.S. presence can have on Chinese and Japanese influence in Southeast Asia.

Promoting progress toward democracy and protection for human rights in other countries is an established U.S. foreign policy goal. Vietnamese officials have indicated that they will discuss these issues with U.S. representatives, although their concepts in these areas differ from those held in the United States. U.S. government and other analysts commented that part of the rationale for moving forward with Vietnam is that opening Vietnam to the world community generally, and U.S. involvement specifically, will foster the spread of more democratic political thought.

As stated in the Foreign Assistance Act and related legislation, concern for the welfare of the poor is also a traditional element in U.S. foreign policy. International organizations as well as Vietnamese sources report that poverty continues to be a severe problem in Vietnam. For example, malnutrition rates among children are very high. Vietnam already has the thirteenth largest population in the world, and current population growth is adding about 1 million new Vietnamese to the population each year,

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while the quality of social services, including health care and education, has declined.

U.S. officials also share with their Vietnamese counterparts concern about potential growth in drug trafficking both within and through Vietnam from the nearby golden triangle opium-producing region. Finally, Vietnam currently lacks the capacity to address major environmental problems that have national and international implications, including ongoing deforestation and destruction of fertile soils.

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## Vietnam Faces an Uncertain Future

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### Prospects for Economic Progress

Many U.S. and foreign analysts believe that Vietnam has the potential to become the next dynamic Asian economy. Among other considerations, these analysts cite (1) continued progress in the Doi Moi reform program; (2) steady 6 to 8 percent rates of gross domestic product growth in recent years while keeping inflation under control;<sup>13</sup> (3) the relatively high quality of Vietnam's plentiful, low-cost labor force; and (4) the geographic location of Vietnam, surrounded by others that have achieved remarkable economic successes in recent years, such as Malaysia, Indonesia, Thailand, and southern China.

While economic trends suggest that Vietnam is on course to accomplish its goal of doubling its gross domestic product during the 1990s, this is not a foregone conclusion. While noting positive aspects of the situation in Vietnam, U.S. and foreign analysts also point out that the country is still plagued by problems that developed during decades of war and communist economic policies. These include an inadequate physical infrastructure; legal and financial systems that, despite recent reform measures, cannot support a modern market economy; and bureaucratic obstacles that include unclear lines of authority and corruption. While Vietnam will continue to require substantial infusions of foreign capital from both private and official sources to accomplish its goals, actual commitments from both sources have lagged behind announced pledges. One Vietnamese official commented that less than one-quarter of announced private foreign investments have been realized so far.

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<sup>13</sup>Inflation has become a problem recently, however. For example, prices reportedly increased by more than 7 percent during the first 2 months of 1995.

Even if Vietnam does achieve its goals, it will remain a relatively small market in the near term. Table 3 provides a basis for comparing Vietnam's potential economic significance to the United States with the relative significance of some other countries in the region. The table also gives some indication of the importance that Vietnam might someday assume. As the table shows, the United States has a trade deficit with all of these countries.

**Table 3: Vietnam's Trade With the United States Compared With That of Other Asian Countries (1993)**

Dollars in billions				
Country	Population in millions	Total trade	Exports to U.S.	Imports from U.S.
Vietnam	72	\$ 8.2	•	•
Indonesia	191	65.2	\$ 5.2	\$ 3.3
Philippines	64	29.2	4.3	3.6
Thailand	58	83.2	8.0	5.4
Malaysia	19	92.6	9.6	7.7
Hong Kong	6	273.7	31.2	10.3
China	1,188	195.5	17.0 <sup>a</sup>	10.6
Singapore	3	159.5	15.1	14.0
South Korea	44	167.9	18.1	17.9

<sup>a</sup>U.S. figures show a much higher volume of Chinese exports to the United States, largely because China counts many goods shipped to the United States through Hong Kong as exports to Hong Kong. In 1993, the United States reported receiving about \$31.2 billion in exports from China and \$10 billion from Hong Kong.

Sources: International Monetary Fund and, for Vietnam and Hong Kong populations, the Central Intelligence Agency. Population figures for countries other than Hong Kong and Vietnam are for 1992.

## Status of Human Rights and Democratic Development

According to academic studies and reports by human rights advocates, Vietnam has stated that it is committed to the rule of law, and the government allows some latitude for criticism of its policies. Among other reported improvements, the revised labor code recognizes the right of workers to go on strike. However, human rights advocates and U.S. officials point out that implementation of improved legal systems has been inadequate, the country remains a one-party state, and basic challenges to the leadership role of the Communist party are not tolerated. The government has been criticized for undue interference with the exercise of religious freedom within Vietnam and for other violations of human rights.

