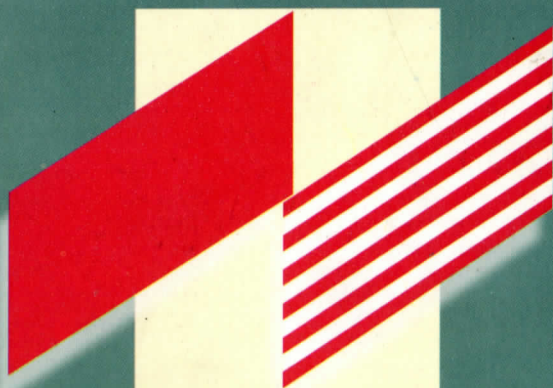


56.000Đ

ĐỖ ĐỨC ĐỊNH Ph.D

Vietnam - United States

Economic Relations



**VIETNAM - UNITED STATES
ECONOMIC RELATIONS**

ĐỖ ĐỨC ĐỊNH Ph.D

**VIETNAM - UNITED STATES
ECONOMIC RELATIONS**

THẾ GIỚI PUBLISHERS
Hanoi, 2000

The publication of this book "Vietnam-US economic relations upturn" was made with the collaboration of the Economic and Social Research Center (KX Center) and the International Book Institute (Obor).

Copyright © 2000 by The Gioi Publishers
 Printed in Vietnam
 VN-TG-3541-1

CONTENTS

Preface	ix
---------	----

PART ONE

WAR PERIOD (1954-1975)

Chapter 1: US economic aid, trade and investment to South Vietnam	3
I. Economic aid	4
II. Foreign trade and investment	40
Chapter 2: Impacts of US economic aid, trade and investment on the economy of South Vietnam	49
I. Growth without development	49
II. Main components of the market economy and the infrastructure	72

PART TWO

EMBARGO AND SANCTIONS PERIOD (1975-1995)

Chapter 3: US embargo and sanctions throughout the world	95
I. General situation	95
II. Impacts of US sanctions on different countries	97

Chapter 4: US embargo and sanctions against Vietnam	103
I. Historical perspective	103
II. Impacts on Vietnam	107
III. Impacts on the United States	120
IV. Lifting the embargo	124

PART THREE

NORMALIZATION PERIOD (SINCE 1995)

Chapter 5: Cooperation across a broad range of issues	135
I. Economic cooperation	136
II. Cooperation in other areas	154
Chapter 6: American lamps and the light to the 21st century	163
I. The American oil lamps during the 20th century	163
II. American electric lamps and computers to the 21st century	169
Appendix: U.S business who's who	191
References	197

Statistic Tables

Table 1: U.S economic and military assistance to South Vietnam by fiscal year, 1955-1975 (\$ million)
Table 2: U.S economic aid to South Vietnam by program by fiscal year, 1955-1975
Table 3: South Vietnam's imports by countries and territories, 1963-1973 (million piasters)

Table 4: South Vietnam foreign trade, 1954-1974 (\$ million)
Table 5: FDI in South Vietnam and some other countries and territories (\$ million)
Table 6: Official estimates of gross national product in South Vietnam, 1955-1974
Table 7: Machinery and labor productivity in South Vietnam's manufacturing industries, 1967-1973
Table 8: Occupational training in South Vietnam, 1955-1970
Table 9: U.S exports to and imports from ASEAN member states for the first half of 1997 and 1998 (\$ million)
Table 10: Changes in Vietnam's output & exports to the United States and the world when U.S MFN status was granted to Vietnam
Table 11: Key results of the U.S granting MFN status for Vietnam
Table 12: U.S tariffs against Vietnam's MFN vs. Non-MFN exports rates
Table 13: U.S-Vietnam trade relations (\$ million)
Table 14: Vietnam's ten leading exports to the U.S in 1994, 1995 and 1996
Table 15: FDI in Vietnam by regions and countries as of May 31st, 1998

Table 16: U.S investment in Vietnam by industry

Table 17: U.S investment in Vietnam by province

Table 18: U.S AID funding for Southeast Asia
(U.S\$ million)

PREFACE

Since the normalization of the Vietnam-US diplomatic ties, the economic relations between the two countries have been considerably improved. Trade and investment rose fast during the period from 1995 to 1997. But since 1998, they have started to slow down although some increase was recorded. The US aid to Vietnam, though not great, has been resumed and most of it is under the form of non-governmental aid. This situation is greatly different from that of the 1954-1975 period when in the economic ties between the US and the Government of South Vietnam economic aid was predominant over trade and investment. It is also very much different from that of the 1975-1995 period when the relations between the two countries were "frozen." Because of the sanctions and embargo imposed by the US against Vietnam, no investment, no trade and almost no aid were developed.

With the purpose of contributing to the promotion of the relations between the two countries in general and in the economic fields in particular, I have tried to study the economic relations between the two countries in three major periods: the war time of 1954-1975, the embargo from 1975 to 1995,

and the normalization of relations since 1995. The study focuses on three areas: trade, investment and aid.

Beside the study in Vietnam, I have spent some time doing research in the United States, and through these opportunities, valuable data have been collected to add to the materials available from Vietnam. With these sources of information from both the Vietnamese and US sides, I try to make sure the results of the research be fair and objective, and thereby contributing to the better and more balanced understanding on the relationship of the two countries.

I would like to take this opportunity to express my thanks to the Vietnam National Center of Social Sciences and Humanities, the Institute of World Economy, the Fulbright Senior Scholar Program at the Council for International Exchange of Scholars, the US Information Agency, the US Information Service of the US Embassy in Vietnam, the Paul H. Nitze School of Advanced International Studies at the Johns Hopkins University, Prof. Nguyen Duy Quy, Dr. Vo Dai Luoc, Prof. Frederick Z. Brown and Ms. Thiele Tracy, for their valuable support with which I have been able to complete this study.

ĐỖ ĐỨC ĐỊNH, Ph.D

Institute of World Economy

National Center for Social Sciences and Humanities

PART ONE

WAR PERIOD

(1954-1975)

Documents and writings on the US War in Vietnam during the period of 1954-1975, particularly those concerning politics and military affairs, are in plenty, both in English and Vietnamese. Though the writings on economics are not as many as political and military documents, there have already been some systematic and in-depth studies on this area such as the book entitled "*Twenty One Years of US Aid in Vietnam*" by Dang Phong (Market and Price Research Institute, Hanoi, 1991), "*Foreign Aid, War, and Economic Development: South Vietnam, 1955-1975*" by Douglas C. Dacy (University of Texas at Austin, 1986), the Ph.D. thesis entitled "*Development of Capitalism in the Economy of South Vietnam*" by Ph.D. Vo Van Sen (Social Science Institute in Ho Chi Minh City, 1992). The availability of plentiful resources is at the advantage of researchers; however, since the information of these materials have been collected

from different sources of data, they are naturally different, and that boasts a lot of difficulties to the author who tries to find reliable and consistent information. In order to overcome such difficulties, the author of this study is trying to select the data and information which would be, in our view, most reliable, consistent and systematic with an aim to ensure the most objective analysis of the subject to be studied.

Chapter 1

US ECONOMIC AID, TRADE AND INVESTMENT TO SOUTH VIETNAM

The studies on the economic relations between the United States and the Government of South Vietnam have so far concentrated mainly on aid, not much on trade and investment, or whenever trade and investment were discussed, they were usually overlooked. The reason may be the fact US trade with and investments in South Vietnam during the wartime were much smaller compared to aid. However, it would be a shortcoming if trade and investments were not studied, because the successes and failures of developing economies, particularly those in the region of East and South East Asia, showed that trade and investments rather than aid were the main engines of their economic growth and industrialization. Aid, by its linguistic meaning as well as in practice, only plays a supplementary role, not the engine of growth and industrialization. Large aid may help a government to get easy revenues and to spend easily, it may also contribute to growth, but not a sustainable growth, neither development, if there had not been a strong expansion of trade and investment. In this project, we are trying to study all of the three areas: trade, investment and aid, with an aim to understand better

about their role and impacts on the economy of South Vietnam during the period of 1954-1975, and what effects they have left, both good and bad, for the later developments of the reunified Vietnam.

I. ECONOMIC AID

1. Amount of aid and its process of provision

George C. Herring, Professor at the University of Kentucky, estimated in his book, *"America's Longest War - the United States and Vietnam, 1950-1975"* (third edition, 1996) that the price tag of the US War in South Vietnam was about \$167 billion (Herring, p.304), in which the aid provided by the US Government to the South Vietnamese Government from 1955 to 1975 was \$25,302 million. This amount was divided into two packages, the one for military purposes was of \$16,762 million, while the other for economic purposes was of \$8,540 million. The specific allocation of these packages is demonstrated in Table 1.

Table 1: US economic and military assistance to South Vietnam by fiscal year, 1955-1975 (\$ million)

Fiscal year	AID*	PL 480	SVN piaster subsidy	Total economic aid	Military assistance	Total assistance
1955	320.2	2.2		322.4		322.4
1956	195.7	14.3		210.0	176.5	386.5
1957	259.4	22.8		282.2	119.8	402.0
1958	179.4	9.6		189.0	79.3	268.3
1959	200.9	6.5		207.4	52.4	259.8
1960	170.6	11.3		181.8	72.7	254.5
1961	140.5	11.5		152.0	71.0	223.0

Fiscal year	AID*	PL 480	SVN piaster subsidy	Total economic aid	Military assistance	Total assistance
1962	124.1	31.9		156.0	237.2	393.2
1963	143.3	52.6		195.9	275.9	471.8
1964	165.7	59.1	5.8	230.6	190.9	421.5
1965	225.0	49.9	15.4	290.3	318.6	608.9
1966	593.5	143.0	57.4	793.9	686.2	1,480.1
1967	494.4	73.7	98.5	666.6	662.5	1,329.1
1968	398.2	138.5	114.4	651.1	1,243.4	1,894.5
1969	314.2	99.4	146.9	560.5	1,534.0	2,094.5
1970	365.9	110.8	178.7	655.4	1,577.3	2,232.7
1971	387.7	188.0	202.3	778.0	1,945.6	2,723.6
1972	386.8	67.8	133.1	587.7	2,602.6	3,190.3
1973	313.3	188.3	29.5	531.2	3,349.4	3,880.6
1974	384.3	269.9	3.2	657.4	941.9	1,599.3
1975	191.3	49.6		240.9	625.1	866.0
Total	5,954.4	1,600.7	985.2	8,540.3	16,762.3	25,302.6

Source: Dacy, 1986, p.200

The table illustrates the aid provided under the US Foreign Assistance Act which is officially considered as economic aid. In addition to the aid provided under the Foreign Assistance Act, the US Government also provided the Saigon Administration with various amounts of military aid under the Mutual Security Act which is much larger than economic aid. Most of this kind of aid was used for the war and destruction purposes as feeding the army and the police, purchase of weaponry, ammunition and military vehicles, spendings for the matching and destruction campaigns and other military activities. However, when economic aid is taken into consideration, it was impossible to exclude one part of this military aid which was used for the construction of the works that are also useful, aside from military activities, for economic purposes such as bridges, roads, airports, seaports... The figures

relating to this portion of aid were not fully collected as in the case of economic aid, some of them were however also available. For example, road construction expenditures were \$400 million as of January 1971, harbor and coastal improvements performed out of US military funds cost about \$166 million, airfield construction costs \$190 million... The sum of the expenditures for these infrastructures was estimated by Dacy at \$1 billion. To include the aid of \$23 million financed by the Asian Development Bank, the \$321 million of non-American aid during the 1960-1972 period, the above portion of nearly \$1 billion US military aid which was related to economic purposes, and the sum of \$8,540 million of aid under the US Foreign Assistance Act reflected above, the total economic aid provided by the US Government to the Government of South Vietnam during the period from 1954 to 1975 would amount to \$10 billion (Dacy, p. 205).

The above amount of aid for Vietnam was much larger than any other aid provided by the United States to a single country or territory during the 30 years after the Second World War, including the most friendly developing allies of the United States like Israel, South Korea and Taiwan. From the year of 1953 to 1975, the total foreign aid provided by the United States was \$144,064 million, out of which South Vietnam, South Korea, Israel and Taiwan, the four countries and territories most close to the United States received \$45,237 million. South Vietnam alone took \$23,453 million, more than a half of the aid to the four mentioned countries and territories, or 1/6 of the total American aid to foreign countries during this period. Out of the \$23,453 million received by the South Vietnamese Government in this period, \$7,315 million was economic aid while \$16,138 million

was military aid, compared to the corresponding figures of Israel as \$1,221 million and \$3,912 million, South Korea \$5,026 million and \$6,391 million, and Taiwan \$1,290 million and \$3,943 million (Dacy, p. 244-245). As far as the economic aid alone is concerned, the South Vietnamese Government received an amount much larger than those of Taiwan, Israel and South Korea. However, the economy of South Vietnam up to 1975 could not take off and still remained as one of the poorest economies in the world with its GDP per capita income of around \$100, while that of the other three countries and territories were already raised to \$2,000-3,000. The case of the South Vietnamese economy during the 1954-1975 period was a typical example of those economies which could not develop even though they have got large amount of foreign aid, including economic aid. The reasons of this situation will be discussed more in detail in the following parts.

US aid to the South Vietnam usually accounted for about half of the total aid provided by the United States to South East Asia and exceeded the amount provided to individual countries like the Philippines (\$1,982 million in the 1945-1967 period), Thailand (\$1,182 million), Indonesia (\$983 million in the same period) and India (\$9.3 billion in 1951-1970). The amount of US aid to South Vietnam became even greater when comparing them to that for the African countries. In 25 years from 1946 to 1970, the total US aid to all African countries were \$4.9 billion, with an annual average of about over \$200 million or equal to 1/5 of the annual average amount of aid provided by the US Government to the South Vietnamese Government. If the total amount of US aid to Africa was to be divided to each African country, that

amount for each African country became even much smaller compared to the amount extended to the South Vietnamese Government (Phong, D., p. 65).

US aid to the South Vietnamese Government was not evenly distributed from period to period and tended to be raised in accordance with the increasing tension of the war in South Vietnam.

a) The period of reconstruction and resettlement, 1954-1960

This was the initial stage when the Americans had in practice replaced the French in South Vietnam following the signing of the Geneva Accord on Vietnam in 1954. Taking over South Vietnam from the French, the US Government and the pro-US Administration of President Ngo Dinh Diem in South Vietnam had to manage a society and an economy which was devastatingly ravaged by war since the French time. Moreover, they had to receive about 900,000 people immigrated from the North in accordance with the Geneva Accord. Building of a new administration, rehabilitation of a ravaged society and resettlement of nearly one million immigrated people from the North who the US and the Diem Regime wanted to take advantage of were the top priorities of the US and the Diem Administration at the time. To this end, one of the key and indispensable tools for the US Government and the Diem Administration was aid.

The total aid provided by the US Government to the Diem Administration during the 1954-1960 period was \$2 billion. The amount of aid was high at the beginning years, then slightly declined year after year, and the annual average was

around \$300 million a year (Phong, D., p. 31). Out of the total amount of aid during this period, the annual average economic aid was \$220 million, equal to 22% of the GNP of the then South Vietnam's economy (Dacy, p. 3).

The aid of \$93 million during this period was spent in the first two years on resettlement, after that the resettlement aid continued, but with a much smaller amount. Thanks to these spendings on resettlement, the living conditions of the people immigrated from the North to the South were stabilized and improved, they then turned to be active supporters of the Ngo Dinh Diem Administration. Most of the remaining aid was used for the building of the administration machinery at all levels and to import consumer goods with the aims not only to stabilize the living conditions of the people but also to create an artificial well-off society to gain the support of the public.

The situation of South Vietnam was relatively stable during this period, the war was not wide spreading, the budget of the Ngo Dinh Diem Administration was ensured by the United States, some investments in industry were made, some measures of the land reform which were in the interest of a number of peasants were carried out, the growth of market prices was not so high thanks to the substantial importation of consumer goods, foreign direct investments increased, though not so fast, but doubled compared to the level acquired during the five following years and was higher than the level of all the years after that. Thanks to these favorable conditions, the GDP of South Vietnam during the 1954-1960 period grew at the annual rate of 5% (Sen, p. 65). It was possible to say that during this period, the US Government and

the Ngo Dinh Diem Administration had succeeded in realizing their intention of gaining the support of the people immigrated from the North and a portion of the population of the South, constructing the administrative machinery, and temporarily stabilizing the society and the economy. Only until few years later, what they had done during this period appeared to reveal their basic shortcomings, such as the Administration which was not trusted by the US Government, resulting in the coup d'etat, and an economy in which growth was made without development and consumption exceeded what they had produced. The concept of "*a consumption society*" was since then defined for South Vietnam, and also from thereon the South Vietnamese Government became more and more dependent on the US aid, they did not pay attention to the development of the economy and gradually turned away from or ignored the word "development" because of "the government's lack of interest in development" (Dacy, p. 6) while this was the core of the rehabilitation and development process.

b) The period of the special war, 1961-1964

This was the second period since the replacement of the French by the United States in South Vietnam, and the first of the three-stage strategy of "active reaction" initiated by General Maxwell Taylor in 1961 in which three levels of reaction were defined, starting from the special to the partial and then the intensive war.

Under the special war, the US Government increased its aid to the South Vietnamese Government to implement the programs of mobilizing the local inhabitants into the strategic hamlets, to strengthen the Saigon Army and to consoli-

date the administration system at all levels with an aim to counter the ever stronger pressures of the liberation forces. These programs required large expenditures mainly to serve the political and military purposes, thus the increased amount of aid was also mainly military aid which was raised from \$73 million in 1960 to \$191 million in 1964, while economic aid fell from an average of \$231 million a year in the previous six years to \$159 million a year in 1961-1964 period (Dacy, p. 8).

The US Government and the Saigon Administration used these amounts of aid to raise the salary and bonuses to their officials, to increase the number of troops from 223,000 in 1960 to 571,200 in 1965, to mobilize more and more young and strong people into the army, to spend more money for the purchase of ammunition and military equipments, to clear out the hamlets and shepherd the people into suburban areas, to set up more than 7,500 strategic hamlets in 1963 and to implement the plan to establish more strategic hamlets in order to resettle 10 million peasants in the South of Vietnam into such hamlets, aiming to separate them from the liberation forces under the policy of "plashing water to catch fish", leading to the situation in which the urban life turned to be artificially well-off relying on American aid, while the countryside was deserted with agriculture deteriorating, prices shot up, budget deficits became evermore serious (from 1 billion piasters in 1961 to 12 billion piasters in 1964), the local currency (the piaster) devalued from 35 to 60 piasters against a dollar, the land reform had to be cancelled, the economy was on a downturn with the growth rate plummeting to 2.2% a year, the living conditions of the people were badly aggravated while the public was getting more and more unsatisfied

with the Saigon Administration and the United States, the political situation of South Vietnam dropped into a serious crisis leading to the bloodshed collapse of the Ngo Dinh Diem Administration under the bloody coup d'etat in November, 1963 in which President Ngo Dinh Diem and his brother were killed, following by five succeeding replacements of government in South Vietnam until General Nguyen Cao Ky became the Prime Minister in June, 1965. These new administrations in Saigon and their armies were however not stronger, instead they became even weaker than the time when they were under the Ngo Dinh Diem Administration, meanwhile the liberation forces were getting stronger and stronger and dominated the battlefield in South Vietnam.

Facing such difficulties, US economic aid to South Vietnam not only fell, but also shifted its priority to an orientation other than the economic development purpose, that is, to deviate its emphasis from the economic development and reconstruction to the stabilizing campaigns or, in other words, to serve the war (AID, 1976, pt. A, pp. 10-11). This means that economic aid was used as a tool to support the military activities, and where would this lead the economy of South Vietnam? The concrete results of this pattern of using economic aid will be discussed in the following parts of this study, but right from now we may easily imagine that such a result would certainly not be an economy which was normally developed.

c) The period of local war, 1965-1968

"The Special War" conducted by the Saigon Administration and its army under the command and assistance of the US Government failed. The United States had to

move to the second stage of the active reaction strategy, the "Local War," under which the US Government directly intervened into the war and sent its troops to fight the war. This stage started from March, 1965, when the first US Marines stepped on the soil of South Vietnam to the General Uprising and Attack by the people and the army of the liberation forces of South Vietnam during the Tet Festival of the year of 1968 which confirmed that the US Army no matter how large or crowded they were would not be able to convert the situation of the battlefield in South Vietnam.

