

TESTIMONY OF
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HOUSE COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TRADE

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Mr. Chairman, I would like to thank you for this opportunity to consult with you today about the Jackson-Vanik waiver for Vietnam. As you know I arrived in Hanoi a little over a year ago to take up my duties as U.S. Ambassador to Vietnam. This is an important posting for me personally as I am able to focus on the future and put the past, and the memories of my earlier years in Hanoi firmly behind me. More to the point, through the exchange of ambassadors the United States took another significant step in a process of incremental normalization of our bilateral relationship with Vietnam. On March 10 of this year, the United States took a step forward when the President signed a determination granting a Jackson-Vanik waiver for Vietnam. And earlier this month, the President decided to renew that waiver for a period of one year and has asked for Congressional concurrence.

The President made the decisions to grant, and later, to renew this waiver, first, because the Vietnamese Government had taken several positive steps to accelerate immigration processing as requested by the U.S., second, because it is in the national interest of the United States and, finally, because the waiver enhances U.S. foreign policy goals. The record unequivocally shows that incrementally building a bilateral relationship with Vietnam supports important foreign policy goals of the United States including POW/MIA accounting, freedom of emigration, human rights, regional stability and increased U.S. trade with Vietnam.

Whenever consideration is given to taking any step in normalizing our bilateral relationship with Vietnam, it is necessary to once again review progress in the issue of "fullest possible accounting" for our missing from the Vietnam War. On this point, I can assure you that no one in this Administration -- and certainly not I -- has forgotten, nor have we underestimated, the pain and suffering of those who have lost friends and loved ones in the Vietnam war. I personally expend a significant portion of my time as Ambassador directly working this issue and have consistently emphasized to the Vietnamese that obtaining the fullest

possible accounting of our missing continues to be the highest priority in our relations with Vietnam. Every senior American official who meets with Vietnamese government representatives stresses this point in order to ensure that there can be no misunderstanding of our position.

Vietnam does understand the importance of this issue to our government and to the American people and has been providing us excellent cooperation in our accounting efforts over the past several years. It was this excellent cooperation that enabled us to establish diplomatic relations in 1995 and to develop normal relations in other areas of mutual interest. On March 4 of this year, President Clinton issued a determination that Vietnam has been "cooperating fully in good faith" with us to account for our missing. This was the third time the President has validated Vietnam's cooperation.

Vietnam is a nation undergoing an enormous political, economic and generational transition. After years of self-imposed isolation from its neighbors and the West, Vietnam's leaders have adopted a policy of political and economic reintegration with the world. At the same time, they also embarked on a policy of domestic renovation, or "Doi Moi," which sought to reduce the role of central planning and encourage the development of a free market system, particularly in the agricultural and retail sectors. This policy unleashed a surge of economic growth in the 1990's and a steady stream of foreign investors and traders going to Vietnam to seek new business opportunities. Our policy of re-engagement with Vietnam builds on and supports these changes.

A prosperous Vietnam integrated into world markets and regional organizations will contribute to regional stability. In recent years, Vietnam has made significant strides in achieving regional integration by joining ASEAN in 1995, gaining membership to APEC in 1998, and laying the groundwork for its eventual accession to the WTO. The granting and continuation of a Jackson-Vanik waiver for Vietnam contributes to this positive trend.

Insofar as the objectives of the Jackson-Vanik amendment are concerned, renewal of the waiver will substantially promote greater freedom of emigration from Vietnam thus fulfilling the major objective of the amendment. I am confident that the prospect of a Jackson-Vanik waiver was an important factor last October in encouraging Vietnam to significantly modify its processing

procedures for the Resettlement Opportunity for Vietnamese Returnees (ROVR).

Specifically, Vietnam dropped its requirement for ROVR applicants to obtain an exit permit prior to interview by INS, a change that has greatly facilitated implementation of ROVR. Similarly, at the end of April this year, Vietnam modified its procedures for processing former reeducation camp detainees under the Orderly Departure Program (ODP), and, on June 3, Vietnam informed us that we may interview all Montagnard ODP cases using accelerated interview procedures. The prospects for renewal of the Jackson-Vanik waiver, it is clear to me, have favorably influenced Vietnam to continue to facilitate improvements in ODP processing. The current efficiency and acceleration of ODP processing demonstrates that the waiver is achieving its desired results.

It should be pointed out that in a broad sense, Vietnam has a solid record of cooperation over the last 10-15 years in permitting Vietnamese to emigrate to the U.S. Over 480,000 have emigrated to the U.S. via the Orderly Departure Program (ODP), and there are only about 6,900 ODP applicants remaining to be processed. With the changes in procedures I mentioned above, we anticipate that we will be able to complete interviews for applicants in several of the ODP sub-programs, including ROVR, by the end of 1998.

After a slow start initially, Vietnamese performance in implementing the ROVR agreement has improved dramatically this year. As of June 15, Vietnam has cleared for interview 15,322 or 82 percent of the 18,786 potential applicants. INS has interviewed 9,892 persons and 3,267 have departed for the U.S. under the program. Both sides are working to move people through the pipeline as quickly as possible. Vietnam has not yet provided clearance for 2,463 persons. However, it has provided an accounting for cases, comprising 1,001 persons, that it has not cleared for interview. These are the remainder of about 3,000 persons for whom we requested an accounting in January, 1998. We expect that a significant number of these will be cleared for interview once we are able to provide additional information to Vietnamese officials on these outstanding cases.