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In commenting on the future in Vietnam, some analysts observed that the Communist party enjoys a high degree of legitimacy as the party that led Vietnam to independence and national unity and that no other force is likely to mount a serious challenge to party leadership in the foreseeable future. Vietnamese and outside observers commented that the government and the party have adopted a pragmatic approach to managing change that is aimed at achieving economic growth while maintaining the party in power. Vietnamese officials refer to the free-market, single-party development paths followed by states like Singapore and Taiwan for object lessons for Vietnam. However, the Communist party's commitment to development of a market economy cannot be viewed as unequivocal because the party is concerned with the potential consequences, including demands for greater political and personal freedom.

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## Role in Regional Affairs

Though it traditionally played a dominant role in Indochina, Vietnam's current poverty severely limits its ability to exert influence in regional affairs, militarily or otherwise. Its most threatening potential adversary, China, possesses overwhelming military and economic resources. Vietnam may eventually establish a leadership role within an expanded and strengthened ASEAN but is not currently in a position to exercise substantial influence on its own accord.

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## Pace of Forward Movement

Executive branch officials and other analysts commented that the pace at which the administration moves toward expanded bilateral ties will depend largely on U.S. conclusions regarding developments within Vietnam.

Administration officials emphasized that progress on the POW/MIA issue remains the foremost consideration in evaluating possible additional steps forward. The administration has predicated further progress toward full relations on progress in specific areas of concern within this general issue, including recovery and repatriation of American remains, resolution of outstanding last-known-alive discrepancy cases,<sup>14</sup> trilateral investigations along the Lao-Vietnamese border, and recovery of relevant documentation from sources inside Vietnam. Increased respect for human rights and

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<sup>14</sup>These are individuals whose fate remains unknown, but who were alive when last in contact with U.S. forces, and with regard to whom intelligence indicates that the government of Vietnam should be able to either provide substantial information concerning their fate or recover their remains. One example would be an individual who parachuted from a disabled aircraft in the immediate vicinity of North Vietnamese ground troops but was never officially reported as killed or captured by North Vietnam.

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movement toward democracy within Vietnam are also viewed as key concerns when considering additional steps, such as granting MFN status or inaugurating activity by Eximbank and other agencies. While not at the center of current discussions, U.S. commercial and security concerns are also factors in the debate on the future of U.S.-Vietnam relations.

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## Agency Comments and Our Evaluation

We discussed a draft of this report with representatives from the Departments of State and Defense, and both Departments provided written comments, reproduced in their entirety in appendixes I and II, along with our specific evaluations of individual comments. Both agencies emphasized that progress on the POW/MIA issue has been the foremost consideration in U.S. diplomatic initiatives regarding Vietnam. We believe that the report makes clear the linkage between executive branch actions and the POW/MIA issue. The agencies also suggested some clarifications and provided additional details, particularly with regard to the recent history of U.S.-Vietnamese negotiations. These suggestions have been incorporated into the report where appropriate.

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## Scope and Methodology

To obtain information for the report, we interviewed and collected documentation from officials of the U.S. and Vietnamese governments in Washington, D.C., and New York, and from the embassies of Japan, Korea, Australia, France, Indonesia, and Malaysia, and the Taipei Economic and Cultural Relations Office. We spoke with representatives of U.S. companies doing business, or interested in doing business, in Vietnam. We also spoke with officials of business groups, IFIs and the U.N., NGOs with operations in Vietnam, individuals and groups concerned with the POW/MIA issue, representatives of the Vietnamese-American community, and academics who have studied Vietnam and international affairs in Southeast Asia in general. We did not evaluate the efficacy of U.S. and Vietnamese efforts toward resolution of the POW/MIA issue.

We conducted this review from February 1994 through January 1995, in accordance with generally accepted government auditing standards.

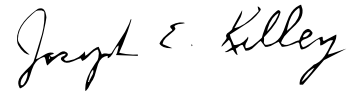
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We are sending copies of this report to the Secretaries of State and Defense. We will also make copies available to others upon request.



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If you or your staff have any questions concerning this report, I can be reached on (202) 512-4128. Major contributors to this report are listed in appendix III.

A handwritten signature in black ink that reads "Joseph E. Kelley". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Joseph E. Kelley  
Director-in-Charge  
International Affairs Issues

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# Contents

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Letter		1
Appendix I Comments From the Department of State		26
Appendix II Comments From the Department of Defense		29
Appendix III Major Contributors to This Report		33
Tables	Table 1: Vietnam's Largest Trading Partners in 1993	7
	Table 2: Five Largest Sources of Foreign Direct Investment in Vietnam	7
	Table 3: Vietnam's Trade With the United States Compared With That of Other Asian Countries	20
Figure	Figure 1: The Asia-Pacific Region	4

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## Abbreviations

ASEAN	Association of Southeast Asian Nations
IFI	international financial institution
NGO	nongovernmental organizations
MFN	most-favored nation
POW/MIA	prisoner of war/missing in action
USAID	U.S. Agency for International Development

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# Comments From the Department of State



United States Department of State

Washington, D.C. 20520

DEC 13 1994

Dear Mr. Hinton:

We are pleased, on behalf of the Chief Financial Officer, to provide the Department of State comments on your draft report, "U.S.-VIETNAM RELATIONS: Issues and Implications," GAO Job Code 711070.