During the previous two stages (the reconstruction and resettlement of 1954-1960, and the special war of 1961-1964), the United States did not get involved directly into the war, they only sent their advisors, both civilian and military, to South Vietnam. Despite the fact that American advisors were present at and influenced almost all the areas, ministries and local administrative bodies of South Vietnam such as legislation, justice, administration, diplomacy, economy, finance, currency, trade, transportation, communication, land reform, prison construction, army, intelligence service, police, and others. The number of American advisors amounted up to just 3,000 people in 1962, whereas to the new stage of the partial war, the number of US troops dispatched to South Vietnam increased very fast and in a massive manner from 23,000 in 1964 to 543,000 in April, 1969 - nearly a half of the total 1.3 million American soldiers based outside of the United States. Moreover, the US Government and the Saigon Administration intensified their efforts to force as many as possible the young people of South Vietnam to join the Saigon Army, hence doubled this army to around 1 million strong, not yet to mention of the security forces, the

civilian guards and about 60,000 mercenaries from US allies. The fact that such a huge army concentrated on a small territory which was half of the Earth far away from the United States and with an area smaller than half of that of a State of the United States and a population of less than 10 million people illustrated the maximum concentration of forces by the United States that no other limits could be passed ever. These limits of the United States were not only analyzed by some Vietnamese scholars as the late Prof. Dao Van Tap in his book entitled *"The Vietnam War and the American Economy,"* but also recognized by a number of American officials and scholars such as the former US Foreign Minister Henry Kissinger and Prof. George Herring. Henry Kissinger wrote, "In the cauldron of Vietnam, America was to learn that there are limits... that victory in Vietnam - or even a favorable settlement - may simply be beyond the grasp of the world's greatest power... In the Vietnam period, America was obliged to come to grips with its limits. For most of its history, America's exceptionalism had proclaimed a moral superiority which was backed by the nation's material abundance. But in Vietnam, America found itself involved in a war which became morally ambiguous, and in which America's material superiority was largely irrelevant" (Kissinger, pp. 658, 672, 700). George Herring recognized the same limits as he wrote, "... the key lessons were that American power had distinct limits... In Vietnam, such tasks ultimately proved beyond the ability of the United States... Vietnam offers... an enduring testament to the pitfalls of interventionism and the limits of power" of the United States (Herring, pp. 310, 314).

Coupled with the expansion of the arm forces was the rise in the war expenditures and aid. The war expenditures dur-

ing this period soared up to over \$100 billion, with a sharp rise from \$600 million in 1964 to \$4.6 billion in 1965, \$25 billion in 1966, \$26 billion in 1967, \$27 billion in 1968, and \$29 billion in 1969. At the peak time of the war as in 1968, the costs of the war amounted to \$77 million a day, thus the spendings of just ten days for the war were equal to the total amount of economic aid provided by the US Government to the Saigon Administration during the whole year (Phong, D., p. 46-47).

Along with the huge expenditures for the war, the United States raised its aid to the Saigon Government to about \$1.5 billion a year, out of which economic aid was of \$700 million a year, particularly in the year of 1966 economic aid rose to \$800 million. This amount of economic aid was really large and would have been very useful to the economy of South Vietnam if it had been invested into long-term developments, but regretfully it was, due to the war, spent mostly on the importation of consumer goods and food to meet the requirements of the war and to support the budget of the Government of South Vietnam to feed its huge administrative machine and army. In addition to the goods imported out of economic aid, a substantial amount of goods was imported out of the military aid and US war expenditures through such channels as "logistics" goods, PX (Post Exchange) canteens and others. The flooding of imported consumer goods boosted, on the one hand, the consumption society with strong demands, created a busy market of buyers and sellers, a booming market of all kinds of services with the fast growth of restaurants, hotels, banks, night clubs, a number of industries and construction in the service of the daily requirements of the war including electricity, water supply, soft drink, cigarettes, beer,

alcohol... while on the other hand, suffocated many local industries which had low productivity and low rates of profit or were unable to compete with imported goods, even though those industries were very essential and critical to millions of people who made their living in agriculture and many small and handicraft industries.

The massive penetration of the US Army and the rapid increase of the Saigon Army, the flooding of imported goods, the high growth of money supply (at an annual average of 68% per year) to pay the salaries of the Saigon Government's employees and armymen and to provide the spendings of American soldiers and personnel in South Vietnam, the fast developments of trade, services, banking and other war-related industries, particularly the expansion of the black market, smuggling, speculation and other matters, all those problems together with the explosion of the war resulted in the great mess of disturbances in the society and the economy of South Vietnam and the uncontrollable hyperinflation. Just half a year after the commencement of the local war or "the grand war", in Dacy's words (p. 9), inflation rose from an average rate of 4% per year during the period previous to 1965 to 20% and tended to pick up at a galloping speed. Facing such a situation, the United States had to raise its aid to cover the budget deficits of the Saigon Government due to their overspendings while their tax revenues fell to 7% of GNP, and to balance the high growth of cash due to the fast increase of money supply. Inflation control was the top priority in then economic agenda of the Government of South Vietnam during this period. For this reason, the focus of US economic aid was obliged to change and turned to inflation control; it no longer concentrated on the task of reconstruction as it had been during the ini-

tial stage, nor on the pacification campaign since this campaign was taken over by the US Military Assistance Command Vietnam (MACV). Two of the important measures taken the Government of South Vietnam during this period were the devaluation of the piaster aiming to control inflation and to reverse the declining trend of export, and the raising of revenues for the budget of the Saigon Administration through the "price compensation fund". Under the devaluation policy, the official exchange rate of the Saigon's piaster fell from VNP72/US\$1 to VNP118/US\$1 starting from July 1966. These measures were able to help limit the galloping rates of inflation which were running at hundreds of percents, but could not help get rid of the high rates of 63% a year (Sen, p. 065).

The agricultural development of South Vietnam during this period suffered a serious setback, leading South Vietnam from a traditional rice exporter, which exported 323,000 tons of paddy in 1963 alone, to a regular rice importer with 770,000 tons of rice imported in 1967. Under such circumstance, the United States decided not only to involve directly into the war, but also to take over from the Saigon Administration the role of carrying out the pacification campaign in connection with the agricultural and rural development. Hence the pacification program was formally handed over to the US Military Assistance Command Vietnam (MACV) in May, 1967. To carry out its new tasks, the MACV not only built the strategic hamlets and shepherded the people into those hamlets, but also introduced new seedlings and technologies into agricultural production, opened schools and healthcare stations in rural areas, and taught new cultivation methods and techniques to the peasants... These measures had developed a new period of active

and dynamic agricultural development in South Vietnam, leading to the growth of productivity in those areas where new seedlings and new technologies, chemical fertilizer and insecticide were introduced, limiting the downturn of agricultural production. However, they were unable to make an upturn in agricultural development, the production of rice in South Vietnam had therefore continued to decline with a drop of 20% during the period from 1964 to 1968.

Benefited from US aid, war expenditures and the massive imports of consumer goods, some people, particularly importers, Government officials, the Army's officers, merchants, bankers, and dealers of war disposals (including aluminum, bronze, steel taken from wasted ammunition, tanks, artillery, vehicles, and other military equipment) had made a good fortune, they became rich and manipulated the market. While at the other extreme, the majority of rural people fell into miserable conditions, millions of them lost their homes and land, and had to leave for the cities to get their living, they stayed in urban slums and did whatever they could to make ends meet. The then society of South Vietnam was strongly divided by two extremes of the rich and the poor.

d) The period of Vietnamization of the war, 1969-1975

This was the new shift of the United States after the attack at the Tet (the Lunar New Year) of 1968 by the Liberation Army and their civilian forces which marked the failure of the local war with the maximum involvement of the US Army. The "Vietnamization of the war" was the most important test of the Nixon doctrine - a theory that aimed to lessen the burden of the United States through the "sharing of

responsibilities" to the allies of the United States by which US allies would be self-responsible for the on-spot security with the material and financial assistances provided by the United States, without the direct involvement by the US Army in the war. The Vietnamization of the war in South Vietnam was aimed to gradually transfer the burden of the war to the Saigon Army so that the US Army would be able to withdraw from South Vietnam, and to compensate for that the United States increased its aid to the Government of South Vietnam to strengthen its army, to overcome the economic difficulties, to stabilize the society, to ensure its security, and to guarantee the existence of the Saigon Regime within the US orbit. The US Army stepped out from land operation, but continued to support the Saigon Army through their air and naval operations. The Vietnamization of the war was then developed into two distinct periods which were characterized by intensification and fading away.

d.1. The period of intensification

In order to implement the new strategy of "Vietnamization of the war," the United States rapidly increased its aid, both economically and militarily, to the Saigon Government. The amount of aid was raised from \$2.1 billion in 1969 to \$2.2 billion in 1970, \$2.7 billion in 1971, \$3.2 billion in 1972, then to a record of \$3.9 billion in 1973. The accumulated amount of aid during the five years from 1969 to 1973 was \$14 billion, out of which over \$3 billions were economic aid. On the average, each year the US Government provided \$3 billions of aid to the Saigon Administration, in which economic aid was \$600 million (Dacy, p. 200).

The Nguyen Van Thieu Administration used this huge amount of aid first of all to build up and consolidate the military machine. The permanent number of the Saigon Army was raised to 1.1 million, not yet to mention of the 120,000 policemen, 30,000 pacification members, and 4 million militia among whom 600,000 were armed. This showed that a large part of the labor force of 17 million people of South Vietnam at that time were recruited for the military purpose, leaving the rest of old people, women and the children to serve the economic development.

A substantial amount of US aid used by the Nguyen Van Thieu Administration was not for the purpose of economic development and the improvement and stabilization of the living conditions of the poor, instead it was used for the purpose of "propertizing officials and armymen," that is, to give loans to military officers and soldiers to do business, to raise the salaries of Government officials and employees. As a result of this, the base salary of a regular armyman was picked up by ten times in ten years, from 1,770 piasters in 1964 to 10,200 piasters in 1974. Moreover, the Nguyen Van Thieu Government used a large part of the \$400 million of aid and national budget allocated for the land reform to purchase land from landlords to provide free of charge to their officers and soldiers. Under this scheme, the generals were granted 30 hectares each, colonels 5 to 6 hectares, captains 3 to 4 hectares, and soldiers from 1 to 3 hectares. Implementing the policy of "propertizing armymen", the US and the Nguyen Van Thieu Governments created many favorable opportunities for the Saigon Army officers and their families to do business and become rich. Up to the year of 1975, about over 1/3 of the 42,300 bourgeois in the South

of Vietnam were the officials of the Saigon Army (Phong, D., p. 53). The policy satisfied the officials of the Saigon Administration and the officers of the Saigon Army, but lost the confidence of the people.

The US and the Nguyen Van Thieu Governments had however not been able to use all of the aid to enrich their officials and officers. They were, in face of the extremely economic and social difficulties, obliged to spend some part of the aid for the reconstruction and development of the economy. From the time of the Ngo Dinh Diem Administration to the period of the "Vietnamization of the war," the United States had several times attempted to reform the South Vietnam's economy following the free market orientation, but they realized that those reforms had been rejected repeatedly by the "old leadership," so this time in order to ensure the reforms to be implemented, they first tried to make a "change in economic leadership", hence the new leaders were selected among the American-trained professionals with high regard for the merits of a free enterprise system (AID 1976, quoted by Dacy, p. 13). With these new, energetic, young and well and modernly trained economists involving in the management, the Nguyen Van Thieu Administration had carried out some bold reforms in some areas which had previously not been tackled or not fully done such as the financial and monetary reforms, the industrial development, and the land reform.

As far as the financial and monetary reform is concerned, the Nguyen Van Thieu Administration replaced the fixed exchange rate system in which the rate at the time was of VNP118/US\$1 by the floating regime under which the cur-

rent exchange rates were about VNP400 or VNP410 to US\$1, increased the bank interest rates, implemented the "austerity tax policy", raised the import taxes with an aim to reduce the "high rent-seeking" of the importers, adjusted tariffs, charged higher taxes on sugar and flour, and reduced the price subsidies for gasoline and rice...

The Nguyen Van Thieu Administration also spent a significant amount of aid to invest in industries. During the period of reconstruction under the Ngo Dinh Diem Administration, industrial investments were stressed; then the aid for the development of this area was gradually shifted to the pacification programs. The Government paid little attention to economic development in general as well as to industrial growth in particular. Some processing industries were developed, however, but they were mainly the results of the efforts made by private businessmen who took advantage of the high profits acquired from the processing of war disposals. Under the Nguyen Van Thieu Administration, investments for industries were raised, leading to the growth of the industrial indexes from 1954 which reached its peak of 251 points in 1971 (the base was 100 in 1962). During this period, a number of large and modern factories were set up. Industrial investments in the two years of 1972 and 1973 alone were equal to the total industrial investments of the previous ten years (Sen, p. 066).

The Nguyen Van Thieu Administration had better advantages compared to the Ngo Dinh Diem Administration concerning the land reform thanks to the large amount of US aid which they would use, as mentioned earlier, to purchase land to provide free of charge to their officials, soldiers and peas-

ants, whereas under the Ngo Dinh Diem Regime these people had to purchase land whenever they needed. Implementing this policy, 1.2 million hectares of land had been granted to nearly one million farmers, military officers and soldiers up to the beginning of 1975 (Dacy, p. 15).

These measures together with a large amount of US aid though could not help to overcome the severe economic hardship, to reduce corruption, speculation, rent-seeking and black-market manipulation, to lessen the increasing budget deficits due to large overspendings (which was at 228 billion piasters in 1973) (Sen, p. 066), they did in fact succeed in part to curb the inflation, to raise the rice production from 4.4 million tons in 1968 to 6.1 million tons in 1971, to increase the net domestic product by 28% during the same period, hence bringing the economy to "the most productive and promising period in South Vietnam's history" (Dacy, p. 15).

d.2. The period of fading-away

Right after 1973, US aid to the Saigon Administration started to decline, in 1974 it dropped by a half to \$1.6 billion, then to \$866 million in 1975. This was the time that the United States found itself unable to continue the war which, as discussed earlier, exceeded many of its "limitations," such as being too long a time, too costly in economic term, too big a loss in military term, too frustrating and tired spiritually. It was not only on the street that the American people protested against the war, but also in the Congress the majority no longer supported the war and asked for the cessation of the war and the cut of aid to the Nguyen Van Thieu Administration. The Americans by this time "themselves

were in 'desperate financial straits', they saw *no reason to sacrifice for a government that was 'not only corrupt but grossly wasteful and inefficient'...* [The Americans were] 'all tired of it'... [and were] 'sick to death of it'..." Senator Edward Kennedy insisted that it was time to terminate America's "endless support for an endless war" (Herring, p. 293, 295).

It was not until the reduction of half of the US aid in 1974 compared to the previous year that the economy of South Vietnam fell into depression, the signs of the depression already appeared since the years of 1971-1973 when aid was still at its height. The main reason for this was the withdrawal of the US Army since 1969 which resulted in the reduction of a substantial amount of US war expenditures in South Vietnam, the decline of many industries and services which used to serve the US Army and the loss of a large number of jobs of Vietnamese who used to work at US agencies and military bases in South Vietnam. The money utilized to support the budget of the Saigon Administration through the purchase of the local currency for the spendings of the US Army decreased from \$403 million in 1971 to \$213 million in 1972, then \$100 million in 1973 and 1974 respectively. Import subsidies also fell from an annual average of \$660 million during the period of 1966-1971 to \$616 million during 1972-1974. The number of jobs of the Vietnamese who worked at US agencies and military bases was reduced by 150,000, while about 300,000 of indirect jobs were also lost (AID 1976, pt. A, pp. 110, 118, Tables 1 & 2). To include all the other members in the families of those people who lost their jobs, the total number of people who were affected by the loss of their incomes from the

work for the Americans was around 750,000 people. As of September 1973, the number of unemployment people rose to 2 million, 50% of which lived in the Saigon Area, the number of beggars almost doubled during this period, the purchasing power dropped by 50%, prices increased by hundreds of percents. Comparing the prices of 1973 to those of 1972, rice prices increased 100%, sugar 165%, petrol price almost tripled, gasoline by 6 times, fertilizer, cement and fibers prices increased from 100 to 200%. In addition, taxes were raised from VNP69 billions in 1969 to VNP100 billions in 1970, and VNP170 billions in 1971 (Phong, D., p. 57) to cover the budget deficits which was as high as VNP228 billion in 1973 (Sen, p. 066). These factors have made the current difficulties to be more severe and led to the crisis and collapse during the last one year and four months of the war when the United States sharply cut its aid, the main reinforcement of the economy of South Vietnam.

This confirms the accuracy of the judgement by Douglas Dacy that the economy of South Vietnam during the period of the US War in Vietnam (1954-1975) was an "*aid economy*" (Dacy, p. 20-21), i.e. the economy grew when aid was available, the more aid was provided the faster the economy grew, and the growth petered out when aid was cut.

2. Objectives and uses of aid

a) Objectives

As it was analyzed earlier, the more the war was getting fiercer and the deeper the United States was getting entangled into the war, the more the economic and military aid was poured in. And in contrast, when the United States wanted to

drop out and stop the war, its aid was gradually cut until it came to an end. This showed that economic aid was not simply for the economic purpose, instead it was first of all for the military and political ends, while the economic objective was just the by-product of the US economic aid.

Studying the history of US aid to the Southeast Asian nations, Russell H. Fifield wrote in 1963 that "American economic assistance to the countries of Southeast Asia antedates the Sino-Soviet bloc offensive by several years... The basic objective of American economic aid in the less developed countries, like those of Southeast Asia, is to help as many of them as possible in the shortest feasible time to develop their economies so that they can reach the stage of self-sustained growth... Under this broad objective US economic aid in Southeast Asia has a potential for shaping the contours of a traditional society... Under this basic concept of US economic assistance two highly significant by-products emerge, often being considered themselves the main objectives. The first by-product, the prevention of the expansion of communism in Southeast Asia, is clearly a matter of great importance... Another by-product of the basic rationale in American aid to Southeast Asia is the clear-cut desire to increase political stability by means of reinforcing economic growth..." (Fifield, pp. 261-263).

M. Donald, Director of the US Aid Mission to Vietnam, reported to the Committee of Foreign Affairs of the US Senate that "Vietnam's requirement of a large non-military aid is aimed to maintain the logistics system including bridges, roads, airports, seaports needed for the war and to help a small economy to shoulder a big defense budget."

(quoted from Dang Phong, p.179, and retranslated from Vietnamese).

As it was analyzed by Douglas Dacy, in its Terminal Report which was completed in 1976, a year after the war ended, the US AID Mission to South Vietnam revealed that US economic aid was used as "one means by which the United States attempted to achieve a military-geopolitical goal, that of keeping the country in the Western sphere of influence" (Dacy, p. 22). Senator E. Kennedy criticized that "the money which should have been used to water a continent or to build a hospital was spent to force the people to accept a general or a rotten regime which lost their confidence. Our economic aid was not oriented to where it was most needed and where there was the strongest capacity of development, it was instead directed toward the areas where there were the greatest threats of communism. Our aid budget to Vietnam is higher than the total accumulated amount of aid extended to Latin American countries..." (quoted by Phong, D., p. 179-180, retranslated from Vietnamese).

The political and military objectives of US economic aid were thus clear. We may now turn to discuss about the economic purpose of the aid provided by the United States to the South Vietnamese Government. According to Douglas Dacy, it was because of the high concerns for the political and military objectives of the US economic aid to the South Vietnamese Government, the development of the economy which should have been the main target of the economic aid was thus turned to be a secondary objective, or "a spillover effect" of the economic aid (Dacy, p. 22).

US economic aid was, as quoted earlier, on the one hand aimed in theory to support the less developed countries to

reach "the stage of self-sustained growth". On the other hand, as a leading American economist, Mr. Eugene R. Black, the former President of the World Bank, disclosed, US aid would help US enterprises to obtain "three main interests":

- Creation of stable and direct markets for American goods and services;
- Promotion of new overseas markets for US companies;
- Orientation of the economies of the aid recipient countries into a free enterprise system where US companies could be able to enrich themselves (Phong, D., p. 12).

Since US economic aid to South Vietnam was used too much for its political and military purposes, the above economic objectives did not have time to be realized. Through the 20 years of the US War in Vietnam, US economic aid to the Saigon Government was used for various programs such as rehabilitation, resettlement, inflation control, pacification, and/or economic stabilization, depending on the concrete situation of each period. These programs or aims were very important for the easing or solution of the economic difficulties at the time, but they did not help much in the realization of the objectives for long-term economic development.

b) Patterns and uses of aid

The United States is a developed industrial country where economic programs, including aid, are often strictly implemented in accordance with the set-out categories. These categories may be continued or changed depending on provisions promulgated by the US Congress. There have been in

the history of US aid to foreign countries two programs of aid which governed and/or influenced almost all of the US activities in providing aid throughout the world, they include the Mutual Security Program (MSP) which was passed and implemented from the end of the Second World War to 1961, and the Act for International Development which was passed by the US Congress and put into practice since August 1961 to date (Fifield, pp. 266-274).

Under the Mutual Security Program, US economic aid was conducted through six following categories:

- *The Defense Support* was a kind of economic aid closely linked to military activities, but not included in the military aid budget. This kind of aid was provided to countries which signed military agreements with the United States to enable them to maintain a relatively large military apparatus without negative effects on the political and economic stability of that country. Those countries and territories in South East Asia which received this kind of aid were the Philippines, Thailand and South Vietnam.
- *The Special Assistance* was the aid provided to countries which did not receive US defense assistance, but requested the United States to provide economic aid in special cases to help them to protect the "freedom and stability" of their society. Burma (now Myanmar) was the Southeast Asian nation that received this kind of assistance in 1961.
- *The Technical Assistance* was aimed to help the aid recipient countries to enhance their technical capacities.

This kind of aid was announced by President Truman and put into practice since 1949. Indonesia, Thailand, the Philippines and South Vietnam were the countries and territories which received this assistance.

