



## Establishing Normal Trade Relations with Vietnam & Laos

By Andrew Wells-Dang

After years of negotiations, stalling tactics, and domestic political debate, the U.S. Congress is considering ratification of bilateral trade agreements (BTAs) with the Socialist Republic of Vietnam and the Lao People's Democratic Republic (Lao PDR or Laos) this summer. These agreements represent the culmination of the post-Vietnam War normalization process. Although the Vietnamese agreement is much more specific, both documents establish normal trade relations (NTR, previously called "most favored nation" status), lowering tariff levels from an average of 40% to less than 3%. The agreements also provide for expanded trade in services and protection of intellectual property rights.

The U.S. broke relations with Vietnam in 1975; however, ties with Laos continued unabated and have never been interrupted. After President Clinton lifted the

postwar embargo on Vietnam in 1994 and the two countries established diplomatic relations in 1995, negotiations began on a trade agreement. The agreement was signed in July 2000 after an agreement in principle was reached a year earlier. The Lao agreement was signed in December 1998.

NTR status is enjoyed by the vast majority of America's trading partners. The only other nations currently excluded are Afghanistan, Cuba, Libya, Iraq, and North Korea—none of which has normal diplomatic relations with Washington. Ratifying the Vietnamese and Lao BTAs gives no special mar-

ket access that other countries do not possess. Rather, it finishes the decade-long process of dismantling the system of cold war sanctions applied to America's former Southeast Asian enemies: sanctions that amounted to a continuation of the war by other means.

The Vietnamese and Lao BTAs are subject to different congressional procedures for ratification. Vietnam must follow the provisions of the 1975 Jackson-Vanik Amendment, requiring yearly congressional approval of a presidential waiver allowing trade. (President Bush recently extended the waiver for another year.) Since Laos's government did not become communist until December 1975, however, it falls outside the Jackson-Vanik provisions. Thus Vietnam's NTR status, if

approved, will be renewable on an annual basis. But Laos's new trade status will be permanent from the beginning. Another impact of Vietnam's Jackson-Vanik status is that Congress cannot amend its trade agreement, whereas it can make changes to the Lao BTA.

Both the Vietnamese and Lao agreements are part of President Bush's trade agenda, introduced by U.S. Trade Representative (USTR) Robert Zoellick in May. The USTR originally hoped to package the entire agenda together, including fast-track or "trade promotion authority," in an omnibus bill. Following the defection of Sen. James Jeffords, however, Senate Democrats clarified that they prefer to act on each item of the trade agenda separately. President Bush formally submitted the Vietnamese BTA on June 8, giving both houses of Congress 75 working days to respond. The Lao agreement has not yet been submitted, but may well be added as an amendment to other legislation. For instance, the proposals for NTR for Kyrgyzstan and Georgia were attached to the 2000 Miscellaneous Trade and Tariffs Bill once a consensus was reached to go ahead with these agreements.

Approval of the Vietnamese BTA should have a smoother ride through Congress than the Lao agreement. NTR with Vietnam enjoys clear bipartisan support from war veterans such as Sens. John Kerry (D-MA), Chuck Hagel (R-NE), and John McCain (R-AZ). President Clinton's landmark visit to Vietnam last year further raised the profile of emerging relations between the former enemies. And there is considerable interest among American businesses in investment in Vietnam's 80 million-person consumer market. Laos attracts much less attention from either the political or business standpoint, owing both to its small size and the still-unacknowledged realities of the secret U.S. war against large portions of the country. Nevertheless, according to Ted Posner, counsel to Sen. Max Baucus (D-MT), there is "no visible opposition" to the Lao agreement in the Senate Finance Committee; its passage is merely a matter of time and consensus building.

Some members of the House and Senate may still be tempted to attach a nonbinding "sense of Congress" resolution to either agreement or to add explicit conditions in the case of Laos. Changes in the Senate make passage of hostile amendments less likely, but the danger still exists of old-line conservatives once again blocking a change in U.S. policy. As normal relations between the U.S. and Southeast Asia continue to develop, however, cold war thinking resonates less and less, even among veterans and Asian-Americans.

### Key Points

- Congressional ratification of the bilateral trade agreements with Vietnam and Laos will complete the long-delayed normalization process with these two former U.S. enemies.
- Bilateral trade agreements are part of standard international practice and should not be confused with multilateral structures such as APEC, NAFTA, or the WTO.
- As normal relations between the U.S. and Southeast Asia continue to develop, cold war thinking resonates less and less, even among veterans and Asian-Americans.

# Problems with Current U.S. Policy

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After Vietnam invaded Cambodia in 1978 to drive out Pol Pot's Khmer Rouge, the U.S. sided with the Khmer Rouge and their Chinese allies in opposing Vietnamese occupation. The wartime trade embargo against North Vietnam was extended to include the unified Vietnam as well as Cambodia. There was no official embargo against Laos, but no aid was given. U.S. allies were pressured to go along with the sanctions, as with Cuba today. Meanwhile, certain veterans groups established and perpetuated the view that Americans were still being held alive in Vietnam after the war, symbolized by the black POW-MIA flag still flown at the U.S. Capitol and other government buildings. Despite acknowledged cooperation by Vietnam and Laos in the search for remains of the war dead, the POW-MIA myth helped postpone an end to the trade embargo until the mid-1990s.