If you have any questions concerning this response, please call Ms. Eunice Reddick, EAP/VLC, at 647-3133.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carolyn S. Lowengart".

Carolyn S. Lowengart  
Director  
Management Policy

Enclosure:  
As stated.

cc:  
GAO/NSIAD - Mr. Suda  
State/EAP/VLC - Ms. Reddick

Mr. Henry L. Hinton, Jr  
Assistant Comptroller General,  
National Security and International Affairs,  
U.S. General Accounting Office.

Appendix I  
Comments From the Department of State

SUBJECT: GAO Draft Report: "U.S.-VIETNAM RELATIONS: Issues and Implications," GAO Job Code 711070

We are submitting the following statement to clarify the role of POW/MIA accounting as the major issue in U.S.-Vietnam relations, particularly as it pertains to sections of the draft report on steps the U.S. has taken toward full relations with Vietnam (p. 11), U.S. and Vietnamese interests in the bilateral relationship (p. 24), and the pace of movement in bilateral relations (p. 32).

In April 1991 General John Vessey, the President's Special Emissary on POW/MIA, presented the Vietnamese with a step-by-step path to normalization, called the "Roadmap" policy.

This phased approach was adopted to provide the Vietnamese with an incentive for supporting POW/MIA accounting, and to ensure that all U.S. policy interests regarding Vietnam -- POW/MIA accounting, economic and humanitarian -- were adequately addressed.

Under the Roadmap policy, the U.S. identified three primary considerations for improving relations with Vietnam:

- cooperation with our efforts to achieve the fullest possible accounting for American POW/MIAs;
- Vietnamese cooperation and support for the Cambodia Peace Accords; and
- release of Vietnamese political prisoners detained in reeducation camps since 1975.

With the release of the last reeducation camp detainee and the successful implementation of the Paris Peace Accords, we focused on Vietnamese cooperation with our POW/MIA efforts as the primary issue in U.S.-Vietnamese bilateral relations.

In recognition of the positive actions taken by the Vietnamese, in 1992 and 1993 the U.S. undertook a series of measures, including changes in the U.S. embargo for Vietnam, which resulted in increased humanitarian assistance for Vietnam and economic activity between the two countries.

When he announced the lifting of the trade embargo on February 3, 1994, the President said the decision was based on his judgment that lifting the embargo would be the best way to promote further progress in accounting for our POW/MIAs. Consistent with the phased approach of U.S. Vietnam policy, he also stated that further steps in U.S.-Vietnam bilateral relations would depend on more progress toward the fullest possible POW/MIA accounting.

The four specific areas where POW/MIA progress is needed in order to advance the normalization process are:

- 2 -

- 1) Remains: Concrete results from efforts by Vietnam to recover and repatriate American remains.
- 2) Discrepancy Cases: Continued resolution of the fate of the individuals involved in the remaining discrepancy cases.
- 3) Trilateral Investigations: Further assistance from Vietnam in conducting investigations along the Lao-Vietnam border.
- 4) Documents: Accelerated efforts to provide POW/MIA-related documents.

As stated in the President's report to Congress on POW/MIA progress, released October 5, 1994, since the lifting of the trade embargo there has been tangible progress toward achieving the goal of the fullest possible POW/MIA accounting. That goal remains at the forefront of U.S.-Vietnam bilateral relations.

# Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

2400 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2400



23 DEC 1994

Mr. Joseph E. Kelley  
Director, International Affairs Issues  
National Security and International  
Affairs Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Kelley:

This is the Department of Defense (DoD) response to the General Accounting Office draft report, entitled "US-VIETNAM RELATIONS: ISSUES AND IMPLICATIONS," dated 21 November 1994 (GAO Code 711070), OSD Case 9816. The DoD partially concurs with the report.

While the DoD agrees with much of the information reported by the GAO, the Department would like to clarify that the U.S. did not enter into a "relationship" with Vietnam prior to the lifting of the embargo. The U.S. and Vietnam conducted discussions regarding issues of bilateral interest, principally on matters concerning the Prisoner of War/Missing In Action (POW/MIA) issue and on the Orderly Departure Program. However, while narrow discussions on issues of mutual interest were conducted, the U.S. did not have a formal and proper diplomatic relationship, with the paraphernalia of diplomatic representation in place.