- *The Development Loan Fund* began its operation since 1957 with the purpose of providing developing countries with the loans that were not financed by the World Bank or private companies, such as the loans provided to build roads in Malaysia.
- *The Contingency Fund* was the loans aimed at the prevention of possible contingencies such as the loans to protect a country from crisis (the fight against communist attacks) in Laos in 1959.
- *Miscellaneous Programs* were a part of the aid programs, they consisted of separate loans with different purposes, for example the anti-malaria loans, or loans for purchasing nuclear study equipments and others.

Apart from the above six economic aid categories under the Mutual Security Program, the United States also provided loans as aid during this period through the Import and Export Bank to Southeast Asian countries to enable them to purchase US grain and other food under the Agricultural Trade Development and Assistance Program or US Public Law 480. This Program was initially set up to help US companies to export the extra grain and food which was not able to be sold in the US domestic market, then it was developed into an economic assistance program, "a valuable instrument of foreign economic policy" of the US Government (Fifield, p. 267).

During the period of the implementation of the Mutual Security Program from the fiscal year 1955 to 1959 the United States Government had provided the Southeast Asian countries with an amount of economic aid of \$3,490 million (US official figures), of which the assistance provided to the Saigon Administration accounted for nearly a half and equaled to \$1,216 million (Fifield, p. 267-268).

In August 1961, the US Congress passed a new law called the Act for International Development. Since then the US Government replaced the MSP by this new Act and started to implement economic aid programs in accordance with this Act, put an end to the period of aid provision under the former Mutual Security Program. However, this did not mean that the US had completely abolished the Mutual Security Program. In fact, it continued to carry out several of the old categories, of course with adjustments and amendments to fit the new Act and the new situation.

In order to execute the requests of the US President, the aid programs under the new Act paid greater attention to the long-term categories while reduced short-term aid which was provided on a yearly basis. The main categories of the assistance provided under the new Act for International Development included:

- *Development Loans*: This category consisted of projects with large capital which were fully or in part exempted from interest rates and were obliged to pay in US dollars within a period of 50 years.
- *Development Grants*: The major part of this category was used for the development of human resources

through educational and technical assistance schemes, and in some cases it was used for the development of transportation and communication as well as the building of ports and roads.

- *Development Research* was the assistance provided to study and find proper instruments, measures and techniques for a better and more effective use of aid to enable policy makers to have better choices.
- *Supporting Assistance* was aimed to meet political and strategic requirements such as supporting defense operations, maintaining US military bases and ensuring economic conditions in order to prevent adverse effects on the US interests. A large amount of this kind of aid was used to import consumer goods.
- *The Contingency Fund* was aimed, as mentioned earlier, to solve unexpected matters.
- *International Organizations* was the assistance that the United States provided through the United Nations system and some other regional and international organizations.
- *Food for Peace* was the aid initially and mainly used by the US Government, as it was discussed earlier, to sell US extra food to foreign countries. To the 1960s, this Program became more important when the United States started to use it as a part of the implementation of the "Decade of Development," under which the US Government not only stressed on the sale of their extra food as they had often done, but also paid attention to the support of US private companies in their research and investment in agricultural and food production in the aid recipient countries.

- *The Peace Corps of American Volunteers* was also included in the list of US economic aid categories. This Corps was entitled to use a part of the US economic aid. It was organized as an agency in the US Department of State which was managed by an Assistant Secretary. The members of the Peace Corps were sent to developing countries under many different forms to execute different duties. The Peace Corps was appreciated as "a valuable human element in the Decade of Development" (Fifield, p. 269). In the Southeast Asian Region, the Peace Corps of American Volunteers were present in countries and territories such as the Philippines, Indonesia, Thailand, Malaysia and South Vietnam.

To carry out the Act for International Development, US Government established the US Agency for International Development (US AID) to replace the former International Cooperation Administration in the management of US economic aid programs. US AID was set up as an agency of the US Department of State in which a Deputy Secretary of State was an administrator. USAID had its offices in such regions as the Far East, South Asia, Africa, Europe, and Latin America. US AID and the US Department of State did not run the military aid programs because, as it is stipulated in the International Peace and Security Act, these aid programs were assigned to the US Department of Defense to manage. However, in its operation the US State Department and US AID gave their direction and supervision on the military programs.

In South Vietnam, the United States established a US AID Agency to manage US economic aid provided to the South Vietnamese Government. The aforesaid categories of US aid were not all applied in South Vietnam. The US economic aid to

the Saigon Administration was distributed under four categories: 1- The Commercial Import Program; 2- The Food for Peace; 3- The Project Aid Program; and 4- Other Aid Programs which included the Piaster Subsidy Assistance and Loans (Table 2). Beside economic aid, the United States also provided some economical-related war expenditures and military aid which were not under the control of the US AID Agency, but had certain impacts on the economy of South Vietnam.

Table 2: US economic aid to South Vietnam by program by fiscal year, 1955-1975

Year	AID				PL 480		
	Total	CIP	Project Aid	Other	Total	Title I	Other
1955	320.2	253.7	7.0	59.5	2.2		2.2
1956	195.7	174.7	23.9	-2.9	14.3		14.3
1957	259.4	210.9	48.9	-0.4	22.8		22.8
1958	179.4	151.9	29.8	-2.3	9.6	4.4	5.2
1959	200.9	146.4	42.9	11.6	6.5		6.5
1960	170.5	135.6	29.8	5.1	11.3	5.0	6.3
1961	140.5	111.2	11.8	17.5	11.5	7.0	4.5
1962	124.1	94.1	16.8	13.2	31.9	26.8	5.1
1963	143.3	95.0	14.3	34.0	52.6	23.7	28.9
1964	165.7	113.0	14.6	38.1	59.1	34.3	24.8
1965	225.0	150.0	23.7	51.3	49.9	41.4	8.5
1966	593.5	399.3	82.4	111.8	143.0	98.2	44.8
1967	494.4	160.0	321.2	13.2	73.7	73.3	0.4
1968	398.2	160.1	232.1	6.0	138.5	96.6	41.9
1969	314.2	130.0	169.1	15.1	99.4	60.8	38.6
1970	365.9	238.5	122.7	4.7	110.8	75.6	35.2
1971	387.7	281.0	103.1	3.6	188.0	164.9	23.1
1972	386.8	313.0	73.8		67.8	62.5	5.3
1973	313.4	226.2	87.2		188.3	179.0	9.3
1974	384.3	332.9	51.4		269.9	268.9	1.0
1975	191.3	143.2	48.1		49.6	45.7	3.9
Total	5,954.4	4,020.7	1,554.6	379.1	1,600.7	1,267.1	330.6

Source: Dacy, p. 209

Each of these aid programs was deliberately analyzed by Prof. Dang Phong in his book entitled "*Twenty One Years of US Aid in Vietnam.*" We are not going to discuss these programs again in this study. What we would want to do here is to place some more stress on a few points concerning the extent, content, characteristics and forms of the allocation of each category as well as the total amount of aid with an aim to help clarify the impacts of US aid on the economy of South Vietnam to be studied in the next section.

The first is the *Commercial Import Program* which, as presented in Table 2, accounted for over half of the total US economic aid to South Vietnam during the period of 1955-1975 basing on fiscal years (\$4,020 million compared to the total economic aid of \$7,555 million). Out of the amount of CIP aid, 90% was used to purchase US goods, whereas only 10% was allowed to import goods from several pro-American countries and territories which actively supported the US War in South Vietnam. The CIP was also called with two other names: the *Commodity Import Program* or the *Defense Support Program*. These two names clearly reflected the content and the characteristics of this single largest US economic aid category to South Vietnam: It was firstly used to import consumer goods which created a consumptive lifestyle in an underdeveloped society characterized by a backward agrarian economy where production had not been able to afford high demand. Secondly, these goods together with other kinds of economic aid was used to entice the officials of the former Saigon Administration and a small number of people who follow them in order to temporally stabilize the society, or as it was noticed by Dacy, "... it was obvious that the dominating motive was to 'buy something... such

as the political support" to serve the US military operations (Dacy, pp. 192-193).

The second largest US economic aid program to South Vietnam during that period was the "*Food for Peace*" or the "Food Aid," as it was often called. The total amount of aid provided under this Program was \$1,600 million during the fiscal years from 1955 to 1975. This aid was divided into three titles. The Title I which accounted for four fifths (or \$1,267 million) of the total was used mainly to import agricultural products such as rice, dairy, wheat, wheat flour, cotton and tobacco. The pattern of aid under this Title was similar to that of the Commercial Import Program: the United States did not finance the aid in cash, it instead converted the money into commodities and provided these commodities through the Vietnamese importers who sold these commodities in the South Vietnamese market for piasters, then paid that money in South Vietnam's piasters to the Counterpart Funds under the official exchange rates which were often a half or one thirds lower than the real rates in the market. Most of the money of the Counterpart Funds were then transferred to the budget of the Saigon Administration. The importers benefited mainly from the differences in the exchange rates and the prices of goods in the market. The Title II was called the "Emergency Aid" whose cumulated amount was of over \$100 million up to 1975. This kind of aid was provided under special circumstances such as the immigration of people from the North to the South, the people who faced serious losses in the war-devastated regions, who were gathered into strategic hamlets, who fled from rural and war areas into the cities, or who were damaged by natural disasters... The Title III was the "Humanitarian Aid" which totaled over \$100 mil-

lion and was provided to charity organizations and public associations the majority of which were religious organizations. The total amount of the two titles II and III (of the other category) was of \$330 million, accounting for one fifths of the total Agricultural Product Aid or Food Aid (Table 2). Considering the nature of the aid, both the Commercial Import Program and the Agricultural Product Aid were similar in the way that they both provided consumer goods and that up to four fifths of the total Agricultural Product Aid (Title I) was also of the commercial nature. As far as the content of these two kinds of goods was concerned, they were different: while the former was industrial consumer goods, the latter was agricultural products or, to be more precise, simply food. Another difference was that one fifths out of the Food Aid (Title II and III) was used as relief and humanitarian assistances, and not for the commercial purpose.

The third major economic aid was the *Project Aid* which was worth of \$1,554 million, nearly equal to the Agricultural Product Aid. This type of aid was not provided through the Counterpart Funds, nor used to supplement budget of the Saigon Administration, nor to import consumer goods for the resale purpose like that of the Commercial Importing Aid. It was instead provided directly to the concrete projects of almost all the industries and sectors of the economy and the social and political life, including even some areas relating to security and military activities. There are differences among scholars concerning the classification of these projects. Basing on the available figures, we found following areas that received the largest amounts of the Project Aid: 1) The infrastructures, including transportation, electricity supply, water supply, telecommunication, bridges, ports and airports,

(covered over one third of the total Project Aid); 2) The area of social development, sometimes called "national construction" (accounted for nearly one third of the total Project Aid), which focused on such activities as land reform, rural development, establishment of strategic hamlets, setting-up of unions and mass associations, and "open-arms" or soldiers recalling units; 3) Projects on culture, education and health care (accounted for about 20% of the total Project Aid); 4) Projects concerning administration which included projects on security and military activities such as the supply of equipment for polices and "phoenix" forces, or building of prisons (made up over 10% of the total Project Aid); and 5) Technical assistance, or "more exactly" as Dacy remarked, was the expenses to feed "the very large AID establishment in Vietnam... over 2,000 people associated with the AID mission in the 1967-70 period. Technicians representing almost every imaginable activity were present or on call to Vietnam. Agricultural specialists, railway engineers, labor organizers, financial experts, programmers, health and educational personnel, political analysts, census statisticians, public administrators, and others... There was hardly a desk in the Vietnamese government that did not have an advisory desk on the American side" (Dacy, pp. 196-197).

Apart from the above three major types of aid, the US Government also provided the Saigon Administration with other kinds of aid such as piaster subsidy and loan aid, among which the piaster subsidy was quite large and very important if it was fully calculated.

The Piaster Subsidy Aid was the amount of dollars that the US Government paid to the South Vietnamese

Government to purchase the local piasters under a piaster-subsidized exchange rate scheme mainly to be used to pay the salaries and wages of US civil and military employees and officers in South Vietnam and to pay the Vietnamese who worked at US agencies in South Vietnam. The agency that managed this kind of aid was the US Military Assistance Command (MACV). The more the operations of the United States in Vietnam increased, the larger this kind of aid became. According to the figures shown in Table 1 the amount of the Piaster Subsidy Aid during the period of 1955-1975 was \$985 million. But that was not enough. If the amount of money the United States paid to purchase the piasters were to be included, the total amount of "piaster subsidy" in broader sense would be double or three times larger. Specifically, during the ten years of 1964-1974 the amount paid by United States for piaster purchases totaled \$2,384 million, out of which the amount for each year during the period from 1966 to 1972 always exceeded \$200 million, or in 1971 alone, for instance, it reached the highest level of \$403 million for the purchase of 74 billion piasters (Dacy, pp.197, 199, 200). Another figure was found by Dang Phong. According to him, the total amount that the US Government changed with the Saigon Administration during those years was over \$3 billion (Phong, p. 152, 160). The Piaster Subsidy Aid in particular, or the total amount of US spendings on the Saigon piaster purchase in general had a great effect on the prevention of the piaster from its devaluation and significantly contributed to the stabilization of the market prices and the control of inflation.

The Development Loan Fund, as presented earlier, was one of the main categories of US economic aid to different

countries. The US Loan Aid to South Vietnam was included in this category, but this type of aid was not developed in South Vietnam due to the inability of the Saigon Administration to pay their debts. Thus the total loans that the Saigon Administration borrowed from the United States was just \$140 million, most of which were provided during the two periods, firstly during 1957-1960 when the Ngo Dinh Diem Administration was assumed likely to take control of South Vietnam and prepared conditions for its economic reconstruction, and secondly during the years of 1966-1967 when the United States massively sent their troops to South Vietnam, expecting to soon put an end to the war and be ready for the implementation of the Plan of "Postwar Economic Development" designed by Lilienthal. Though it was called the Loan Fund, most of the loans were provided in kind, e.g. in US commodities, rather than in cash. Only a very small part of these loans was made in US dollars with a condition that the payment was to be made in US dollars like the loan provided to help the Saigon Administration to pay the fees to join IMF (\$4 million) and several other small loans.

II. FOREIGN TRADE AND INVESTMENT

Adverse to one of the big lessons of the newly-industrialized countries and territories of Asia, or the Asian "dragons", that is, the development of export and foreign investment into the engines of high economic growth, the South Vietnamese Government during the 1954-1975 period made another big lesson which implied the strangle of development thanks to the large receipt of aid and the increase of import in the letri-

ment of export and FDI. This lesson will be made clear in the following part.

1. Foreign Trade

To get a better understanding of the development of foreign trade of South Vietnam and its trade relations with the United States during the period of 1954-1975, it is necessary first of all to review the US-South Vietnamese trade relations during a number of years prior to that period. At the time when the Indochinese countries were under the French control, trade between Vietnam and the United States was still small, but tended to rise though not steadily. The share of trade with the United States in the total export volume of Indochinese countries was of 2.6% during the 1925-1929 period, then dropped to 2.3% during the 1930-1934 period, and later went up to 6.6% during the years of 1935-1939. US exports to Indochina during those periods were mainly cotton, petroleum products, machinery, automobiles and spare parts, mechanical products, fibers and textiles. Most of US imports from Indochina were rubber and zinc. For instance, during the period of 1935-1939, the United States supplied 27% of cotton, 19.1% of petroleum products, 17.5% of machinery, 13.4% of automobiles and spare parts to Indochina, while it imported 38% of rubber (92,000 tons) and 3% of zinc from Indochina (Phong, D., p. 18-19). Since its takeover of the French in South Vietnam at the middle of the 1950s, the United States had gradually attempted to control the market of South Vietnam through its conditional aid and other measures. One of the typical examples was the fact that from December 1961 the US Government

stopped allowing the Saigon Administration to use its aid to import goods from other countries, instead it forced the Saigon Administration to spend US aid to purchase US goods, thus opening the way for US goods to dominate the market of South Vietnam. Table 3 showed that US goods had increased during the period from 1963-1973 and made up over a half of the total value of foreign goods exported to South Vietnam, or 344 billion piasters compared to 306 billion piasters of accumulated imports to South Vietnam from Japan, Taiwan, France, Italy and West Germany.

Table 3: South Vietnam's imports by countries and territories, 1963-1973 (million piasters)

Year	USA	Japan	Taiwan	France	Italy	West Germany
1963	3,746	966	1,311	1,099	225	250
1964	4,420	1,124	1,340	637	296	293
1965	5,667	1,451	1,646	420	251	284
1966	11,681	4,320	4,089	936	1,207	732
1967	13,936	11,896	6,439	1,426	1,846	1,233
1968	10,890	11,186	3,670	1,625	1,195	932
1969	20,666	13,485	4,203	2,716	1,888	1,462
1970	20,549	7,048	3,428	2,772	776	1,057
1971	28,412	12,500	6,667	5,394	1,713	3,873
1972	96,000	45,541	17,083	16,117	4,169	4,258
1973	128,677	39,483	14,318	22,676	4,531	5,107
Total	344,644	149,000	64,149	55,818	18,097	19,481

Source: Phong, D., p. 90

Table 4: South Vietnam foreign trade, 1954-1974 (\$ million)

Year	Exports	Imports		Import price index (1962=100)	Trade deficit	Exports as percentage of imports	Deficit as percentage of national income
		All import arrivals	Commercial import arrivals				
1954	50.6	267.0	235.0				
1955	69.2	263.2	231.6	108			
1956	45.1	217.6	191.5	108	172.5	21	18
1957	80.5	288.7	246.6	108	208.2	28	20
1958	55.2	232.1	208.8	103	176.9	24	16
1959	75.1	224.6	198.7	103	149.5	33	13
1960	84.5	240.3	210.9	104	155.8	35	13
1961	69.8	259.6	231.9	102	189.8	27	16
1962	56.0	275.4	230.9	100	219.4	20	18
1963	76.7	315.4	238.1	105	238.7	24	19
1964	48.5	326.7	245.8	106	278.2	15	20
1965	35.5	387.7	297.0	105	352.2	9	23
1966	27.6	607.2	460.0	105	579.6	5	36
1967	16.4	744.0	547.4	106	727.6	2	38
1968	11.7	707.5	473.9	107	695.8	2	36
1969	11.9	837.7	652.5	112	825.8	1	34
1970	11.5	715.1	502.3	119	703.6	2	28
1971	12.4	705.0	598.1	123	692.6	2	27
1972	15.6	745.6	571.0	137	730.0	2	29
1973	58.0	716.3	562.4	184	710.5	8	25
1974	84.9	837.0	659.9	281	802.1	10	23

Source: Dacy, pp. 83, 106

Table 4 on the development of foreign trade of South Vietnam during the period of 1954-1974 seemed to be the most typical picture reflecting the dependence of the economy of South Vietnam on US aid. According to this table, exports of South Vietnam which used to cover a considerable part of its imports (about 20 to 30%) during the years of 1956-1963, had dropped to less than 10% of imports during the period of over ten years from 1965 to 1973, particularly in the year of 1969 export was equal to just 1% of import while the rest 99% was covered by US aid. Foreign trade deficit which initially was of about over \$100 million a year or 10% of the national income increased to over \$700-800 million a year during the later period and made up to about one thirds of the national income. In 1967 alone, for instance, foreign trade deficit accounted for 38% of the national income and this amount was also covered by US aid. Major exports all declined. Rice, for example, was one of the main and traditional exports of South Vietnam, which was exported 323,000 tons in 1963 with a return of \$36 million, but to 1967 no more rice was exported, and since then South Vietnam had been turned to be an importer of rice with the amount of import in that year was 770,000 tons, after that increased to over 1 million tons a year. Another large export of South Vietnam was rubber whose volume of export dropped from 83,000 tons in 1959 to 21,000 tons in 1969, then stood at that low level until the early 1970s (Dacy, pp. 82, 83). While millions of people who produced exports lost their jobs, a small number of importers was awarded with the vested interests and became very rich. These importers benefited from the formal exchange rates which were often 1/3 or 2/3 lower than those of the market,

from the monopoly in borrowing money from the banks to finance their imports, from the monopoly in fixing the prices of their imported goods, and other privileges which helped them to acquire very high rates of profit, normally from 10 to 30% of the C.I.F prices. Each importer made an annual profit of \$102,000 to \$153,000. That was the reason leading to the fast growth of the number of importers in South Vietnam which over-doubled from 777 in 1960 to 1,766 in 1966. The number of import companies also grew from 489 in 1966 to 795 in 1975. The import value increased more than threefold from \$2,376 million during the period of 1956-1964 to \$7,549 million in the years of 1965-4/1975 (Sen, pp. 121, 122, 127).

2. Foreign direct investment

Realizing the importance of FDI, since the 1950s the Saigon Administration issued several laws and regulations to attract foreign direct investment such as the Declaration of May 3, 1957 and the Investment Act No. 02/1963 promulgated by the Ngo Dinh Diem Administration and the Act of 04/1972 by the Nguyen Van Thieu Administration (Sen, p. 072). Concerning the relationship with the United States, in 1961 Ngo Dinh Diem signed the "Treaty of Amity and Economic Liaison" in which the Ngo Dinh Diem Administration committed itself to give privileges to US direct investment through the provision of favorable conditions to their investments in different economic sectors, in the purchase of land and materials, in the utilization of public facilities, the employment of workers, the repatriation of their profits to their home country, and in the realization of their contracts concerning the distribution of their products.