With the support of the Clinton administration and members of Congress from both parties, substantial progress has been made since the lifting of the Vietnamese trade embargo in 1994. However, U.S. policy continues to be overly influenced by residual anticommunism and war-related emotions. Although veterans are divided regarding relations with Vietnam, one faction still promotes the POW-MIA line. Asian-Americans are also divided, and certain refugees from the former South Vietnam oppose any contact with the communist government and discount the economic and political changes that have transpired since the 1980s.

In Laos, members of the Hmong minority led by Gen. Vang Pao fought a CIA-backed war against the Pathet Lao in the 1960s and 1970s and have never given up hope of overthrowing the Lao government and returning to power. This group may be connected to several of the terrorist bombs in Laos in the past year and to a border raid from Thailand in July 2000. It was certainly behind the disappearance of two Hmong-Americans (one of them Vang Pao's nephew) who were apparently captured on the Thai-Lao border in April 1999 carrying large amounts of cash and other materials for the Hmong resistance.

Following this still-unresolved incident, supporters of Hmong-American groups formed the U.S. Congressional Forum on Laos, which has held a series of closed-door, secretive meetings on Capitol Hill beginning in 1999. This group has no formal link to the U.S. government but has gained support from members of Congress, including Reps. George Radanovich (R-CA), Dana Rohrabacher (R-CA), and Mark Green (R-WI). In the Senate, Bob Smith (R-NH) and Jesse Helms (R-NC) placed a hold on the appointment of a new ambassador to Laos and signaled their opposition to the trade agreement. As a result of this pressure, the State Department backed away from submitting the Lao BTA to Congress in 1999 and 2000.

Opponents of relations with Vietnam and Laos have also sought to use the issue of religious freedom as a means to defeat or postpone NTR. Both countries restrict operations of unofficial religious groups, just as they do independent labor unions or other local associations. In the absence of credible information, however,

it is sometimes difficult to separate actual discrimination from politically motivated exaggerations. At hearings conducted by the U.S. Commission for International Religious Freedom in February, the majority of Vietnamese-American and academic witnesses spoke in favor of the BTA, yet the commission (headed by former Reagan administration official Elliott Abrams) went on record against the agreement in its May report. The report threatened the imposition of sanctions if Vietnam and Laos did not improve their religious freedom records, and it suggested that ratifying the BTAs might send a signal to continue religious discrimination. This opposition has not been echoed by mainstream human rights organizations, which have not taken a position on the agreements.

Strongly worded criticisms of problems in Vietnam and Laos tend to backfire, closing channels of communication and strengthening hard-line policies, making repressive tactics more, not less, likely. This unintended result generalizes to other areas of potential conflict, including trade. Both Vietnamese and Lao officials are open to engagement and negotiation, and quiet diplomacy can produce results where threats and bullying accomplish little. Given the history of U.S. meddling in the region, strong-arm tactics also have little moral foundation.

Closer U.S. cooperation with Vietnam and Laos has an important strategic value. Despite their communist or revolutionary labels, both countries' foreign policies attempt to steer a neutral course between large neighbors and trading partners. Laos balances its close historical ties with Vietnam with the increasing commercial and cultural impact of Thailand and the growing political-economic role of China. Most importantly, the Lao economy is highly dependent on foreign aid and is still reeling from the effects of the Asian economic crisis, which prompted its currency, the kip, to fall by 80% versus the dollar.

Similarly, Vietnam must balance its attraction to and fear of China with its membership in Association of Southeast Asian Nations (ASEAN). Sino-Vietnamese relations seemed to be warming under Vietnam's General-Secretary Le Kha Phieu, but Phieu's replacement since the March party congress, Nong Duc Manh, promises to bring more balance to Vietnamese foreign policy with the U.S. and China. Under such a scenario, as in the Lao PDR's search for an economic way out, the U.S. could play a significant and positive role. If the opportunity for NTR passes, however, both countries could potentially tilt further away from the United States.

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## Key Problems

- Opposition to both the Vietnamese and Lao agreements has centered on human rights issues with no direct connection to trade.
  - A small number of members of Congress have been able to hold trade agreements hostage to a partisan political agenda, with backing from right-wing Vietnamese-American and Lao/Hmong-American groups.
  - Strongly worded criticisms of problems in Vietnam and Laos tend to backfire, closing channels of communication and strengthening hard-line policies, making repressive tactics more likely.
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# Toward a New Foreign Policy

Normalization of relations with Vietnam and Laos has taken place partly due to the support of a remarkable coalition of religious organizations, development and advocacy groups, veterans, business constituencies, and a handful of moderate Asian-Americans, groups which otherwise have little contact with each other. More recently, the emergence of a minority of Lao- and Vietnamese-American groups willing to endure the wrath of their hard-line leaders has been particularly impressive.