However, it should be noted that as we near the end of the caseload, we can expect a slowdown as we begin to process the remaining cases, many of which lack complete addresses or other pertinent information. Nevertheless, we will continue to seek information on these cases and an

accounting for any cases Vietnam cannot locate or finds ineligible.

Another area of concern for the U.S. is human rights, and we believe that engagement with Vietnam has produced tangible results. Vietnam does deny or curtail some basic freedoms to its citizens, including the freedom of speech, association and religion. There are a number of people in jail or under house arrest for the peaceful expression of their political or religious views. We have repeatedly told the Vietnamese that these practices are unacceptable. I personally press Vietnam for improvement in these areas at every opportunity and at the highest levels. Senior U.S. officials visiting Vietnam have brought our concerns to the attention of Vietnamese officials, as did Secretary Albright and Treasury Secretary Rubin during their visits to Vietnam last year. On May 26, our Assistant Secretary for Democracy, Human Rights and Labor, led the sixth session of our bilateral human rights dialogue here in Washington. In that meeting we raised both general human rights issues as well as specific detention cases of concern to us.

Continuing to engage Vietnam and encouraging greater openness and reform are the keys to improving its respect for human rights. I am convinced that Vietnam's contact with the outside world has led and will continue to lead to increased openness and relaxation of restrictions on personal liberty, in addition to improved access to information and foreign media. Since normalization, several jailed dissidents have been released. Over time, contacts via media, internet, trade and investment, travel and exchanges the Vietnamese will likely move closer to international standards and values relative to human rights.

Engagement, not isolation, is also the answer for U.S. business. U.S. business views Vietnam, the twelfth most populous country in the world with a population of nearly 78 million, as an important potential destination for U.S. exports and investment. U.S. exports to and investment in Vietnam ultimately translate into jobs for U.S. workers. To be successful, U.S. enterprises seeking to conduct business in Vietnam need access to the U.S. government trade support and investment promotion programs such as those offered by the Export-Import Bank (Ex-Im), the Overseas Private Investment Corporation (OPIC) and the U.S. Department of Agriculture (USDA) in order to compete on a level playing field with their foreign competitors who have access to similar programs. Withdrawal of the Jackson-Vanik waiver would deny these important programs to U.S. businesses

operating in Vietnam with the end result that the U.S. jobs that might have otherwise been created are lost.

Vietnam is, admittedly, still a difficult place to do business. After nearly a decade of economic reform, the pace of change has slowed in part due to the current Asian Financial Crisis and, to some extent, due to the slow decision-making process in Vietnam. While U.S. businesses are not optimistic about the near-term prospects for increased activity in Vietnam, many U.S. businesses remain active in Vietnam and anticipate improved prospects in the medium to long term. They believe the U.S. government has an important role to play in encouraging the government of Vietnam (GVN) to improve the country's business climate.

Vietnam needs to undertake additional fundamental economic reforms to create the free trade and open investment regimes that will allow Vietnam's economy to grow and compete internationally. Recent policy changes indicate that the Vietnamese leadership understands that the country's economic performance will suffer further unless it remains firmly committed to carrying out economic reform. This was confirmed to me during a one-on-one meeting with Vietnam's Prime Minister Khai on Monday this week. The U.S. government has consistently joined the international donor community in urging Vietnam to further reform state enterprises, the financial sector and the foreign exchange system, and to move ahead with trade liberalization.

The U.S. government is using a variety of levers to encourage Vietnam to undertake these reforms. We actively engage Vietnamese officials in an on-going dialogue on economic reform and necessary improvements to their country's business climate. Bilateral trade negotiations and WTO accession preparations provide leverage, holding out the prospect of possible MFN treatment in the future. These processes make available to us opportunities to obtain from the Vietnamese commitments to increase U.S. access to that country's markets and to make changes to their trade and investment regime that will directly benefit U.S. businesses.

Withdrawal of the waiver at this time would certainly derail our trade negotiations. As you know, a Jackson-Vanik waiver is one prerequisite for MFN trading status; the other is a completed bilateral trade agreement. Both are necessary if the United States is to support Vietnam's accession to the WTO. The waiver has already proved to be an useful tool to seek economic reform and to address U.S. businesses' difficulties in Vietnam. Shortly after the

waiver was granted in March, the Vietnamese demonstrated renewed interest in concluding the bilateral trade agreement by presenting a vastly improved proposal. Vietnam's first formal discussions on WTO accession were also set around that time. Vietnam would likely interpret our failure to renew the J-V waiver to mean that the United States is not a committed or credible party in these negotiations.

Extension of the Jackson-Vanik waiver for Vietnam directly benefits the United States by supporting continued Vietnamese cooperation and dialogue on our most important goals including POW/MIA accounting, emigration and human rights. Furthermore, it will enhance our ability to credibly promote comprehensive economic reform and greater international engagement on the part of Vietnam. Finally, by ensuring the continued availability of U.S. government programs such as those offered by Ex-Im and OPIC to U.S. business, the waiver will enable U.S. companies to compete effectively in this potentially lucrative market. As U.S. exports to and investment in Vietnam expand, more jobs for U.S. workers can be created.

During the 1980's, U.S. policy isolated Vietnam diplomatically and economically. In the 1990's, we have established diplomatic relations, exchanged ambassadors, and began to normalize our economic ties. We have made significant progress toward achieving our policy goals since we re-engaged Vietnam. I feel strongly that it is firmly in the U.S. interest to continue to build a new relationship with Vietnam on a solid foundation of cooperation on our priority interests.