The Ngo Dinh Diem Administration also committed not to nationalize in the long-term the investments by US companies in various economic sectors, in some cases US investments would not be nationalized for as long as 99 years (Phong, D., p. 10).

Though there were such laws and regulations committing to create favorable conditions for FDI, the volume of FDI in South Vietnam during the period of 1954-1975 was quite small due to the instability in the political, military and economic situation. From 1963 to March 1975 there were 338 foreign investors operating in South Vietnam with the total investment capital of US\$10,626,826 and Ff 688,750, much lower than that in Taiwan, Indonesia and South Korea (Table 5).

Table 5: FDI in South Vietnam and some other countries and territories (\$ million)

Countries or territories	1967	1968	1969	1970	1971	1972
South Vietnam	1.005	0.032	0.038	0.33	1.8	0.43
Taiwan	57	89.8	109.4	138.8	162.9	113.4
Indonesia	176.2	232.2	722.7	262.1	398.8	473.8
South Korea	20.1	27.6	31.7	67.8	52	116.6

Source: Sen, p. 210

Of the realized direct investments made by five largest investors in South Vietnam up to April 1974, France ranked the first with 2,446 million piasters, followed by the United States (1,798 million piasters), Japan (1,476 million piasters),

Singapore (1,193 million piasters) and Taiwan (1,066 million piasters). Some countries made large share of their investments in the industrial sector such as Great Britain 97.29%, France 70.89%, Japan 53.38%, while the share of US investments in industries was only 17.90% of their total investments (Sen, Table III: 43, p. 211).

Most of foreign direct investments in South Vietnam during this period were made in the form of joint-ventures. In spite of the difficulties caused by the unstable political, military and economic situation which implied high risks, FDI in South Vietnam during this period acquired very high rates of profits thanks to the advantages of the low labor costs and the relatively large market, though they were not large in quantity. The total amount of foreign direct investments in South Vietnam during the period of 1956-1974 was only US\$13 million, while the profits they earned and transferred to their home countries were amounted to US\$178 million, the ratio was 13 to 1, not just "four to one" as it was praised in a Vietnamese saying (Sen, p. 115 and Table III: 43, p. 211).

Chapter 2

IMPACTS OF US ECONOMIC AID, TRADE AND INVESTMENT ON THE ECONOMY OF SOUTH VIETNAM

I. GROWTH WITHOUT DEVELOPMENT

1. Modest growth

Chapter 1 analyzed a truth that during the period from 1955 to 1975, export and foreign direct investment, the two high-growth sectors or the engines of growth in many countries and territories in East and Southeast Asia, had seriously declined or very poorly developed in South Vietnam, whereas foreign aid and import, the two parasitic sectors, had grown very rapidly in the latter's economy. Should that paradox be one of the sources explaining the economic situation of South Vietnam during that period as growth without development?

It would be untrue and arbitrary to suggest that the massive volume of US aid and import pouring into South Vietnam during the period of 1954-1975 did not bring about any positive impact on the South Vietnamese economy and society. In fact, the large amount of US aid and import had not only made a

significant contribution to the curbing of the inflation and the stabilization of the socio-economic situation in South Vietnam during the period of hardship as it was analyzed earlier, but also helped raise the income of not a small group of people and maintained a positive growth in almost all the years during the period, including those years under the fiercest war. Table 6 indicates that during the years from 1955 to 1974, the economy of South Vietnam maintained a continuous growth in terms of the 1960 constant price (1960 = 100), or the current prices of the South Vietnam's piasters, or the exchange rates converted into the US dollars. According to the estimation by Dacy, during the period of 1956-1974, the annual growth rate of the gross national product (GNP) of South Vietnam was about 4%, but the annual growth rate of the real per capita income was reduced to only 1.4% due to the high population growth (Dacy, pp.xvi, 38, 56). These figures showed that during the period of 1954-1975, the economy of South Vietnam did grow although with a rate not as high as that of other economies in the region such as Taiwan, South Korea, Hong Kong, and Singapore which recorded an annual growth rate of around 8 to 10%.

Table 6: Official estimates of gross national product in South Vietnam, 1955-1974

Year	GNP in current prices	GNP in piaster constant prices (1960=100)	Exchange rate (piasters per dollar)	Dollar value (billion)
1955	63.6		70	0.91
1956	68.7	65.4	70	0.98
1957	67.0	66.5	70	0.96
1958	71.3	72.2	70	1.02

Year	GNP in current prices	GNP in piaster constant prices (1960=100)	Exchange rate (piasters per dollar)	Dollar value (billion)
1959	80.1	79.1	70	1.14
1960	81.8	81.8	70	1.17
1961	84.5	81.8	70	1.21
1962	93.8	88.2	78	1.20
1963	100.3	90.5	78	1.29
1964	114.5	98.8	81	1.36
1965	144.8	108.0	94	1.54
1966	236.2	108.5	145	1.63
1967	356.7	110.7	189	1.89
1968	385.3	105.8	201	1.92
1969	557.6	110.2	229	2.44
1970	804.4	117.5	325	2.48
1971	979.9	120.7	388	2.53
1972	1,102.0	120.4	439	2.89
1973	1,551.0	120.8	531	2.92
1974	2,229.0	121.5	641	2.48

Source: Dacy, pp. 40 and 68

2. Massive foreign aid detrimental to domestic savings

In the theories on the market economy, savings are usually considered to be the central factor of development or the engine of growth. An economy maintaining high savings rate normally registers high growth rate, but does not always bring about high development if the savings was not generated mainly from the development of the economy itself and the development is not a sustainable one. Savings are made under different patterns in different economies. In the devel-

oped economies, most of the savings are normally generated from the internal economy, thus high savings usually coincide with high growth or high development. Whereas, in the developing economies, internal savings are normally low, thus, it is necessary for these economies. On the one hand, to boost exports in order to raise the export earnings to offset the deficits caused by imports, or when there is a surplus in the trade balance, it may be used as a supplement to domestic investment; otherwise these economies need to be supplemented by foreign aid and foreign investment. This means that for a developed economy, savings are mainly generated from internal sources; while for a developing economy, savings normally come from both internal and external sources. Of these two sources, the internal one often plays the decisive role and constitutes a long term and basic significance for the development process as well as for the building of a self-sustained economy, while the external source, though very important, is normally regarded as a supplementary factor which would contribute to the long term and dynamic development as in the cases of the Taiwanese and South Korean economies when they made a good combination of the internal and external sources. Otherwise they would turn the economy to be heavily dependent on foreign aid, or "*an aid economy* ", which might gain temporary growth, and not long-term development, as it occurred in the economy of South Vietnam during the period of 1954-1975.

Dacy found in her study on the savings process of the South Vietnamese economy over the two decades from 1954 to 1975 that the domestic savings of the economy was minus 10%, while the savings from foreign aid was plus 20%, mak-

ing up the total savings of plus 10% (Dacy, pp. 125, 128). As a result of this figure of plus 10%, the economy of South Vietnam was maintained at a positive growth during that period. But the economy was, due to the domestic savings of minus 10%, always dependent on the American aid, without the capacity of developing an independent, self-sustained and long-term development economy, thus when aid ended the economy fell down.

The comparison between the savings in the economy of South Vietnam and those in other economies will help us to understand better about the role of the domestic savings in such a developing economy as that of South Vietnam. As it was mentioned earlier, there were four economies that received the largest shares of US aid during the 1954-1975 period, including South Vietnam, South Korea, Taiwan, and Israel. And among them the economy of South Vietnam enjoyed the single largest share, both economically and militarily, but lagging behind in the development of its economy compared to the three rest economies which grew rapidly during that period. One of the important reasons was that those three economies had efficiently made use of foreign aid, they had not excessively relied on foreign aid, instead in conjunction with the reception of foreign aid, they utilized it as a motive force for the development of the internal economy and the formulation and implementation of development policies. They efficiently combined the external sources with domestic ones, emphasizing the importance of foreign aid along with the increasing mobilization of domestic sources through such measures as taxation, bank deposits, and promotion of private investments in order to serve the goal of development. Whereas in South

Vietnam, as Dacy put it, the Government was deeply trapped in corruption and "rent-seeking", only concentrated on squeezing money out of foreign aid as much as possible to enrich officials themselves, paying no attention to the development of the economy and the mobilization of the domestic sources for development, those policies concerning taxes, interest rates, industrialization and other related ones were not fully appreciated. As a result, the domestic savings of the South Vietnamese economy was -10% during that period while the corresponding figures for the domestic savings of Taiwan, South Korea and Israel were from 10 to 20% in the same period, and were raised to even higher rates in the following years, reaching as much as 32% in the case of Taiwan in the years of 1971-1972 (Dacy, Figure 13-1, pp. 258-259, Chapter 6 on Savings, and Chapter 8 on Windfall gains).

3. Abnormal economic structure

In 1977 Chandavarkar studied the economies of South Vietnam, Thailand, the Philippines, India, South Korea and Malaysia during the period of the late 1960s and found that the monetary sector had contributed around 88% of South Vietnam's income which was equivalent to the shares of Thailand and the Philippines and higher than that of India, South Korea, and Malaysia (quoted from Dacy, p. 90). Such an economy is called the "*monetary economy*" which may be formulated in a special context when the economy receives a large sum of money in the form of foreign aid or monetary business, or some other similar activities. Since it is special, that economy is very different from the other normal ones which constitute a relatively balanced and harmo-

nious development between the production and service sectors, between the monetary and non-monetary ones. In a normal economy there is also special periods in which the monetary sector booms as it occurred in South Vietnam, Thailand, and the Philippines during the late 1960s. In Thailand and the Philippines, however, the non-monetary sector had later on been developed and formulated a relative balance between the two sectors. Whereas in South Vietnam the non-stop pouring of a large amount of American aid continued to monetarize the economy and increase the imports basing on American aid, making a boom in service sector, developing the consumer goods manufacturing industries and those that meet the demand of the war and utilize the war's waste and discard such as foodstuff, beverages, tobacco, canned food, construction, electrical appliances, soft plastic, paper and paper products, refinery of aluminum, bronze, and steel discard from war. Among these beverages and tobacco industries accounted for 59%; textile, food processing, and electricity account 32%; both combined 91%, and the remaining industries made up only 9% of the total value of industrial production (Dacy, p. 44). On the other hand, the massive provision of aid and the massive imports based on it together with the monetarization of the economy had undermined, ruined, and/or destroyed many economic sectors, including the traditional industries such as cane-sugar, skin tanning, woodwork, vegetable oil, paper powder, coal, silk, and others. This situation was interpreted by Dang Phong as follows: "... it had caused as many as ups and downs. It crushed to death the cotton cultivation, the mulberry planting, and the silkworm breeding, and nearly to death the sugarcane refinery, the

wickerwork and the other handicrafts. It gave birth to a series of processing factories with series of capitalists. It introduced stalls and shops with full of goods on streets and markets" (Phong, D., p. 91).

The more the monetary economy was developed, the more the import of goods was raised and the more the service sector was swelled up, which increased from 41.3% of the real net domestic product in 1960 to 64% in 1972, the more the proportion of domestic industry was shrank which dropped from 18.7% to 14.8% in the same period and the less competitive the domestic industry became, due to its low productivity combined with high workers' wages paid by foreign aid which were raised to the same level of wages in Taiwan. As a result, South Vietnam's industries at the time could only provide jobs to about 2 to 3% of the total 8 million workforce in the early 1970s while agricultural production also shrank seriously, dropping by 18% from 40% to 21.3% in the period from 1960 to 1972 (Dacy, Table 3.6, p. 60, and pp. 44, 74, 81).

The "aid economy" not only squeezed the domestic savings and "deformed the industrial structures" (Sen, p. 066), but also led to a serious imbalance of the regional structures. Rapid urbanization was a prominent feature of the regional economic development in South Vietnam during the period of 1954-1975. Almost every economic activity carried out by the South Vietnamese Administration and the United States during this period in South Vietnam concentrated in the urban areas (Saigon, Da Nang, Can Tho), especially the Saigon-Cho Lon-Gia Dinh Region, turning these cities and towns into unusually fast developed areas. In 15 years from

1955 to 1970, this region had been three times enlarged. After 1965 Saigon had been turned from a center of trade and domestic and international transportation into the Capital of the South Vietnamese Administration. It played the role not only as a center of administration, politics, culture of South Vietnam, but also as a center of economic development which was centralized and urbanized at a dizzyly high speed. The Saigon-Gia Dinh-Bien Hoa area alone usually accounted for over 90% of the total technical credits of the entire South Vietnam, namely 92% versus 8% of all the remaining provinces during the period of 1957-1967, and 97.5% in 1968. Another fact was that 82 out of the total 152 branches of the 33 commercial banks in the whole of South Vietnam in 1975 were located in Saigon. The number of workers in big enterprises (with over 50 workers each) in Saigon and its adjacent areas increased five times in ten years, from 9,262 people in 1960 to 48,715 people in 1970. The population of Saigon grew from 1.5 million people in 1953 to 3.6 million in 1975 (Sen, pp. 078, 079, 095, 098). The proportion of urban population in South Vietnam increased from about 15-20% at the mid-1950s to over 40% of the total population of South in 1975. "...The large growth in population in the cities cannot be attributed entirely to the normal process of development and would have posed major social, economic and political problems even if the war had ended..." (Dacy, pp. 85-86).

4. Excessive consumption

There often exist simultaneously two economies or "dual economy" in most of the developing countries: the modern and industrial versus the backward and agrarian economy.

The same situation was developed in South Vietnam during the period of 1954-1975, but with a different type of pattern where the backward and agrarian economy did not exist along with a modern and industrial one, because the economy of South Vietnam at that time was not exposed to industrialization. Instead, in South Vietnam at that time there was a co-existence of a backward and agrarian economy and a fairly developed consumption and service economy. In a larger and more precise term, there existed a consumption society within a poor, backward and agrarian society. In such a poor society "the real per capita income of each Vietnamese [in the South] was just around US\$100... [but] they consumed about dozens of billions of dollars a year: and by per capita each Vietnamese (in South Vietnam at that time) consumed nearly US\$2,000 a year... [it was really] "a strange phenomenon" (Phong, D., p. 11).

What products and services did they mainly consume? The answer is that in the cities they were beer, wine, canned food, cars, multi-storied houses, all kinds of luxuries, night clubs, discotheques, etc.; while in the rural areas, "the brand new products they used... were not... to serve the production but they were Honda motobiles, radios, transistor television, bottled beer, soft drink, fine cigarette, artificial silk and other expensive products" (Phong, D., p. 106).

Where did they get those things? The most important supply was not from their own efforts, it came from the American aid, because, as it was analyzed by Dacy, "most of the aid was used to stabilize prices, which means it was spent to import consumer goods or materials that contributed to

domestic production of consumer goods" to feed such a consumption society (Dacy, p. 20).

The most damaging effects of such kind of aid on consumption was that it set up, a way of life in which people consume more than what they could produce, a habit to be today and not for tomorrow. Or as it was noticed by the General Director of the Technical and Commercial Company Sofidiv Lam Van Si, that kind of aid led to "the consumption without production" (quoted from Dang Phong, p. 109). It was that very way of life and the habit of easy living generated by American aid had killed the ideas, the desires and the efforts aiming to build an independent, self-reliant, long term and sustainable economy in South Vietnam. Dacy suggested several times in her research that such a development should have been given higher consideration or greater priorities, but it was not in the South Vietnam, it was ignored and paid little attention, or even received a ruthless attitude, they only looked for aid and rushed for aid, and that was what the United States wanted for! (Dacy, pp.xvi, 20, 27, 32-36, 70-71, 94-97, 239, 244-245, 253-257).

5. Unusual social differentiation

The society of South Vietnam during the 1954-1975 period was differentiated as follows:

- *The bourgeoisie*: 42,300 people in 1975 (Phong, D., p. 53).
- *Government employment*: 1,360,000 people in 1972, among which the civil employees were 337,000, the armed forces strength was 1,023,000 (Dacy, Table 3.3, p. 47).

- *Workers*: the total number in the period of 1960-1963 was 6,342,000 people, among which agricultural workers were 5,703,000, manufacturing workers 124,000, construction workers 50,000, commerce workers 206,000 and Government workers 259,000 (Dacy, Table 3.4, p. 48).
- *Vietnamese employees at US agencies*: 142,400 people in 1969 (Dacy, Table 4.4, p. 84).
- *Unemployed*: 2 million people in September 1973 (Phong, D., p. 57).

The above-mentioned figures were not fully precise since they did not come from one source of information and were not collected at one time, and some of these figures were overlapped with the others. For instance, out of the total number of 42,300 bourgeoisie there were 17,300 people in the armed forces who could have also been calculated in the number of the 1,360,000 people belonging to the category of Government employment, not yet to mention those who were not counted as military officers, but were listed as senior officials of the Saigon Administration and were included in the category of Government employment. Or among the 6,342,000 workers there were 259,000 Government workers who remained unclear whether they were listed in the group of Government employment or not?

Another figure which would cause overlap is the number of 2 million unemployed people announced by Saigon Economic Ministry in September 1973. This figure might have included the nearly 120,000 people sacked from American agencies of both civil and military services from

1969 to 1973 when a large number of American soldiers withdrew from South Vietnam. According to the statistics at that time, the Vietnamese hired by American agencies decreased from 142,400 people in 1969 to 26,700 in 1973 (Dacy, p. 84). If the overlap is addressed, the figures would have been more precise, hence the analysis would have been more practical. However, due to limitation that no more precise figures would have been found, and the overlaps were small if compared to the whole available data. They therefore would not make a great impact and big change on the assessment of the social differentiation in South Vietnam, we think that these figures are still precious materials to help us to understand the real and fundamental situation of the society of South Vietnam during the 1954-1975 period.

The figures mentioned above cover almost the whole workforce in South Vietnam during that period. These people were the main source of life of their families. Their incomes reflected the living standards of different social strata in the society of South Vietnam during the 1954-1975 period.

And these social strata had been, as a result of the changes in the main workforce, very deeply differentiated, with a big gap between the high and low incomes, hence leading to a big difference in the living standards and the social positions of the people.

Three main kinds of labor groups could be classified as follows basing on the above figures:

- i. *The rich and the fairly rich*: this group included 42,300 capitalists, 97,000 military officers from the post of captain and above, basing on the figures of the

peak year recorded in 1974 (Phong, D., p. 53), 142,000 employees worked in American agencies and about 100,000 senior officials out of the total 337,000 Government employees (these are the round figures basing on a relatively high rate of one senior official over three Government employees). The total number of this rich and the fairly rich group was 381,300 people.

- ii. *The middle class*: this group consisted of 1 million Government employees and soldiers in Saigon army and 6 million workers of all kinds from agriculture to industry, trade, and others.
- iii. *The unemployed*: there were over 2 million people in this group.

The income gaps of these groups were very big. However, since it was unable to collect full and systematic data, we try here to select and present the typical figures which would help the analysis to be reliable. By that way, we found that Group 1 included those bourgeois who worked as importers. And there were, as mentioned earlier, 1,766 importers in 1966 whose annual average per capita income ranged from US\$102,000 to 152,000. Many generals and high-ranking military officers and senior officials of the Saigon Administration also gained the same or equivalent level of income. In the context of low purchasing power and prices of the South Vietnamese market at the time, such a high level of income allowed the people in this group to enjoy a really prosperous life. Those Vietnamese who worked at the American agencies were also included in Group 1 and they too gained an income which was equivalent to the income of

the Saigon Regime's middle officials and military men and about 3 to 4 times higher than the average income of the employees who did the same jobs in Vietnamese institutions. These people were also fairly wealthy.

The Group 2 was the middle class consisting of ordinary officials, soldiers, and workers in agriculture, manufacturing, trade and other industries. This was the largest group with the total number consisting of 7 million people, among which there were three main categories of workers with the first and biggest one included over 5 million "agricultural workers", following by about 1 million soldiers, and about 400 thousand urban workers.

"Agricultural workers" mentioned here were in essence peasants and farmers. This group was divided into three classes: the first was the *kulak*-bourgeois, whose number was not large, but they enjoyed a high living standard in the rural area; the second was the middle peasants who made up the largest share of about 65 to 77% of the total number of "agricultural workers" and held good cultivation ability, played the dominant role in agricultural production and rural area's living conditions, among these people a small number enjoyed a fairly well-off life (well-off middle peasants) while the vast majority of the class enjoyed adequate living standard (normal middle peasants), and the small remaining number was in straitened circumstances (poor middle peasants). And the third was the hired peasants who were landless and hired by the others, they lived a poor and unstable life, running in search for food day after day (Sen, pp. 142-153).

The living conditions of the *urban workers* became more and more difficult, because their wages could not increase to

match with the high consumer prices, the high inflation and the fast growth of urban income in general. All these led to the real decline of their daily income which decreased by half in comparison with the price of rice during the period from the late 1950s to the early 1970s, and dropped dramatically in comparison with all kinds of goods and services. "There was a considerable deterioration in the living standard of workers from the late fifties to the end of the war" (Dacy, p. 116-120).