The ratification of bilateral trade agreements deserves to be viewed in a different light than the expansion of free

trade areas (such as Free Trade Area of the Americas or free trade agreements with countries such as Singapore and Jordan) or the establishment of various regional and global trading arrangements (such as Asia Pacific Economic Cooperation-APEC or the World Trade Organization). The BTAs establish trade relations for the first time; the others deepen commercial ties through a process of corporate globalization. Unlike more complex agreements that seek to impose uniform rules or establish special relationships between countries, normal trade relations are a basic build-

ing block of international relations, akin to exchanging ambassadors. U.S. trade negotiator Joseph Damond agrees that the agreements are "the first step in relations, not the last word." After granting NTR to Vietnam and Laos, the U.S. should then proceed to negotiate separate agreements on development cooperation, human rights dialogue, and other issues.

The drive among certain congressional Democrats, labor unions, and citizen groups to attach labor and environmental standards to normal trade relations is well-intentioned but fails to grasp the distinctions between NTR and other agreements. This appears to the Vietnamese and Lao to be an extension of the same unfair treatment they have received from the U.S. for decades. None of the older BTAs with most other countries in the world include environmental or labor clauses. Moreover, the Vietnamese and Lao agreements have already been negotiated and signed and are waiting to be implemented; the Vietnamese have even begun carrying out certain provisions of the BTA prior to ratification, since they do not want the delay to slow down other aspects of their economic reform program. The U.S.

should live up to its international commitments, not continue raising the bar for others.

Ratification of the BTAs should be followed up with additional U.S. assistance to foster social and economic development. The U.S. has a particular historical responsibility to address the legacies of war that continue to impede the Vietnamese and Lao economies. Both Laos and Vietnam now participate in the humanitarian demining program (\$1.5 million to Laos and \$1 million to Vietnam in FY 2000) operated by the State and Defense departments. This technical aid, while commendable and better late than never, is still paltry compared to the suffering that U.S.-made landmines and unexploded ordnance (UXO) inflict on civilians and children. Assistance should be expanded to include programs for landmine victims and UXO survivors as well as educational activities for children in the most affected areas. The U.S. should also contribute substantially toward treatment and rehabilitation for victims of chemical poisoning from Agent Orange and other defoliants. An agreement signed July 3, 2001, providing for collaborative research between U.S. and Vietnamese scientists is a significant step forward but is still far from sufficient. Laos also suffered from chemical warfare and should be included in U.S. and Vietnamese programs on this issue as well as in any private sector initiatives that evolve.

Passage of the trade agreements will also open the door for additional people-to-people contact between the U.S. and both countries. If presented in a culturally sensitive manner, U.S. public and private assistance can help to strengthen emerging civil society in both Vietnam and Laos. The Vietnam Education Foundation Act, passed by Congress in January 2001 with the support of Sen. John Kerry, is a good beginning. The foundation recycles Vietnam's wartime debt to the U.S. into scholarships for Vietnamese students. In addition to continuing the humanitarian, educational, and community development programs now in place, Washington might contribute to developing the legal system and rule of law in both countries, increasing the public space open to local NGOs and religious groups, and countering criminal activity and corruption. Normal trade relations will give the U.S. more, not less, leverage in addressing problem areas of human rights and governance. With patience and a sound foundation for bilateral relations, almost anything is possible to discuss; without them, the U.S. may continue to repeat the mistakes of the past.

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## Key Recommendations

- Congress should pass the U.S.-Vietnam and U.S.-Lao bilateral trade agreements without delay and without additional conditions.
- The U.S., in collaboration with other countries, should work cooperatively with the Vietnamese and Lao governments to improve human and labor rights and to protect the environment.
- The U.S. should increase the humanitarian assistance it gives to Vietnam and Laos, particularly in areas directly related to the legacy of war.

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# Sources for More Information

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### Fund for Reconciliation & Development

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Website: <http://www.usvtc.org/>  
Contact: Virginia Foote

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## World Wide Web

**Congressional Hearing on U.S.-Vietnam Trade**  
(September 19, 2000)

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?IPaddress=wais.access.gpo.gov&dbname=106\\_house\\_hearings&docid=f:69535.wais](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?IPaddress=wais.access.gpo.gov&dbname=106_house_hearings&docid=f:69535.wais)

**Embassy of the Lao People's Democratic Republic**

<http://www.laoembassy.com/>

**Embassy of Vietnam**

<http://www.vietnamembassy-usa.org/>

**Fact Sheet on U.S.-Lao Relations**

<http://www.apcjp.org/laoPDR.htm>

**Text of U.S.-Vietnam Agreement**

<http://www.ustr.gov/regions/asia-pacific/text.html>

**U.S. Trade Representative**

<http://www.ustr.gov/>

**White House Fact Sheet on Vietnam BTA**

<http://www.usinfo.state.gov/regional/ea/vietnam/whtrd713.htm>

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