The draft report does not accurately reflect the process that prompted some of the more critical foreign and domestic policy changes put in place by the Government of Vietnam. International reaction to the Vietnamese invasion of Cambodia, including (1) the U.S. embargo against Vietnam, (2) Australian, Japanese and Swedish cessation of assistance programs, and (3) concerted international denunciations of Vietnam's military aggression against Cambodia, left Vietnam increasingly isolated. These factors eventually convinced Vietnam to withdraw its troops from Cambodia, and join regional and international efforts to identify the terms according to which the Cambodian conflict could be resolved. Vietnam's isolation, which drove the country into the increasingly firm embrace of the former Soviet Union, eventually led Vietnam's



See comment 1.

See comment 1.

leadership to the inescapable conclusion that serious economic reforms would be required to reverse the headlong down spin caused in large part by dependence on the former Soviet Union and excessive reliance on practices and policies mimicking the Soviet state-managed economy.

The summary of the exceptions to policy in specific portions of the embargo authorized between 1992 and 1994 contained in the draft report does not adequately describe the firm tie between those steps and the U.S. desire to elicit further POW/MIA cooperation from Vietnam. In short, the report does not represent the manner in which the Roadmap of April 1991 provided for making increasingly meaningful exceptions to the embargo in return for additional cooperation in efforts to account for missing American service personnel.

See comment 2.

The report should also reflect the fact that organized Vietnamese-American groups strongly oppose normalization with Vietnam on grounds that include concern over Vietnam's human rights practices. Many significant organizations and well-known political leaders of that community espouse the view that the U.S. should not enter into a relationship with Vietnam before the ruling party concedes to a plan for a democratic election. DoD does not agree that the level of opposition to normalization has declined. Rather, opposition has been modified by the realities of the current process of establishing ground-floor level relations with Vietnam, and in some ways has grown more politically sophisticated. In addition, the draft report should also reflect the fact that the USG's efforts in the areas of humanitarian prosthetics and child care assistance were implemented in an effort to convince the Vietnamese to improve their POW/MIA cooperation.

See comment 1.

See comment 3.

The GAO statement that the POW/MIA issue is "the most concrete expression of distrust that continues to exist between the Vietnamese and American peoples" does not adequately reflect the significant advances in the scope of cooperation on the POW/MIA issue that have taken place in the last three years. During that time, the Vietnamese invested considerable energy and resources in addressing U.S. concerns in the four areas where the U.S. believes additional progress can be made. Those four areas include (1) cooperation in joint field investigations of grave and crash sites, and live sighting investigations; (2) trilateral cooperation on the Lao-Vietnam border cases involving U.S. service personnel on Lao territory in the area in which the Vietnamese People's Army operated throughout the war; (3) unilateral work to

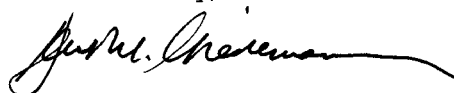


Appendix II  
Comments From the Department of Defense

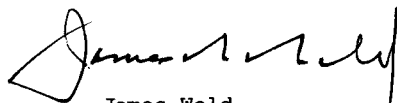
account for remains recovered by Vietnamese officials from wartime burial sites which have not been repatriated; and (4) archival research in wartime repositories for information pertaining to loss incidents, wartime burials, captivity of American service personnel. Although cooperation in areas (1) and (2) can be termed good to excellent, the general lack of response by the Vietnamese to our repeated government and NGO inquiries concerning area (3) constitutes a major point of contention for the families and veterans organizations. Concerning area (4), the Vietnamese are showing increased cooperation. With reservation as to the concern noted with respect to area (3), the distrust that characterized early interaction on this issue has been eroded, and replaced with a new confidence that allows both sides to work together productively.

The DoD appreciates the opportunity to comment on the draft report.

Sincerely,



Kent Wiedemann  
Deputy Assistant Secretary of Defense  
(Asian and Pacific Affairs)



James Wold  
Deputy Assistant Secretary of Defense  
(POW/MIA Affairs)

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The following are GAO's comments on the Department of Defense's letter dated December 20, 1994.

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## **GAO Comments**

1. Report text was modified to reflect this comment.
2. We agree that Vietnamese-American leaders continue to oppose normalization of U.S.-Vietnamese relations on democracy and human rights grounds. In the community at large, however, there has been some reduction in the intensity of opposition to taking steps toward normalized relations.
3. This statement has been deleted from the final report.

# Major Contributors to This Report

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**National Security and  
International Affairs  
Division, Washington,  
D.C.**

Benjamin Nelson  
Lawrence Suda  
Michael McAtee  
Dorena Rodriguez  
Richard Kelley

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