There was also a big change in the living conditions of the *soldiers*. According to the survey made in 1972 by the Enemy Convincing Department, 31% of the soldiers' families relied on their wages and bonuses as the main source of living; 18% considered these as important source of living (covering around 40-50% of their spending). A comparison of the living conditions of these soldiers' families before and after their joining the army showed that 62% of the soldiers found their lives better since joining the army, while 27% felt the same, and 11% revealed that their living conditions became worse (most of the people in this group of 11% were skillful and professional workers who acquired high income when working in civil sector before joining the army) (Phong, D., p. 54). The soldiers were normally paid relatively high salaries, wages and bonus because of the large provision of American aid, but in return they had to suffer bloodshed and death and, more tragically, they were kicked aside immediately as American aid dropped and the war ended, they became the supplements to the large and massive unemployed "troops".

The third group included two million *unemployed people* who suffered from the hardest and most miserable living con-

ditions. They could not find enough work to do and were always in straitened circumstances, thus possessed the lowest position in the society.

Such a social structure as analyzed about was really unusual or abnormal: firstly, the strongest and most professional workforce did not involve in production, business and national economic construction. Instead they were turned to be mercenaries for foreign aid until the aid providers got away they became jobless. Secondly, the society was too much differentiated that on the one side a small number of people lived in luxury whose incomes were many times higher than those of great masses of the people who on the other side were unemployed and lived in serious poverty without adequate food and clothing. Such a society could not maintain stability and sustainable development.

Nguyen Cao Ky himself had to recognize this in 1969 when he said, "we (South Vietnam) are an agrarian nation, but we cannot build a fertilizer factory while we have to import vehicles, televisions and perfume. In sum, within the current socio-economic framework of [South] Vietnam, there were only a small number of people that benefited from American aid while most of the others still suffered from the very low and underdeveloped economic conditions, and there are currently no fundamental theories or policies which would be the possible or feasible foundations for the national economic development" (quoted from Phong, D., p. 109).

6. Short-term economic policies

So far we have been relatively clear about the main social and economic policies which had been implemented

by the US Government and the Saigon Administration in South Vietnam during the period of 1954-1975, including policies on aid, trade, investment, savings, industries, agriculture, foreign trade, consumption, income distribution, sectoral economic structure, regional structure, and others. In this section, we will discuss further about several issues regarding the monetary and financial policies and the industrialization strategies as well as the ideas of the decision and policy makers and economic strategists in South Vietnam during this period.

The first issue to be discussed here is the *budget*. The Saigon Administration formulated their budget based on three main sources: domestic revenues (mostly from taxes); money supply to balance the deficits; and foreign aid. The total taxes collected by the Saigon Administration were about 7.3% of its GNP in 1956. Then the increasing American aid reduced the importance of taxes, leading to the decline of the share of taxes to 5.6% of GNP in 1971. Since 1969 the United States had gradually withdrawn its troops from Vietnam, and as a result, US aid to South Vietnam also gradually been reduced, forcing the Government of South Vietnam to reform its tax system. Thus a number of tax reform measures were introduced which helped raising the value of tax collection to 6.7% of the South Vietnamese GNP in 1972, then 10.9% in 1973, and 11.3% in 1974. Regarding the circulation of money, during the peak years, the Saigon Administration had printed over 100 billion piasters, but the budget deficits in those years had reached over 200 billion piasters (particularly in 1973 the budget deficit was 228 billion piasters), and the United States had bought more than half of that amount of money supply to spend for their activities in South

Vietnam. Beside the above two sources of revenue, the rest of the Saigon Administration's budget was provided by the American aid which, as it was revealed by a survey of the US House of Representatives, covered both directly and indirectly at least 80% of the total budget of the Saigon Administration during those years (US House, 1971, p. 6). (Dacy suggested that this figure was high and she proposed a lower figure which might be higher or lower from year to year, but normally was about 50% of the total budget of the Saigon Administration - Dacy, p. 225). Concerning budget expenditures, the "Government [of Saigon] spent from 80 to 90% of its receipts on direct wages and compensation of government employees, including armed forces; thus, virtually all value added in the government sector was due to the services of people" (Dacy, p. 45).

In sum, the Saigon Administration's budget was formulated basing mainly on American aid; and most of it was spent for the administration apparatus and Saigon army; both budget revenues and expenditures were not or almost not attached to economic development.

The *exchange rate policies* announced by Saigon Government were considered as flexible ones, but in practice since the middle of 1950s to 1972 they had been developed as those of a dual foreign exchange market in which the fixed exchange rates of the formal market had normally been higher than the rates in the "black market" from two to three times. From the year of 1972 they turned to implement the floating rate policy. Under the policies of dual foreign exchange markets during the period of 1954-1972, the Saigon Administration had adjusted the formal rates two

times: the first was in 1955 when the formal rate was fixed at 35 piasters per US\$1 while on the "black market" it had been 90 piasters/US\$1. During the years after that, the exchange rates on "black market" had been sharply and continuously changed with the increasing depreciation of the local currency. Up to 1972, the rate on the "black market" was 180 piasters per US\$1, and by then the Saigon Administration had to devalue the piaster and fixed the formal rate at 180 piasters/US\$1. In 1972, the exchange rate on the "black market" dropped to about 400 piasters per US\$1. The situation became worse and worse when the American troops withdrew and, as a result, the Saigon Government's revenues in foreign currency had been continuously decreased, and because of that, it was impossible to continue the fixed exchange rates or even the dual exchange rate policies. It then had to announce to floating of the piaster. With this new measure, from 1972 to 1974, every year the Saigon Administration was able to purchase hundreds of millions of US dollars from the "black market" to compensate a part of the loss of foreign exchange due to the drop of American aid. Dacy wrote following words when she evaluated the foreign exchange rate policy of the Saigon Administration: "For most of the period [1955-1975], the foreign exchange rate policy of the Vietnamese government was calculated to maximize U.S aid. This policy encouraged import and discouraged export, just as it stifled industrial and agricultural development" (Dacy, p. 85).

It was not better when we analyzed *the interest rate policy* of the Saigon Administration. Throughout the whole period of 1967-1974, the time that the statistics on this issue was relatively well recorded, the interest rates in the economy of

South Vietnam was always negative which varied from minus 20 to minus 30%, or even minus 48 and minus 46% in the two years of 1968 and 1974, except the year of 1972 when the interest was plus 2%. For example, by the end of the year of 1970, the inflation rate was 30% while bank interest rate was only from 8 to 12%. Or during 1960s, the rates at the commercial banks were from 3 to 4% compared with 48 to 120% at the "black market". That was the main reason why the people did not want to deposit their money at the banks. Instead, they invested in real estates or bought gold and high valuable assets to restore. The private savings rates were, therefore, only from 2 to 5% of the GNP in almost every year during the whole studied period, except for the two years of 1965 and 1966 when the interest rates exceeded 10%, or reached 12.9% and 12.5% respectively (Dacy, p. 128-129, 138-139). Small savings led to small accumulation, hence small investment that was the reasonable logic of the non-development situation.

The single largest cause of all the above-mentioned economic weaknesses was *the lack of a sound, realistic and long-term economic policy* or a clear, feasible, and long-term industrialization strategy. "Although industrial development had been an urgent demand and a blueprint which had been projected since the early years when the Americans came to South Vietnam and replaced the French, it was until the early 1970s that such an industrialization policy was still in the process of searching and continuous experiment" (Sen, p. 073).

At the beginning of the 1970s, the leaders of the Saigon Administration had gradually realized the fact that: "When

the Americans withdrew, we would return to harsh reality" (quoted from Phong, D., p. 109). Since then, they themselves had to struggle with their lives in an economy abounded with many difficulties such as the lack of food and clothing, the shortage of revenues compared to expenditures, the large unemployment of millions of people who lived in extraordinary poverty and hardship. All of these posed a heavy pressure on the society and forced the Administration to search for a way out. They looked around and foraged for the magic wands, knowledge, and experiences in economic development from the whole period of the past 20 years. They could not find any kind of magic which would help recover the economy and replace the American aid, because they themselves and the US Government as well until then had not paid proper attention to economic development, or in Dacy's words, "industrialization was not high on the priority list of Vietnamese and American officials" (Dacy, p. 94). All of these people had been "gone with the wind," or with the whirlwind of aid and imported goods without considering the fact that massive import would damage domestic production, strangle domestic industries and agriculture, and even exports, while blowing up the service bubble till the time there had been no more air so that the bubble turned flat, thus following by a flat economy. Those Vietnamese leaders became disappointed. They did not know how to do and fell in stalemate. They then turned to criticize the United States. According to them, "the difficult thing in Vietnam was that there had been no economic issue that was truly economic. Almost every thing had been dependent on foreign aid, or on the American aid. But American aid was very selfish.

The Americans would give us as much fish as possible to feed us, but they never gave us the fishing rod nor taught us how to fish" (quoted from Phong, D., p. 109). To the end, in order to create favorable conditions for a safe withdrawal of American troops, to inspire the Saigon Administration and to compensate the gradual aid cut, the United States had in 1969 to bring out a fishing rod, namely, to introduce the Postwar Development Plan which implied a new economic policy: that of export orientation. It was expected in the Plan to raise the total investment of the South Vietnamese economy to 600 billion piasters (US\$5.08 billion) in ten years, to increase the export value to US\$1 billion in 1985, and to bring the industry of South Vietnam to the level of those in the other South East Asian nations during the early years of the 1960s... Regretfully, the time was not on their side. They had only 3 to 4 years just to show off their schemes, to pass a few new legal documents and some imagined priorities like the Decree No.130 of the Economic Ministry on 17 March 1973 which defined 27 areas of priorities and 9 others as areas of stimulation, including products for export, labor intensive industries, high local material content, foreign currency saving services, assistances for agriculture, forestry, fishing, mining, infrastructures, regional developments, and some others, but they did not have time to realize these plans. All was too late. Their time already came to an end! That was the tragedy of the paradox of development in South Vietnam during the whole period of over 20 years from 1954 to 1975: when they had long time, they followed short-term policies; and when their time came to an end, they made up a long-term "plan" of development!

II. MAIN COMPONENTS OF THE MARKET ECONOMY AND THE INFRASTRUCTURE

It was obvious that during the period of over 20 years from 1954 to 1975, the economy of South Vietnam had been developed under the market economy model directed by the Americans regardless of its long-term or short-term development, its deformation and distortion caused by the War, by the US cow-feeding aid policies or the inappropriate market orientations. Though until 1975 the South Vietnamese market economy had not reached the high or relatively high level of development as that of industrialized or newly industrialized economies, the history of over 20 years of development had left a number of components or bases of the market economy which have continued to affect the development of the Vietnamese economy since then and are worth to be studied. These components will be discussed in the following parts.

1. Main components of the market economy

a) The trade system

Normally the first to be discussed among those components of the market economy is the trade system, because it is place where most of the exchanges of goods and services, and the activities and transactions of buyers and sellers occur. It is also the place that reflects nearly fully the activities of the markets, and the relationship of different economic sectors and various social and economic regions. One of the prominent features of the trade system of South Vietnam during the period of 1954-1975 was its rapid development towards modernization. The obvious difference was that during the period of 1954-1960, both internal trade and foreign trade of South

Vietnam had been very weakly developed, covering mostly the small businesses with small number of employees and small turnover; while to the early 1970s, the trade system of South Vietnam had extraordinarily been developed in all scales, turnover, as well as commercial bases.

In 1960, the trade system of South Vietnam embodied 85,000 units which employed about 200,000 workers, of whom 33,000 were regular workers. Among these trade units, 32% had only one worker each, 38% had two workers, 0.8% had more than ten workers. Only 3% of all the units had an annual turnover of more than 1 million piasters. To the early 1975, in South Vietnam, the number of trade companies increased to 1,687, among which 60 companies registered an annual turnover of more than 1 billion piasters.

In the trade sector, import enjoyed the strongest booming. As it was mentioned earlier, in 1960 there were 777 businessmen involving in imports, to the year of 1966 the number increased by 60% and reached 1,766 people. Import companies rose from 489 in 1966 to 795 in 1975. The total import value increased three times, from US\$2,376 million during the period of 1956-1964 to US\$7,549 million during the period of 1965-4/1975.

The material and technical bases of the trade system of South Vietnam were also strongly developed and relatively well equipped. The old markets were repaired and improved while many new ones were built. In 1975, there were 125 relatively-well-constructed markets in Saigon-Cho Lon Region with various fixed kiosks involving in both wholesale and retail trade and having high turnover. Apart from the markets, in South Vietnam from 1954 to 1975, many new trading

facilities of Western style such as supermarkets, showrooms, market halls, trade centers had also been built, particularly in the big cities. From 1968 to 1971, 60 big supermarkets had been built in Saigon alone. In 1975, there were 18 market halls in Saigon. Several relatively large trade centers with high trade turnover such as Eden, Charner, Crystal Palace, Saigon Departo... had also been constructed.

Along with the development of the market system, the warehouses, depots, quays and ports, and those facilities concerning transportation, loading, discharging, and distribution of goods were improved and upgraded to make the trading transactions more convenient and cheap. In 1968, there were 33 rice stores in South Vietnam some which had the capacity to keep from 200 to 9,000 tons of rice. Before December 1973, the capacity of petroleum storehouses was of 480 million liters. In Saigon in the late 1960s, there were 12 quays for goods loading, discharging and barging, and a number of warehouses including some big ones such as the Khanh Hoi consisting of 14 stores with the total area of 28,000 m², the Tan Thuan consisting of 2 rows of stores with the total area of 3,100 m². The Saigon Trading Port had 309 trucks, 47 cranes, 102 shovels and 112 barges.

The trade system of South Vietnam during this period was well organized from top down and was specialized by kinds of products which were associated with one another in close networks from importers, manufacturers to wholesalers, retailers, middlemen, brokers, agents, advertisers, and so on. Although in the South of Vietnam during this period many trading companies of the Vietnamese were formulated and put into operation, they were not the ones that dominated the

trade system, instead the Chinese and foreign joint-stock trading enterprises who controlled large capital and the broad market network throughout the whole of South Vietnam and associated tightly with foreign capital were the main dominators of the South Vietnamese market. Under the French time, the French capitalists had controlled foreign trade while the Chinese had dominated the internal market and the high-interest-rate lending system. Under the American domination, the role of French capitalists had been replaced by the Americans, the Taiwanese, the Indians and other foreigners, while the power of the Chinese capitalists was highly developed that they not only dominated the internal market, but also foreign trade of South Vietnam. During the years from 1971 to 1974, the Chinese controlled about 90% of wholesale and retail activities in South Vietnam. In 1974, the Chinese possessed 40 out of the 62 large companies of over 1 billion piaster turnover each. In 1971, there were 815 Chinese importers operating in the most important sectors such as foodstuffs, goods of basic needs, chemical plastic, metal ware and technical materials. The Chinese accounted for 84% of the direct importers in South Vietnam at the time, while the Vietnamese shared only 12% and businessmen from other countries covered 3.6%.

The role of American capital in the trade system of South Vietnam was strengthened, but not so much. It normally concentrated on a few monopolistic sectors such as oil import in which American companies were 2 among 3 (the third was a French company), or American companies participated in 21 joint-venture trading companies of South Vietnam to import foodstuff in accordance with the food aid program PL-480.

The reasons for the strong development of the trade system in South Vietnam during this period were not just because of the large supply of US aid, the massive import, the increasing demand for the services of the war, and the increasing requirements of the people for their basic needs, but also because of the high profit rates. In the trade system of South Vietnam during this period, the profit rate of import was the highest, varying from 20 to 30% as mentioned earlier, while the rate of internal trade was lower, but not much, normally from 15 to 30% of the selling price, not yet to mention of the cases of sudden changes in the exchange rates or the scarcity or speculation of goods in which the profit rates could reach from 100 to 200%.

The trade system played an important role in the social and economic life of South Vietnam during the period of 1954-1975. In 1956, the contribution of trade to the gross national product (GNP) was 29%; to 1972 its share dropped, but still accounted for 18.8%. Though import was criticized for greatly focusing on consumer goods or materials and inputs for consumer goods production, it was impossible to deny the fact that import had provided a large sum of machines and materials for domestic manufacture, and supplied plenty of consumer goods which helped to stabilize the living conditions of the people. During the period from 1957 to 1972, machines, equipment, and production inputs accounted for 55% of the total import value in which materials shared 33.9%, machines and equipment shared 21.1%.

Trade contributed very significantly in the integration of different economic sectors, including industry, agriculture

and service, in the linkage of regions like the rural and urban areas, in the formulation of large economic and commercial centers such as Saigon-Gia Dinh, in the development of a unified market in the entire of South Vietnam, and in the broadening of the economic exchanges with foreign partners, particularly the United States.

b) The bank system

As it was discussed above, trade was a sector that recorded a high profit rate in the economy of South Vietnam during the period of 1954-1975, but that was not the highest rate. Banking even got a higher profit rate than that in trade. The profit rate in this sector often went up to the level from 25 to 60% of the investment capital, one of the highest rates. High profit rate was one of the reasons leading to the strong development of the bank system in South Vietnam during the above period.

In the late of 1954 there were ten banks in South Vietnam among which only two belonged to the Vietnamese, all the others were foreign banks. To the early of 1975 in South Vietnam, there were 105 banks, including four State-owned banks of the Saigon Administration, namely the Vietnam National Bank, the Vietnam Commerce and Credit Bank, the Bank for Agricultural Development, and the Bank for Technology Development, 32 commercial banks, and 69 rural banks run by private owners. Only 14 out of the 105 banks were foreign banks.

The bank system of South Vietnam during the 1954-1975 period not only rapidly increased in number, relatively well equipped with modern facilities and performed by a relative-

ly well-trained staff, but also relatively well organized into 3 lines of the central banks, the commercial banks, and the development and investment banks which operated with their proper functions and responsibilities and closely integrated with each other in accordance with laws, particularly those concerning banking and insurance. The Vietnam National Bank monopolized the money supply, regulated the trading of gold and foreign currencies, managed national reserves and treasury and other practices related to the National Treasury and public institutions. The commercial banks focused on deposits and loans, and were responsible for transferring to the National Bank an amount of reserve at least equivalent to 30-40% of demand deposits and 10-15% of timely deposits of the banks. The rural banks operated the same as the commercial banks, but concentrated in limited geographical areas such as the rural districts of provinces and only provided credits for businesses in rural areas, including agriculture, forestry, fishing, and rural small trading and handicrafts. The development and investment banks were of a special form of finance which only used their own capital (which was mainly provided by the South Vietnamese Government's budget and American aid) in order to supply long-term credits of two years or longer to guarantee and to finance the projects and enterprises, to get involved in co-partnership and to control the co-partnership, and to commit over-2-year-long deposits. These three kinds of banks were intertwined in close connection in which the Vietnam National Bank played the central role and influenced all the activities of the whole banking system of South Vietnam during the 1954-1975 period.

The bank system played an important role in the development of the economy of South Vietnam during the

period from 1954 to 1975. The commercial banks alone had in the early of the 1970s provided from 31.8 to 47.4% of their total credits for industrial production, most of which went to large private companies. Banking activities contributed significantly to the growth of trade, particularly through the provision of credits to importers, the development of the rural areas and agriculture, the mobilization of capital, the reduction of cash flow in the market, and the control of inflation. During the period of 1969-1972, total credits supplied by the commercial banks accounted for only from 47.9 to 56.9% of the total money they had received, this meant that a considerable amount of money was kept in the banks. The commercial banks also developed the transactions in checks, improving the habit of using checks instead of cash, helping to raise the deposits of the people in order to facilitate their living conditions and production. The banks increasingly broadened their international exchanges, strengthening the economic relations between domestic businesses and their foreign partners, particularly the relations with American banks.

c) Capital formation and the multi-sector commodity economy

Under French domination, the economy of Vietnam in general, and that of the Southern part of the country in particular, were considered as the agrarian, feudal and semi-colonial economy. French capitalists invested in several plantations, mines, factories and developed some commercial relations, banking, services, etc., but these businesses were dispersed and scattered in separated and small areas,

not yet integrated into a tightly-organized system, while indigenous capitalists were too weak to concentrate and form large capitals. Only to the period of 1954-1975, under the influence of American capital, capitalist economic relations were developed strongly in the South of Vietnam, gradually and increasingly replaced the old feudal and semi-colonial relations. The concentration and formation of capital and the development of a multi-sector commodity economy which replaced the former small and self-reliant economy became the dominant and influencing factor of the above development processes.

The process of *capital concentration and accumulation* or capital formation in South Vietnam was most clearly reflected through the two factors: the accumulation of capital; and the concentration and centralization of production. As far as the accumulation of capital is concerned, the number of enterprises with large capital was increasingly developed. According to the figures collected by various agencies of the Saigon Administration during the years of 1960 (by the Ministry of Labor), 1967 (the Task Force for Postwar Plan Study), and 1973 (the National Economic Development Fund), there were in South Vietnam in 1960 only 6 companies with a capital of 5-50 million piasters, and none of these companies had a capital of over 50 million piaster. To the year of 1973 there were in the Saigon-Cho Lon-Gia Dinh region alone 259 companies with a capital of 5-50 million piasters, an increase of 43 times, and 37 out of these companies had a capital of over 50 million piasters each (based on the 1960 fixed price). Regarding the concentration and centralization of production, the number of large enterprises with over 50 workers increased

4 times from 70 in 1960 in the whole of South Vietnam to 296 in 1973 in the Saigon-Cho Lon-Gia Dinh region alone. In 1975, the People's Committee of Ho Chi Minh City made another survey in a larger area including the Saigon region and its adjacent areas and acquired a much bigger number of large enterprises in which those that had over 50 workers were raised from 73 in 1960 to 1,736 in 1975 (including 26 enterprises having over 1,000 workers), an increase of over 23 times. The above number of 1973 would surely be higher if it were to be added by the enterprises located in the other parts of South Vietnam as it had been done in the survey of 1960 rather than just those enterprises based in the Saigon-Cho Lon-Gia Dinh region or Saigon and its adjacent areas.

The process of capital concentration and accumulation was reflected not only in the increase of the number of large-scale enterprises, but also in the quantitative change of their performance since the late 1960s and the early 1970s when occurred the merges of several industrial and trade enterprises and banks into multi-functional and monopolistic groups. For example, three companies MIC, MITAC and BASTOS merged and dominated the tobacco industry, or ten plastic enterprises joined together under the leadership of the Thanh My Company which dominated about 52% of the total production in the plastic industry. Some banks such as the Vietnam Commercial and Credit Bank bought a large proportion of shares in several State-owned and private companies in industry, trade and service. A number of large banks and firms in the Saigon-Cho Lon region were merged to form the financial groups in that

region. Apart from the merged and integrated groups, there were private firms run by individuals or families such as the Family of Ly Long Than who controlled important shares in 8 banks and mastered 17 trade companies; or Tran Thanh owned 3 banks and the Thien Huong seasoning factory; Pham Sanh was the Director of the Nam Viet Bank and also the master of several printing, textile and import companies, etc.

Along with the process of capital concentration and accumulation was the formulation of different *new economic sectors* in the market economy of South Vietnam. The large capitalist economic sectors which consisted of the large private businessmen (including the above-mentioned 42,300 bourgeois), the State capitalists (the government share grew from 15% NDP (net domestic product) in 1960 to 34% in 1972 - Dacy, p. 59) and compradors (not large in number, but highly influencing the development process) increasingly dominated the market economy of South Vietnam. Small businesses which consisted of small industries and handicrafts, small traders, middle peasant households and individuals were large in number, but only played a supplementary role as contractors or hired businesses. The feudal economic sectors became smaller and smaller and almost disappeared during the final stage of the Saigon Regime.

The capital formation process together with the development of production and trade, banking and service, or free business as a whole had really created a dynamic business environment and a unified market in the entire of South Vietnam during the early 1970s.

2. Main components of the economic and social infrastructure

a) *The transport system*

The investments in the infrastructure of South Vietnam during the period of 1954-1975 came from the two main sources: military expenditure and economic aid, in which the former was far larger than the latter. As it was discussed earlier, the United States in order to meet the demand of the war had spent up to the early 1971 \$400 million on road building, over \$66 million on ports, \$100 million on water supply, and \$190 million on airports. The total spending in these four fields were \$756 million. The economic assistances provided by the American Aid Mission in South Vietnam (US AID) to invest in infrastructure were \$280 million since 1956. These figures on the US investments in the infrastructure of South Vietnam through military expenditure and economic aid during the period of 1954-1975 might not include all the investments in this area. However, the total amount of these two kinds of investment in South Vietnam's infrastructure during the period was already large, \$1.036 billion.

The infrastructure of South Vietnam was much improved thanks to the above investments. The *road system* increased from 13,796 km in 1956 to 20,127 km in 1965 (of which tar road was 5,582 km), then to 20,930 km in 1973 (of which tar road was 6,751 km). The tar road system which was constructed in line with high standards connected many towns and cities, many economic and political centers. 85% of the total transportation of

goods and passengers in South Vietnam was carried by land roads.

The *waterway system* which was limited in its transportation capacity compared to that of the road system also played an important role in the transportation throughout South Vietnam, particularly thanks to the existence of over 5,000 km of canals and ditches in the Cuu Long (Mekong) River Delta. The large improvement of the waterway infrastructure during this period was the upgrade and construction of seven commercial ports in South Vietnam, including the ports of Da Nang, Quy Nhon, Nha Trang, Cam Ranh, Sai Gon, Can Tho, and Vinh Long, not yet to mention a number of military ports with high capacity. This system of large commercial ports had made major contributions to the increase of imports and exports to and from South Vietnam. Within ten years, the number of maritime ships arriving at and departing from these commercial ports had increased over five folds, from 1,817 ships in 1962 to 9,254 in 1971. The total tonnage increased two times from 11,515 thousand tons to 25,315 thousand tons; and the total weight of goods transported increased nearly 4 times from 2,441 thousand tons to 8,893 thousand tons in the same period.

Aviation registered the highest growth among all kinds of transport in South Vietnam during the period of 1954-1975. In 1954 there were in the South Vietnam about 20 airports; to the late 1960s the number increased to 150 airports, of which 15 were relatively modern such as the Tan Son Nhat Airport, Bien Hoa Airport and Da Nang Airport. At first, Vietnam Airways was the single largest

company in the aviation market of South Vietnam; to the late 1960s, several foreign companies were involved in the market such as Air America, Continental Air Service and others. The number of passengers and volume of goods transported by air increased very fast. During the period of 1968 —1971 for instance, the average number of passengers traveling by air was raised to 1.3 million people a year.

b) Industries and agriculture branches with new technologies

Although the industrialization was not developed in its common sense during the period of 1954-1975 in South Vietnam, several industries were in fact developed to meet the demands of the war and to meet the consumption demands of the people. Some of these industries such as electricity, water supply and consumer goods production were developed not just for the temporary economic and military needs at that time, but also continued to play a significant role in the reconstruction and development of the unified Vietnam later on.

Electricity and water supply were the two industries which belonged to the economic infrastructure were strongly developed during the period of 1954-1975. According to the Terminal Report of the American Aid Mission in South Vietnam (US AID) in 1976, the total investments in electricity up to the end of the war was \$159 million, most of which were provided by the American aid, and beside that a considerable amount came from Japan (\$56 million) and France (\$11 million). The

total capacity was 813 megawatts. The (South) Vietnam Electricity Corporation controlled most of the power plants which in 1970 provided 96% of the total electric consumption in South Vietnam. The water supply industry was also strongly developed, its capacity was raised four times from 1962 to the end of the war (1975).

After electricity and water supply, most of the industries which were developed in South Vietnam during the period of 1954-1975 concentrated on *consumer goods production*, particularly the following prominent industries or groups of industries:

- Food and foodstuffs, beverage and tobacco, typical of all were cane-sugar, beverage, canned food, seasoning, vegetable oil, husking, food processing, foodstuffs and tobacco;
- Textile;
- Paper making;
- Mineral processing, including cement and cement products, bricks and tiles, glass and ceramics;
- Wood, leather and garments, including wood processing and wood furniture production, leather tanning, and garments for exports;
- Chemicals, including basic chemicals, Western medicines, rubber, plastic, toothpaste, battery, and match;
- Basic metallurgy industry which mainly consisted of factories to recycle such metals like steel, aluminum and bronze as the waste of the war discards;

- Metal products and mechanical engineering: Of this group, the metal industries mainly produced the products such as wires, nails, barbed wires, steel nets, steel buckets, and several electric appliances such as electric lines, electric cables, electric fans, transformers; while the mechanical engineering industries operated mainly as small industries involving in repairing, assembling and producing small mechanical products;
- Construction industry, which was rapidly developed not only to meet the economic demands, but also to build the projects for military requirements such as roads, bridges, sewers, culverts, ports, quays and military bases. Expenditures for military construction during the period of 1965-1970 alone reached \$2 billion.

One note-worthy feature of these industries was that they started to apply some new technologies, most of which were *technologies of the 1960s' generation* imported from the United States, Japan, Germany, France, England and Taiwan through the sources of foreign aid and investment. These technologies were both scattered in dispersed factories and/or concentrated on several large industrial zones such as the Bien Hoa and Dong Nai industrial zones, and started to confirm their advantages in efficiency, productivity and quality of products. Table 7 showed that the productivity of modern industries was normally higher than that of small and handicraft industries from 2 to 4 times.

Table 7: Machinery and labor productivity in South Vietnam's manufacturing industries, 1967-1973

Industries	1967		1973					
	Machinery/ laborer (million piasters/lab orer)	Machinery value (million piasters)	General situation		Large Industries		Small Industries	
			(1)	(2)	(3)	(4)	(5)	(6)
I	0.21	3,583	0.60	13,207	1.50	6.48	0.300	1.75
II	0.1	1,853	0.49	16,129	0.49	1.91	0.490	0.39
III	0.34 ^a	1,248 ^a	0.84	2,100	1.20	2.09	0.200	0.71
IV			0.56	2,078	4.07	0.83	0.260	0.60
V	0.11	1,029	0.64	12,000	4.09	1.62	0.310	0.43
VI	0.37	1,449	0.80	5,500	1.24	1.01	0.052	0.27
VII	0.08 ^b	459 ^b	0.83	2,000	0.85	1.75	0.700	0.52
VIII			0.35 ^c	6,250 ^c	0.40 ^c	0.96 ^c	0.300 ^c	0.27 ^c
IX	0.05							

Source: Sen, Table III-30, p. 201

- I. Food, beverage, tobacco.
- II. Textiles (in 1973 leather was included).
- III. Paper (in 1967 leather and rubber were included).
- IV. Wood and wood products.
- V. Chemicals (basic and processed).
- VI. Mineral processing.
- VII. Basic metallurgy.
- VIII. Mechanics and machinery.
- IX. Electric appliances.

- (1). Machinery/Laborer (US\$ million /laborer).
- (2). Machinery value (million piasters).
- (3). Machinery/Laborer (US\$ million /laborer).
- (4). Productivity (US\$ million /laborer).
- (5). Machinery/Laborer (US\$ million /laborer).
- (6). Productivity (million piasters/laborer).

- a = III + IV
- b = VII + VIII
- c = VIII + IX

Agricultural production also made some good progress in the application of new technologies such as the strengthening of mechanization, chemicalization and irrigatization, the using of new and high yield varieties, particularly during the period since the mid-1960s when many countries in the region raised a movement of "green revolution" and when American aid to South Vietnam was strengthened in parallel with a broader and stronger implementation of the land reform. The introduction of mechanization, chemicalization, irrigatization and new varieties to South Vietnam's agriculture not only caused significant impacts on the change of the productive forces and upgraded productivity, but also played an important role in the transformation of peasants' farming habits towards the promotion of the application of new technologies.

c) Human resource development and labor mobility

The population growth of South Vietnam during the period of 1954-1975 was quite high with an annual rate of over 2.6%, hence leading to the increase of the total population of the South from 12.7 million people in 1956 to 20.5 million in the early 1975 of which 40% were living in the urban areas.

In spite of the high population growth, the limitation of the economic development and the long and fierce war, *education* in South Vietnam was still developed. The number of primary school students (up to the 5th form), high school students (to the 7th form) and college students increased continuously. Primary and high school students for instance increased from 1.01 million in the academic year of 1957-1958 to 3.5 million in 1970-1971. The number of primary

school students compared to the total number of children at the age of primary schools was raised from 38% in the academic year of 1957-1958 to 82% in the year of 1970-1971. The corresponding percentage of high-school students increased from 4% to 17% during the same period. The number of college students increased from about 11,000 in the early 1960s to 57,000 in the early 1970s.

The literacy rate was raised thanks to the high enrollment of students. In 1944, under the French domination, 80% of the population of Vietnam did not know how to write and read; to the year of 1971, according to the figures collected from the survey in 16 provinces, the number of literate people above the age of 15 was raised to 71% of the total population.

The more the people knew how to write and read, the higher their knowledge were and the larger the press became. In 1962 for instance there were only 30 daily newspapers in South Vietnam with the total distribution of 540,000 copies; to 1968, the corresponding figures were raised to 58 newspapers with a total distribution of 1,542,000 copies.

Along with the development of general education, occupational training also grew rapidly. Table 8 showed that the number of people who were trained in both the public and private sectors was 185,853 during the period of 1955-1970, according to the statistics executed by the Ministry of Labor of the Saigon Administration. This figure had not yet included those people who were trained and worked at American civil and military bodies which some time reached 150,000 people, and the people who worked at other foreign institutions and a large number of technical and professional personnel working in the army (in 1973 this figure was 175,904

people). The above trained workforce constituted a precious source for the economy of South Vietnam not only during the 1954-1975 period, but also many years later.

Table 8: Occupational training in South Vietnam, 1955-1970

Training in the public sector	Number of trainees (1955-1970)
Ministry of Labor (32 people)	32,494
Other ministries and departments (including the Defense Ministry)	27,109
Training in the private economic sector	
Training at enterprises by law	6,324
Training at work	12,835
Training at military and foreign institutions	47,406
Training at private occupational schools	59,287
Total	185,853

Source: Sen, Table III: 32, p. 202

Another point that needs to be emphasized is that though the trained and educated labor in particular, the total workforce or the whole population of South Vietnam in general were mixed up and distortedly distributed due to the war, it became very active and dynamic and mobile, it was distributed according to different economic sectors which were sensitive and adaptive to the market economy. The fact was that such labor-force was very much exposed to the twenty-years-long hardship of the mixed-up and the war-distorted economy. That labor market and the capital, the commodity, the service and other markets constituted major factors that formed the multi-sector commodity economy, or the market economy, in South Vietnam. That multi-sector commodity economy was held back and damaged for about ten years by

the "impatient idea of socialist transformation" (the Vietnamese Communist Party - the 1991 Platform, p. 4). Nevertheless, since implementation of the "Doi Moi" Policy in 1986, that multi-sector market economy has been quickly recovered and enhanced, thus making significant and active contribution to the cause of renovation.

*
* *

Reviewing of the economic relations between the United States and South Vietnam during the period of over 20 years from 1954 to 1975 along with the legacies it left for the economy of South Vietnam, one may realize that there are still a number of factors which would be used for the present development such as the multi-sector commodity economy and some economic and social infrastructures. However, the overall assessment revealed that the destruction was larger than the development, the losses were greater than the gains, the costs were too high compared to the benefits, the growth rates were too low to compensate the stagnancy in development, and finally without development, the economy of South Vietnam had fallen into a desperate poverty or in Professor Herring's words, "For all Vietnamese, the most pressing and enduring legacy of the war has been economic deprivation... conflict left the country in a shambles... per capita income averaged around \$100... of the 1990s, Vietnam was still one of the world's poorest countries. The infrastructure was in horrible shape..." (Herring, p. 303).

PART TWO

EMBARGO AND SANCTIONS PERIOD (1975-1995)

Currently in the United States, there are a number of researches and written documents on American policies of embargo and sanctions against many countries in the world, including Vietnam. Some of these researches and documents demonstrate as reviews or summaries of this policy such as the book entitled "*Economic Sanctions and American Diplomacy*" by Richard N. Haass, Council on Foreign Relations, 1998, which includes eight chapters assessing American sanctions against eight countries as China, Cuba, Haiti, Iran, Iraq, Libya, Pakistan, former Yugoslavia, and the final chapter analyzing the lessons and suggesting new recommendations for the reform of American sanctions policies; or the book "*Feeling Good or Doing Good with Sanctions-Unilateral Economic Sanctions and the U.S. National Interest*" by Ernest H. Preeg, Center for Strategic and

International Studies, Washington, D.C., 1999, focusing on American sanctions policies against five countries, namely Cuba, Iran, Vietnam, Myanmar, China, and finally presented some conclusions and recommendations for some changes in American sanctions policies; another study is the article "United States's Economic Sanctions Against Vietnam-International Business and Development Repercussions" by Nick J. Freeman appeared in the *Columbia Journal of World Business*, Summer, 1993, etc.

The main focus of this part is to study the American sanctions and embargo policies against Vietnam. However, it will be inadequate, partial and not objective if the study of the case of Vietnam is not put into the context of overall American embargo and sanctions policies against other countries in the world as well. Therefore, in the two following chapters (3 and 4), Chapter 3 will analyze the US policies of economic embargo and sanctions applied to different countries throughout the world with an aim to review the general embargo and sanctions policy of the United States as a base for deeper inquiry into main task of Chapter 4 on the US economic embargo and sanctions against Vietnam.

Chapter 3

US EMBARGO AND SANCTIONS THROUGHOUT THE WORLD

I. GENERAL SITUATION

Economic embargo and sanctions is an important tool in American diplomacy. It has been continuously used by the US Government since the First World War, and even more seriously strengthened in recent years with ever greater and heavier extents that the American President, Mr. Clinton himself had to acknowledge that the United States has relied too much on economic embargo and sanctions, and he seemed to be disappointed to see the United States becoming a country "fond of sanctions" (ND-*People Daily*, 21 June 1998). The current trend unveils that economic sanctions would surely continue to be used by the US Government as an important diplomatic tool for not a short period of time, although it may be exposed to some amendments, supplements, or reforms in order to be adapted to the new world situation and to bring about more pragmatic or more effective results for the United States.

During the period from the end of the First World War to the year of 1998, the United States had imposed 115 sanc-

tions against different countries, more than half of which were implemented in the last four years of the period, two-third of world population has been punished by this or that kind of sanctions imposed by the United States. Up to now, the United States has used 61 kinds of goods as its embargo and sanction instruments in its trade relations with other countries, it has used its embargo and sanctions to isolate and blockade 35 countries (ND, 13 May 1998).

The main objective of the United States in carrying out its economic embargo and sanctions against other countries is to *alter the activities and policies* of the targeted governments in order to force them to follow the US requirements or demands, including the demand to reshape the basic nature of a society's regime and to alter important policies concerning their national security. Richard Haass wrote, "sanctions can be used for several... purposes: to coerce, to deter, and/or punish... also... for the purpose of persuading the target to alter or cease a specified activity or behavior... to reshape the basic nature of another society or to alter policy in critical areas of another country's or entity's national security" (Haass, pp. 197 and 199).

The targeted countries under the US embargo and sanctions have been changed depending on the developments of world's political situation. Under the Cold War, the main targets of the United States were the communist countries. Since the end of the Cold War, United States has in its efforts to becoming the leading superpower of the new world order not only directed the main targets of its economic embargo and sanctions on the remaining communist countries in the world, but also other countries including those who used to

have good relations with the United States but by now are in the US terms posing the threats of terrorism, drug trafficking, nuclear weapons, or those countries whose governments according to the United States practice dictatorship and violate human rights and democracy. During the period of 1993-1996, the US Government had imposed 22 sanctions concerning human rights and democracy, 14 sanctions for the reasons of anti-terrorism, targeting at 13 countries (ND, 13 May 1998).

The main measures and policies implemented by the United States in its embargo and sanctions include the ban on military products, the ban on economic aid, the embargo on investment and foreign trade, the prevention of international financial and economic institutions such as the World Bank (WB), the Asian Development Bank (ADB), the International Monetary Fund (IMF), etc., from provision of loans to the countries under embargo and sanctions.

II. IMPACTS OF US SANCTIONS ON DIFFERENT COUNTRIES

A question raised was that what results and consequences have the embargo and sanctions brought about to the United States and to other countries? The best answers may be the lessons and recommendations that the American researchers have drawn and proposed such as the 10 lessons and the 12 recommendations suggested by Richard N. Haass (Haass, pp. 197-211). According to these authors, the economic embargo and sanctions implemented by the United States not only waged direct and indirect impacts on targeted countries, but also produced indirect effects on American allies and American companies which have economic relations with the

targeted countries, that is, affecting the very interests of the United States. In this part of our study, we will collect and gather the research results of the above-mentioned scholars on the two main kinds of results and consequences: on the one side, those are the consequences (and results) on the targeted countries; on the other, the results (and consequences) on the allies of the United States and the United States itself.

1. Consequences and results on countries under embargo and sanctions

The first lesson drawn out by Richard Haass was that the sole economic sanctions, that is, economic sanctions without a combination with other stronger measures such as military and/or political interferences, *could not force other nations to reshape the basic nature of their societies or to alter policies in the critical areas of their national security*. He wrote, "*Sanctions alone are unlikely to achieve desired results...*" This lesson tends to all but rule out the use of sanctions to reshape the basic nature of another society or to alter policy in critical areas of another country's or entity's national security" (Haass, pp. 197-198). According to Haass, the evidence supporting these assertions is plentiful, such as sanctions failed to get Saddam Hussein to withdraw from Kuwait or change the regime in Iran; Fidel Castro continued to be in place in Cuba; Libya refused to hand over to the US the two suspects accused of responsibility for the destruction of Pan Am Flight 103 over Lockerbie; Haiti's junta did not accept the election supported by the US; Serbia was not dissuaded to follow the US line; China continued to export sensitive technologies to certain countries and remained a society "undemocratized" in the US terms.

Secondly, though sanctions failed to reshape the basic nature of another society's regime, it has caused certain losses, "from the modest to the fair significance," to the targeted countries, as it has made Iraq considerably weaker militarily and economically, has forced China to restrain to some extent in exporting nuclear and ballistic missile parts or technologies to countries other than Pakistan, has created stagnation in economic development in Iran, Cuba, Libya, and has caused economic and military losses for Pakistan.

Thirdly, sanctions have brought about *some unforeseen disastrous consequences for ordinary people*, such as the utmost destitution of life caused by sanctions in Haiti which led to a large number of people who left their shelters and home country behind and fled to the United States, hence laying a heavy burden on the State of Florida; the serious hunger and poverty of many ordinary people, particularly the children and the old people in Iraq; sanctions which have restrained Iraq from exporting oil led to the decrease in the oil supply in the world market which in turn caused the rise of oil prices and harmed the global economy. Sanctions have violated the basic principles of free trade set out by the World Trade Organization (WTO), and that "stimulated challenges that have the potential to jeopardize the future of the World Trade Organization" (Haass, p. 201).

Fourthly, in order to avoid the sanctions, prevention, restrictions and pressures imposed by the United States, the targeted countries have been forced to search for possibilities and solutions to deal with their difficulties and hence they have found new opportunities, new solutions and new ways of doing things to guarantee their interests. For example,

when they were prevented from penetrating the US market and cooperating with US companies, they shifted to other and alternative markets and strengthened their ties with companies in Japan, Europe, and emerging markets in Asia, reducing their dependence on the United States and also reducing their confidence in the United States, while turning away from the United States to look for new friends, allies and new sources of business.

2. Results and consequences on the USA and its allies

According to a research completed by the National Association of Manufacturers (NAM), sanctions and embargoes have up to 1998 caused American enterprises a loss in export of about \$790 billion (ND, 13 May 1998). In 1995 alone, sanctions cost US companies between \$15 billion and \$19 billion, and affected some 200,000 US workers. "In a global economy, unilateral sanctions tend to impose greater costs on American firms than on the target, which usually can find substitute sources of supply and financing" (Haass, pp. 200 and 203).

There have also been other losses which were unable to be calculated by money but they have become evermore obvious. The fact is that American sanctions and embargo seem to be increasingly discriminatory and heavier, violating the principles of international law as well as American law, causing losses not only to the targeted countries but also to American allies, forcing them to raise their voices to strongly condemn and criticize the United States both in public and on international forums. For instance, American sanctions against Cuba has caused losses to companies of American

allies in Europe who have invested in that country, and of course the US was complained by these companies. Interferences and embargo have on the one hand increasingly damaged the confidence in the United States, while on the other hand led to the rise of anti-US spirit and attitude in the world at large, "distracted attention away from the provocative behavior of the target governments, and made Europeans less likely to work with us [the US] in shaping policies to contend with post-Cold War challenges... cause *serious harm to a variety of US foreign policy interests*" (Haass, p. 201).

Chapter 4

US EMBARGO AND SANCTIONS AGAINST VIETNAM

I. HISTORICAL PERSPECTIVE

Economic embargo and sanctions have, as it was discussed earlier, been initially used by the US Government since the end of the First World War and became an important instrument of US diplomacy against communist nations during the Cold War period. In such historical context, the first seed of the US embargo against Vietnam or in Professor Frederick Z. Brown's words, "the embargo's prime purpose" was sown in 1946 when the Truman Administration supported the French Government to reestablish its colonial regime against the development of communism in Vietnam, then "the sanctions remained in place against North Vietnam after the country was divided at the seventeenth parallel by the Geneva Accords of July 1954," and to the time when Vietnam regained its independence and reunified the country "in 1975, the embargo was extended in the same way to all of Vietnam" (Brown, 1997, p. 203).

The US embargo against Vietnam has been regulated by many different kinds of law, conditions and various economic

and political instruments, among which the first to be mentioned was the Trade Agreements Extension Act approved by the US Congress in 1951 providing that the MFN status should not be granted to the communist nations and those countries involved in armed conflicts with the United States. In Asia this Act was first applied to North Korea and China, then to North Vietnam in 1954 and to the whole unified Vietnam since 1975. The Trade Agreements Extension Act was later supplemented and strengthened by several other acts and regulations such as the Foreign Assets Control Regulations which was based on the 1917 Trading With the Enemy Act (TWEA-1917), often called the US trade embargo, and the Jackson-Vanik Amendment passed by the US Congress in 1974.

Implementing these laws, acts and regulations, the US Government has imposed an almost comprehensive embargo and sanction policy against Vietnam, including the prohibition of the exchange of visits among citizens between the two countries; the banning of trade and investment of companies from both countries; the punishment on the companies of the third country which have economic relations with the United States and develop commercial transactions with Vietnam; the prevention of international financial institutions like the World Bank (WB), the International Monetary Fund (IMF), Asian Development Bank (ADB) from engaging in economic and financial relations with Vietnam and from providing loans to Vietnam; the blockade or "freezing" the Vietnamese Government's assets at US banks (in 1994 Vietnam's assets in US banks were of \$325 million and they were blocked by the US Government, meanwhile US companies, most of which were US petroleum companies, asked Vietnam to pay their debts worth of \$208 million).

Nick J. Freeman described the main content of the US Government's embargo against Vietnam, which we think is worth to quote at length here, as follows, "... there are two basic constituent elements to the economic sanctions imposed by the United States on Vietnam. The first is the Foreign Assets Control Regulations pertaining to Vietnam, as authorized under the 1917 Trading With the Enemy Act, commonly termed the US trade embargo. With a few exceptions, all commercial transactions between Vietnam and 'US citizens and permanent residents wherever they are located, all people and organizations physically in the United States, and all branches and subsidiaries of US or organizations throughout the world are illegal under the regulations. The top penalties for violating the sanctions are 12-year imprisonment, \$500,000 in corporate fines and \$250,000 in individual fines. The trade embargo prevents not only direct and indirect trade between the United States and Vietnam, but also investment by US companies in Vietnam's burgeoning economy. It also has major ripple effects beyond the United States; for example, any product with over 10% US-manufactured content also falls under the embargo restrictions. Consequently, ostensibly non-US multinational firms must also consider the likely consequences that commercial relations with Vietnam may have on their market and operations in America, and a few allied governments - most notably Tokyo - have, at least until recently, tacitly followed the United States ban on private investment in Vietnam. The second basic element of Washington's economic sanctions is its veto on lending by the international financial institutions. Despite the opposition of the secretariats and other member countries, Washington has used its veto to prevent the World

Bank, IMF and Asian Development Bank (ADB) from providing financial support on almost all development projects in Vietnam... in urgent need..." (Freeman, p. 14).

The overall objective of the United States in their embargo and sanctions against Vietnam is obviously to continue to pursue the aims that they follow during the period of war (1954-1975), that is, *to exhaust Vietnam economically and isolate from the outside world*, so that by the end Vietnam must follow the conditions imposed by the United States as "to support democratization and... basic human rights" in the American terms (Preeg, p. 4-1).

Realizing this objective, the US Government imposed series of conditions and used many different instruments in order to enforce its embargo and sanctions on Vietnam. In terms of conditions, the US Government required Vietnam to search for their people Missing-In-Action during the War (MIAs), to solve the problems relating to the Prisoners Of War (POWs), to help the refugees to return to their homes and to reharmonize with their communities under the program called the Resettlement Opportunity for Vietnamese Returnees (ROVR), to provide favorable conditions for the Orderly Departure Program (ODP) of emigrants to the United States and other nations, to realize the US conditions on human rights, religion, democracy, to develop a market economy based on the US standards, and so on.

The Vietnamese Government has so far, based on their reality, cooperated with the US Government to deal with the humanitarian issues, not all those conditions imposed by the US Government. But to the US, all of these are the conditions that Vietnam must carry out, otherwise the US shall continue

to impose their embargo and sanctions on Vietnam and deprive Vietnam of the normal rights in the economic relations with the United States as those included the Bilateral Trade Agreement, the Most-Favored Nation Status (MFN) or the Normal Trade Relations (NTR), and other trade and investment benefits embodied in the Generalized System of Preferences (GSP), the US Export-Import Bank (EXIM Bank), the Maritime Administration Funding (MARAD), the Overseas Private Investment Corporation (OPIC), the US Agency for International Development (USAID).

The above targets and measures reflect a contradiction in the US policy of embargo and sanctions against Vietnam. On the one hand, the US Government wants Vietnam to develop a market economy and integrate it into the world economy, that is, to build an open market economy. While on the other hand, it uses its embargo and sanctions as obstacles to contain Vietnam from its renovation process toward an open market economy, particularly since 1986 when Vietnam started its policy of comprehensive renovation implying the building of a multi-sector commodity economy, expanding its economic relations with other countries, promoting its economic alliance with the nations in Southeast Asia and the Asia-Pacific region and the world, participating in the activities of international economic organizations, and laying stress on the important role of the United States.

II. IMPACTS ON VIETNAM

US embargo and sanctions have in fact caused Vietnam *a lot of difficulties*, the severity of which has been different depending on the different historical periods, and it has been lessening as time went by.

During the period prior to 1975, US embargo and sanctions had minor effects on Vietnam, or as it was evaluated by Prof. Brown, "the embargo had little direct effect" (Brown, 1997, p. 203), because during this period, firstly Viet Minh (1951-1954) and then the Democratic Republic of Vietnam (North Vietnam, 1954-1975), were supported by socialist nations and movements who provided them with different kinds of assistance ranging from weapons to food and technologies, they had almost no economic relations with the United States as well as with other Western countries, therefore, it made no difference whether US embargo and sanctions were there or not.

To the period of 1976-1985, Vietnam faced a large and cumulative deal of difficulties. It had to restore the economy which had been badly damaged during the very long war (several decades under the French and two decades under the Americans) at the same time with the implementation of the new industrialization policy in the context when the aid from socialist countries was falling while the US embargo and sanctions were strengthened. One might notice that the US embargo and sanctions during this period had posed rather drastic effects on Vietnam, turning Vietnam to be more isolated from the world and pulling deeper into the domestic social and economic crisis. During the period of ten years after the War, the social and economic situation in Vietnam had become worse and worse with the triple-digit inflation (700-800% per year) prolonged for many years; the severe shortage of food and consumption goods; the large US aid which had been used to feed the whole consumption society of South Vietnam with over 20 million people was no longer available; industrial and agricultural production

and services all went down and were unable to create new jobs; while unemployment became more serious with almost two million employees of the old Saigon Administration and Army lost their jobs and about 1 million youngsters grew up to enter the labor market but failed to find jobs, not yet to mention of a large number of soldiers demobilized; in addition, the economic policies characterized by "voluntarism" and restrictions on free trade had become the obstacles impeding the development of a multi-sector commodity economy, etc. All these challenges were multiplied by the US embargo and sanctions which prevented Vietnam from approaching the assistances from outside and provoked sabotage from inside, turning the situation from bad to worse. The US embargo during this period was like a sharp knife cutting further and deeper into the wounds of the war which were already hard to heal, now became even harder to heal.

During the period of 1986-1992, the positive and negative impacts of the US embargo on Vietnam became intermingled. Vietnam still faced a lot of difficulties, but had found the way out, both internally and externally. Domestically, it was the comprehensive renovation of the economic and social life. Externally, it was the appropriate international treatment which helped Vietnam to find new partners and supporters through the policy of making friend with all nations and multilateralization and diversification of international relations. The renovation process along with the policy of developing a multi-sector commodity economy, fighting bureaucracy and corruption and abolishing subsidies had encouraged all social strata, stimulated all economic sectors and promoted the development

of industries, agriculture and services, producing an increasing amount of goods for the society, particularly agricultural products and food, reducing the scarcity of consumer goods, bringing Vietnam from an importer of 1 million tons of grain a year to an exporter of 1 million tons of rice in 1989 and 2-3 million tons annually during the following years, stabilizing the socio-economic situation, lowering the annual triple-digit inflation to a rate of around 10% per year.

Regarding foreign economic relations, the number of companies from East and Southeast Asia invested in Vietnam have increased since the promulgation of the Law on Foreign Direct Investment in December 1987, except for about two years under the Asian financial crisis. The volume of Vietnam's export and import with the countries in the region has also risen. These new sources have in part compensated for the cut of aid from the former USSR and other socialist countries, and more importantly, they have created a new business atmosphere and a new way of developing foreign economic relations in Vietnam, not solely relying on foreign aid as it was the case during the previous period.

To the early 1990s, many changes in the economic relations between Vietnam and other countries have taken place. Some foreign companies and governments were hesitating to assist or invest in Vietnam due to the US embargo and sanctions. A survey of 27 top Japanese companies indicated that the US trade embargo was regarded to be the biggest stumbling block to enter Vietnam (Freeman, p. 17). Meanwhile, many companies and gov-

ernments from other countries came to invest in and help Vietnam, despite the US embargo against Vietnam. In November 1991, the Government of Singapore decided to lift its own investment ban on Vietnam. In 1992, the Japanese Government and several other governments and international financial institutions pledged to grant development aid to Vietnam. It may be true to say that the renovation policy of developing an open and multi-sector commodity economy of Vietnam during this period had helped Vietnam to escape from the internal socio-economic crisis and limit the US blockade and isolation of Vietnam in the international arena.

In the period from 1992 to July 1995 when the US President Bill Clinton announced the normalization of diplomatic relations with Vietnam, the social and economic situation in Vietnam and its relations with other countries had been much more improved. Domestically, Vietnam recorded an average annual economic growth rate of about 8%. Externally, more and more nations had established diplomatic relations and developed economic ties with Vietnam. A noteworthy event during this period was the Donors Conference held for the first time in Paris with the presence of the representatives from 23 nations and 17 international organizations, who committed to help Vietnam in its economic reconstruction and development, opening a new phase of the expansion of Vietnam's foreign economic relations. This showed that Vietnam had basically escaped from the blockade and isolation. The US embargo and sanctions had no longer caused widespread adverse effects on different areas of activities of Vietnam as it did previously. They had,

instead, by then affected mainly the relations between Vietnam and the United States, particularly prevented the US companies from investing in Vietnam, offering the Vietnamese market to companies from countries other than the United States.

After 1995, though the United States has announced the normalization of relations with Vietnam, the relationship between the two countries has not yet been really normal, it is still under a process of construction, several measures of the embargo and sanctions against Vietnam have not yet been lifted, and Vietnam has not yet been granted the status of "Normal Trading Relations" (NTR) with the United States. As it was commented by Prof. Brown, "The United States, of course, has never had normal relations with Vietnam, North or South, or with the Vietnamese people... In this context, it is difficult to know what normal really means. What is certain, however, is that normalization is a process..." and to the present time (1997 - the time the paper was written), *"the US relationship with Vietnam remains far from 'normal'..."* (Brown, 1993, p. 10, and 1997, p. 200). The embargo and sanctions have still caused disadvantages to the relationship between the two countries, though the extent of effect has been lessened and concentrated mainly on the volume of imports and exports between the two countries due to the high tariff rates as the Trade Agreement has not yet been signed, hence Vietnam has not yet been granted the MFN or NTR status.

Some of the losses to Vietnam due to the US embargo and withholding of its MFN or NTR status have been calculated

in quantity in two research works, one was by Prof. Ernest H. Preeg and the other by two World Bank experts Emiko Fukase and Will Martin.

According to Prof. Preeg, US sanction on US imports from Vietnam through withholding of MFN status and, related to this, tariff preferences under GSP, has had "the greatest adverse impact by far on the Vietnamese economy". In 1997, for instance, less than 5% of Vietnamese exports went to the United States, compared with an average of 19% for the other ASEAN countries. With the total Vietnamese exports of \$8.7 billion in 1997, this represented a differential loss to Vietnam of more than \$1 billion, much if not most of which can be attributed to the withholding of normal, MFN access to the US market (Preeg, p. 4-6, 4-7 and 4-9) (See also Table 9). The loss of \$1 billion was calculated in just one year, would this figure be possibly raised to \$24 billion if they were to be calculated for the whole period of 24 years from 1976 to 1999?

Table 9: US exports to and imports from ASEAN member states for the first half of 1997 and 1998 (\$ million)

	Brunel	Myanmar	Indonesia	Laos	Malaysia
Total Imports in 1997 (Jan-Jun)	26.50	54.10	4,201.30	7.00	8,297.20
Total Exports in 1997 (Jan-Jun)	70.00	11.20	2,576.10	1.30	5,326.80
Total Imports in 1998 (Jan-Jun)	66.74	12.31	4,353.36	10.67	8,722.49
Total Exports in 1998 (Jan-Jun)	73.61	73.43	1,072.89	2.79	4,973.76

	The Philippines	Singapore	Thailand	Vietnam	Cambodia*
Total Imports in 97 (Jan-Jun)	4,710.60	9,690.70	5,261.73	219.80	18.10
Total Exports in 1997 (Jan-Jun)	3,774.90	87,289.00	2,601.71	144.00	14.30
Total Imports in 1998 (Jan-Jun)	5,761.09	7,673.95	5,740.10	245.45	129.22
Total Exports in 1998 (Jan-Jun)	3,417.50	77,745.53	3,621.90	131.60	5.06

* By the time the paper was completed, Cambodia had the observer status in ASEAN.

** In 1997, the ASEAN countries share of total exports going to the United States were Malaysia 19%, Indonesia 14%, Singapore 18%, Thailand 19%, Philippines 34%, and average of all ASEAN countries other than Vietnam was 19% (Preeg, p. 4-6, and Endnotes 4, p. 4-22).

Source: David G. Brown, *Southeast Asia: One Year After the Outbreak of the Financial Crisis, and Policy Implication for the United States, Special Report, Asia Program, the Woodrow Wilson Center, November 1998, p. 26.*

The impacts of US embargo and sanctions on Vietnam were also very obviously reflected in the area of investment. After the US Government announced the lifting its embargo and sanctions against Vietnam and started to normalize its relations with Vietnam, from 1995 to the middle of 1999 about 400 US companies have invested in Vietnam with a committed amount of around \$1.3 billion. It was obvious that during the earlier years no US companies were permitted to invest in Vietnam due to the embargo, hence such an investment was not made possible.

The damage made by the US embargo on Vietnam's imports from the US was not large because of the fact that imports from the United States accounted for only 3% of the total import value of Vietnam due to Vietnam's limited pur-

chasing power and its market direction has been oriented toward other cheaper sources of imports.

To calculate in more details the adverse impacts on Vietnam's exports to the United States caused by the high tariffs due to the US withholding of its MFN status in the trade relationship with Vietnam, Fukase and Martin worked out a list of 42 items which accounted for 99.9% of total US imports from Vietnam in 1996 (Table 2, p. 5) and based on it to analyze the rises and falls in the trade relations between the two countries. The results of the study were reflected in Table 10 by which Vietnam's exports to the United States in 1996, if the MFN status was granted, "*would more than double*", with an increase of \$430 million plus to the actual figure of \$337.5 million, resulting in a total of \$767.5 million. According to this table, most of Vietnam's exports to the US were more likely to increase, among which apparel exports showed a possibility of the highest growth rate of more than fifteen times (1,512%), followed by basic manufacturing with an increase of over three times (329%). Two industries may increase over twofold each including electronics and machinery (284%) and textiles (241%); two industries may increase over 100% each including light manufacturing (147%) and beverage and tobacco (125%). Some sectors may increase less than 100% including chemical, rubber and plastics (64%), processed agriculture (19%); only one group of products in the sector of agriculture and forestry would record a fall of 1%.

Beside the US market, the US granting of MFN or NTR status to Vietnam may also enable Vietnam to raise its exports to the countries other than the United States with a total value of \$250 million, of which apparels would rise by 38%; beverage and tobacco up by 18%; chemical, rubber and plastics up by 14%; on

the contrary, several other exports may decrease, including raw products of agriculture and forestry, light manufacturing, electronics and machinery each of which would be possibly down by 3%; processed agriculture and textiles each down by 2%, basic manufacturing down by 1% (Fukase and Martin, pp. 11-12). This means that the losses caused by the embargo which prevented Vietnam from exporting to the US and other markets would be double (\$680 million) compared to the real volume of Vietnam's exports to the US market in 1996 (\$337,5 million). Accordingly, if the possible increases in Vietnam's export to the United States and that to other countries were to be combined when the United States granted its MFN or NTR status to Vietnam, the then total export increase and the current actual figure of Vietnam's export to the United States and related markets would be *three times* as much as of the current figure.

Table 10: Changes in Vietnam's output & exports to the United States and the world when US MFN status was granted to Vietnam

		Changes in Exports				Changes in Output	
		Value Changes		Percentage Changes			
		Exports to U.S. (\$ mil.)	Exports to the World (\$ mil.)	Exports to U.S. (%)	Exports to the World (%)	Vietnam (%)	USA (%)
AGR	Agriculture and forestry	-2.0	-31.0	-1.0	-3.0	-0.7	0.00
PAG	Processed agriculture	10.0	-21.0	19.0	-2.0	-2.0	0.00
BTP	Beverage and tobacco	1.0	1.0	125.0	18.0	-1.2	0.00
COG	Coal, oil, gas	3.0	-5.0	4.0	0.0	-0.5	0.00
TEX	Textiles	0.4	-4.0	241.0	-2.0	7.0	-0.03

		Changes in Exports				Changes in Output	
		Value Changes		Percentage Changes			
		Exports to U.S. (\$ mil.)	Exports to the World (\$ mil.)	Exports to U.S. (%)	Exports to the World (%)	Vietnam (%)	USA (%)
CLO	Clothing	384.0	332.0	1,512.0	38.0	31.0	0.10
LMF	Light Manufacturing	23.0	-28.0	1,47.0	-3.0	-3.0	0.00
BMF	Basic Manufacturing	4.0	-1.0	329.0	-1.0	-2.0	0.00
CRP	Chemical, rubber, plastics	12.0	11.0	64.0	14.0	2.0	0.00
MCE	Electronics and Machinery	1.0	-2.0	284.0	-3.0	-2.0	0.00
PCP	Petroleum products					-0.1	0.00
TRP	Transport equipment					-4.3	0.01
Total		430.0	250.0				

Source: Fukase and Martin, Table 4, p. 11 and Table 5, p. 13

In Table 10 the possible increases and decreases in the outputs of several industries in the two countries once MFN status were granted were also taken in to account. The Table shows that Vietnam would have three industries whose outputs would increase, of which garments would gain the highest growth rate (31%), followed by textiles (7%), then chemical, rubber and plastics (2%). The outputs of other industries would, on the other hand, decrease, among which the biggest drop would be in the area of transport equipment (4.3%), light manufacturing (3%), basic manufacturing, electronics and machinery, and processed agriculture (each sector down by 2%), beverage and tobacco (1.2%), agriculture and forestry (-0.7%), coal,

oil and gas (-0.5%), and petroleum products (-0.1%). As for the US side, the growth and fall would be very marginal, only one sector, namely transport equipment, was found with a possible decline of output of about 0.01%, while nine other sectors may keep unchanged with their outputs standing at 0%. These include agriculture and forestry, basic manufacturing, beverage and tobacco, coal, oil and gas, chemical, rubber and plastics, light manufacturing, electronics and machinery, processed agriculture, and petroleum products. There are two sectors whose outputs might decrease just a little, namely garments (-0.1%) and textiles (-0.03%).

Table 11 indicates several major and general outcomes to both Vietnam and the United States once the United States had granted its MFN or NTR status to Vietnam. According to this Table, Vietnam would with the US MFN or NTR be able to raise the total volume of its export by 2.1% and the terms of its foreign trade by 1.5%, hence its total export value would increase by 3.6%. The earnings in foreign currency from exports would therefore also rise thank to the increase in export value, enabling Vietnam to have more money to support its imports, and through the growth in imports obtain an increase in its tariff revenues of about \$44 million. The improvements in the efficiency of foreign trade would thus lead to the more rational reallocation of resources which enables Vietnam to raise the total efficiency of the whole economy (e.g. to improve the general equivalent variation - the EV), to increase the earnings for the economy by \$118 million, of which the increase thanks to the improvement of the terms of foreign trade would be \$73 million and the increase in earnings obtained

from rational reallocation of resources would be \$45 million. In accordance with the increase in the income of the whole economy along with the more suitable reallocation of resources, particularly the three major resources of labor, capital and land, the income of the workers and that from investment returns also increased, in which the wages of the skilled workers and unskilled laborers would rise by 1.4% and 1.6% respectively, while investment profits would be up by 1.3%. On the contrary, the earnings from land would fall by 2.9%.

The calculations presented above are based on the statistics of just one year, 1996, therefore the results only showed the rise and fall in 1996 alone. As for the long-run, the two authors Fukase and Martin suggested that Vietnam may benefit as China has got when the United States granted its MFN or NTR status to Vietnam, because of the similarity in the trade patterns of the two countries.

There would be certain impacts on the United States when its MFN or NTR status were to be granted to Vietnam, but these impacts would not be as big as those on Vietnam. The US economy might receive \$77 million thanks to the better reallocation of resources but, on the other hand, they might lose \$21 million due to the downgrade of its terms of foreign trade as the US demand for imports from Vietnam is presumably to rise. To sum up, the US economy would possibly benefit only \$56 million, which is less than a half of the total \$118 million to be earned by Vietnam.

Table 11: Key results of the US granting MFN status for Vietnam

	Elasticity Standard		Elasticity Minus 50%		Elasticity Plus 50%	
	VN	US	VN	US	VN	US
Export Value (%)	3.6	0.010	0.9	0.002	12.1	0.040
Export Price (%)	1.5	-0.002	0.6	-0.001	3.3	-0.005
Export Volume (%)	2.1	0.010	0.3	0.003	8.8	0.040
Price Index (%)	0.8	0.000	1.7	-0.010	0.4	0.000
Real Income per Capita (%)	0.9	0.001	0.4	0.000	2.4	-0.003
Tariff Revenues (\$ mil.)	44.0	3.000	10.0	-16.000	150.0	60.000
Real Return thanks to Production Factors						
Land (%)	-2.9	0.02	-0.5	0.01	-9.5	0.06
Unskilled Labor (%)	1.6	0.00	0.6	0.00	4.1	0.00
Skilled Labor (%)	1.4	0.00	0.6	0.00	3.5	0.00
Capital (%)	1.3	0.00	0.6	0.00	3.1	0.00
Decomposition of Equivalent Variation (EV)						
Total EV (\$ mil.)						
of which	118	56	51	9	315	175
Allocative Component (\$ mil.)	45	77	12	20	151	231
Terms of Trade Component (\$ mil.)	73	-21	39	-11	164	-56

Source: Fukase and Martin, Table 6, p. 14

III. IMPACTS ON THE UNITED STATES

It has become a mode in a number of US universities to teach what is called "win-win game" theory or policy in which both sides win. In the case of the US embargo and

sanctions against Vietnam, it was certainly not a "win-win game", nor a "win-loose game" as it was presumed when the game started; as the time passed such kind of embargo and sanction policy has turned to be "a loose-loose game," an outcome which would surely not be as what was expected by the United States 20 years ago.

Through the ups and downs of the Vietnam-US relationship, many people in the United States have gradually and increasingly realized that the US embargo and sanctions against Vietnam caused adverse impacts not only on Vietnam, but also on the United States, particularly since the late 1980s to the present time.

"While the thrust of American policy has been to isolate Vietnam, the United States increasingly finds itself isolated over that policy" (Williams, p. 79).

The above assessment by Michael C. Williams about the impacts on the United States caused by its embargo and sanctions against Vietnam is quite true. It not only revealed the main purpose of the embargo as "to isolate Vietnam," but also indicated the entire process of the implementation of this policy along with the changes in the situation of those who imposed it and those who suffered it. Reviewing the impacts of the US embargo and sanctions against Vietnam, it is possible to see how much they were on the United States itself during different phases. During the period of 1976-1985, for instance, when Vietnam had to face with many difficulties, US embargo and sanctions had made Vietnam more difficult and more isolated. In the period from 1986 up to now, the social and economic situation in Vietnam has been much improved and foreign relations have been more expanded as

a result of its comprehensive renovation policy, the negative effects of the US embargo on Vietnam have been lessened, while those on the US companies have become greater and the United States has become increasingly isolated from the world because of its own policy.

"The international response to the Vietnamese economic reform initiative was broadly positive except for the United States. Japan was first and foremost in building commercial ties supported by a large bilateral economic aid program concentrated on infrastructure projects. ASEAN and some European countries... moved forward quickly in 1989... In parallel, the World Bank provided policy advice on economic reforms... and restored its lending program... The United States thus became odd nation out in the rapidly opening Vietnamese economic relationship... Vietnam became widely viewed as a potential new Asian tiger of sustained high economic growth and market opportunity and American companies became concerned about being left behind as Asian and European competitors rushed to establish themselves in the Vietnamese market" (Preeg, p. 4-2).

The losses to the United States due to their own embargo and sanctions were reflected in all three areas of import, export and investment, of which the greatest were the losses in export, followed by investment and then import. According to Ernest H. Preeg, at the time the United States lifted the embargo on Vietnam in 1994, US market share in Vietnam was less than 1% of Vietnam's total merchandise imports of \$6 billion. Compared with a US market share of 12 to 20% in other ASEAN countries, this equates to a loss of \$700 million to \$1.2 billion in US exports. To 1996, when

Vietnam's total import value rose to \$14 billion, the US exports still accounted for below 5% of the import market share of Vietnam, as compared to the US market share in other ASEAN countries, this implies an even greater loss of \$1-2 billion. If the US export of services, which covered 27% of total US exports, was taken into account, the total loss in US exports to Vietnam in 1996 increased to \$1.3-\$2.6 billion.

In respect of investment, the embargo and sanctions prevented the US companies to enter Vietnam during the period from late 1987 when the Law on Foreign Direct Investment was issued to 3rd February 1994 when President Bill Clinton announced the lifting of the embargo against Vietnam. After six years being prevented, US companies, having aggressive investment strategies and recognition by the Vietnamese government of the high technical standards and management competence of US companies, quickly entered Vietnam market and only 2-3 years later became one of ten major investors in Vietnam. Thanks to this the US companies have been able to overcome their weakness caused by the delay, hence "the overall adverse impact of unilateral sanctions has been less severe for US investment than for exports" (Preeg, p. 4-11).

The embargo's impacts on US imports were not large. Though the imports from Vietnam to the United States may be cheap or profitable for the US consumers, the same kinds of goods from Asia have now been abundant in the US market. This causes a fierce competition against US domestic producers, and because of that the US Government has imposed quotas to wearing apparel and textiles from foreign countries.

Thus, the US embargo and sanctions against Vietnam though did not cause as many difficulties to the United States as they did to Vietnam, they had in fact caused adverse effects on the United States, both qualitatively and quantitatively, and made up a loose-loose game to both sides. Such a game cannot avoid being brought to an end by the very one who initiated it.

IV. LIFTING THE EMBARGO

Although more and more Americans have been aware that the trade embargo has become disadvantageous to the United States itself and that it is not fair to keep imposing the embargo on a small country which has never made any harm to the US interests, it is still difficult for the United States to lift its embargo against Vietnam, because in the United States along with the majority who want to remove the embargo, close the sorrow past and open a new bright page of history in the relationship between the two countries, there is still a number of people who continue to keep living in hostility and want to prolong the embargo and sanctions against Vietnam, to drag on the game that hurts both sides.

Irwin Jay Robinson, a partner in the law firm of Phillips, Nitzer, Benjamin, Krim, and Ballon, and Chairman of the Vietnam-American Chamber of Commerce wrote following words in September 1993, a few months before the embargo lifted, "The fact is that our [American] Government's policies toward Vietnam are dictated by a small, unrepresentative group of selfish people controlling MIA/POW organizations who are stabbing American business and labor in the heart... [by] the foolishness and futility of its embargo...

Tragically, we have failed to take advantage of the opportunities that exist to work out long-term relationship with the Vietnamese Government and people who will help both our business and security interests... The current US Government policy of allowing American companies to sign contracts to trade with and/or invest in Vietnam but prohibiting them from implementing such contracts is hypocritical in the extreme. The current US Government policy of allowing the IMF, the World Bank, and the Asian Development Bank to extend loans and assistance to Vietnam without permitting American companies to participate in the projects generated by such loans and assistance is simply preposterous. Finally, America must stop punishing itself with its memories of the Vietnam War"(Robinson, I. J., 1993, p. 11 and 18).

In 1993, Senator John F. Kerry also wrote, "The time has come for us to replace the hostility and mistrust of the last eighteen years with reconciliation and reconstruction. We can build a mutual beneficial relationship with Vietnam if we have the courage and the foresight to do it" (Kerry, p. 15).

In the early 1994, Senator John McCain wrote in an article titled "*Improved relations serve US interests*", "I support it [the improvement of the relationship with Vietnam-Đ] because I believe such a move is in the interests of the United States, as well as the people of Vietnam" (McCain, p. 10).

In the context of non-clear-differentiation of who being superior between a decreasing number of aggressive people who have a louder voice and want to prolong the embargo and sanctions against Vietnam versus an increasing number of moderates who want to put an end to the tense relationship

and remove the embargo and sanctions and establish a friendly, cooperative and mutual beneficial relationship between Vietnam and the United States, the Road Map which was announced by the Administration of President Bush in April 1991 as a timetable for normalization of relations with Vietnam, was a *big and realistic effort*, an acceptable instrument to be used for the phase-out of the embargo. In terms of the equality and mutual respect among independent and sovereign nations in the modern world, the Road Map is not yet a gesture of equality because it was an unilateral imposition on a weak country (Vietnam) by a powerful nation (US) in which the stronger forced the weaker to comply to the conditions of the stronger. In terms of goodwill, however, the Road Map is really a good will, it reflects an expectation to remove the obstacles or the bottleneck existing in the relationship between the two countries. In practice, the Road Map is really an important effort to concretize the rules and acts, to reconcile the different opinions and to moderate the different factions in the United States in order to bring the relationship between the two countries out of its impasse, divide the process of lifting the embargo into specific steps and actions to reach practical results, resolve difficulties prevailing through several decades with an aim to close the past and open a new page in the history of the relationship between the two nations.

The Road Map implies the conditions, the instruments and the concrete steps oriented toward the lifting of the embargo and the normalization the diplomatic relations between Vietnam and the United States. These conditions and instruments are connected by the United States in a "Four-Phase Road Map" (Preeg, p. 4-3). Vietnam had never

officially recognized the Road Map as it was a unilateral scheme set up by the United States. But as it was analyzed earlier, Vietnam has been realistically minded in collaboration with the United States in dealing with the humanitarian issues such as the MIAs, POWs and several other matters which Vietnam found reasonable. What Vietnam has done is also in the interests of the United States, meeting the US requirements pointed out in the Road Map, so they have been accepted by the United States as the factors enabling the US Government to gradually loosen its embargo and sanctions against Vietnam.

A year after the announcement of the Road Map by the United States, there had been a number of positive outcomes in the Vietnam-US cooperation, particularly those relating to the solving the MIAs issue, the implementation of the Paris Peace Treaty on Cambodia, and the creation of favorable conditions for the Vietnamese immigrants to orderly depart to the United States. In response to those positive results, the Administration of President Bush started in the early of 1992 the implementation of the First Phase of the Road Map, partly loosening the embargo by lifting the restrictions on the US citizens traveling to Vietnam and opening diplomatic negotiations with Vietnam. To December of the same year the Bush Administration made another move to implement the Second Phase by opening Representative Offices in Washington and Hanoi to further boost up the ties between the two countries, permitting US companies to open their offices and sign contracts in Vietnam, and implementing a number of measures to promote and support their trade and investment in Vietnam, but not yet allowing these companies to execute their trade and investment contracts.

Under the Clinton Administration, the cooperation between Vietnam and the United States in humanitarian issues, particularly the one concerning MIAs, has been continuing and has reached greater progresses. On the 3rd February 1994, President Clinton announced the launch of the Third Phase lifting the US embargo on its trade and investment in Vietnam (Preeg, p. 4-3). After this decision was taken, a series of US companies have come to engage in investment and business in Vietnam.

On the first anniversary of the lifting of the embargo, the Vietnam Business Journal (Jan-Feb., 1995) informed as follows in one of its articles entitled "*Embargo Anniversary*": "since February [1994]... on the list of foreign investment by country... the US's rise in rank... ahead of Thailand (13), Russia (15), Canada (18), and China (28), to number twelve at the year end. With 28 projects worth a dollar commitment of more than \$270 million... the newly formalized American Chamber of Commerce in Hanoi and HCMC, already boasting nearly 90 members in Hanoi alone, all US companies." These lines expressed the satisfaction of US businessmen a year after the embargo lifted, opening opportunities for them to do business in Vietnam.

However, in the same issue of the Journal a survey was made to interview US companies and it was found that these companies were not very active yet, though they have entered Vietnam and had high expectations on the Vietnamese market. The following seven reasons referred to in their answers reflected their reluctance and inactiveness in investment in Vietnam:

1. *Lack of law*: "The reason why Americans have not been as active may be because American businessmen are

ruled by lawyers, and their lawyers are saying wait, and that Vietnam is not ready yet" (Ross Nicholson, Vietnam Country Manager, DHL EXPRESS).

2. *Bureaucracy*: "I don't see the interest... as bureaucracy dwindles... It's been five months since we submitted our land use permit - five months in bureaucracy, and even the SCCI is aggravated. Everybody and his grandmother need to look at it" (Al DeMatteis, Director of operations, DEMTTEIS VIETNAM, President, AMCHAM).
3. *Poor Infrastructure*: "Presently, infrastructure of all types is needed, but so far it's been slow to put into place" (James Taylor, Senior Partner, STROOCK & STROOCK & LAVAN).
4. *Non-MFN Status*: "The lifting of the embargo was the biggest non-event of the year. I am concerned that... granting of MFN status by the US government to Vietnam... is still one or two years away. At the same time I believe that the Clinton Administration is too slow in lifting EXIM Bank restrictions that limit availability of concessional interest rates to US companies seeking to do business" (Raymond Eaton, Chairman, EXPORT TRADE AND DEVELOPMENT).
5. *Lack of short-term interest*: "Those in it for quick buck, it's not going to happen. We are in it for the long run... We'll still be here in 15 years." (Steve Orman, Chief Resident Representative, IBM).
6. *Uncertainty*: "... a situation that's still uncertain. There's more urgency on the part of the Vietnamese in

developing their framework to make foreigners comfortable to do business here" (Chuck M. Searcy, Country Manager, VIETNAM VETERANS OF AMERICA FOUNDATION).

7. *The embargo still in place*: "A number of issues that inhibit investment remain outstanding. We (the US Government) haven't normalized trade relations or diplomatic relations - in effect we still have an embargo on Vietnamese trade imports. As a consequence, the type of early stage US investments, garment, textile, low-tech industries... all the problems in investing in... emerging market" (Jeff Swiggett, Regional Director, CT&D CORP).

Some of the above mentioned ideas by US businessmen referred to the social and economic policies and the infrastructure of Vietnam. The US business circle also let us know that with the lifting of the embargo, a number of impediments to Vietnam-US economic relations has been removed, but there are still major outstanding problems such as the Bilateral Trade Agreement and the MFN or NTR status yet to be done until the normalization of the relationship between the two countries. These matters will be further discussed in the following parts.

PART THREE

NORMALIZATION PERIOD (SINCE 1995)

On 11th July 1995 the US President Bill Clinton formally announced "the normalization of diplomatic relations with Vietnam" (Clinton, p. 551-552). In this announcement he emphasized "normalization of our (USA) relations with Vietnam is not the end of our effort." He pointed out a number of issues that the United States has intended to accomplish before and after the announcement of the normalization of diplomatic relations with Vietnam, including the following:

- Firstly, regarding the *MIAs and POWs issues*, he realized that since the time he announced the lifting of the trade embargo against Vietnam in February 1994 "In 17 months, Hanoi has taken important steps to help us resolve many cases." He believed "With this new relationship, we will be able to make more progress... and Vietnam has pledged it will continue to help us find answers."

- Secondly, in respect to the *economic relations*, he said, "we will begin to normalize our trade relations with Vietnam, whose economy is now liberalizing and integrating into the economy of the Asia-Pacific region. Our policy will be to implement the appropriate United States Government programs to develop trade with Vietnam consistent with US laws."
- Thirdly, he linked the implementation of the trade programs with the demand to discuss and realize such issues as "*human rights*", "*labor rights*" and "*religious freedom*". He stated, "many of these programs require certifications regarding human rights and labor rights before they can proceed. We have already begun discussing human right issues with Vietnam, especially issues regarding religious freedom. Now we can expand and strengthen that dialogue."
- Fourthly, he recognized the independence of Vietnam, but at the same time proposed the development of "*the cause of freedom*" and the "*democratic reform*" in Vietnam in the US terms. He declared, "I... will advance the cause of freedom in Vietnam, just as it did in Eastern Europe and the former Soviet Union... engaging the Vietnamese on the broad economic front of economic reform and the broad front of democratic reform... Today, the Vietnamese are independent, and we believe this step will help to extend the reach of freedom in Vietnam..."

These are the four major and crucial issues in the relationship of the two countries, some of which such as the POWs and MIAs issues have been well-managed and gained

positive results thanks to the active cooperation between Vietnam and the United States. Nevertheless, there still needs to be greater and more constructive efforts from both sides in resolving the other issues in order to build cooperative and mutual benefit relationship between the two nations.

Though there are still many problems needed to be solved by the two countries, we may agree with the assessment of Christopher Coughlin of Hanoi's VATICO who served in the Office of Congressman Benjamin Gilman, and Chairman of the Committee on International Relations, that with its tremendous efforts in the normalization of relations with Vietnam, "To date, the Clinton Administration has done more to advance US-Vietnam relations than any Administration since the war" (Coughlin, p. 24).

The decision on the normalization of diplomatic relations between Vietnam and United States announced by President Clinton on 11th July 1995, as Winston Lord, Assistant Secretary for East Asian and Pacific Affairs stated, opened "A new phase in US-Vietnam relations" (Lord, p. 555-556).

In this new phase of Vietnam-US relationship, the war, embargo and sanctions have been and are to be replaced by constructive efforts to develop mutual-benefit relations and multi-faceted cooperation between the two nations.

Chapter 5

COOPERATION ACROSS A BROAD RANGE OF ISSUES

Vietnam's Deputy Prime Minister cum Minister of Foreign Affairs Nguyen Manh Cam, stated during and after his official visit to the United States from 29th September to 2nd October 1998, that "the United States is a powerful nation of great potential in respect of economy, science, technique, technology and capital... Therefore *we attach great importance to the building of a long-term and multi-faceted cooperation with the United States* in compliance to the implementation of an independent, self-reliant and wide-open foreign policy of multilateralization and diversification". And on the US side, he said, "through the visit we realized that in the US from the politicians at the Administration and Congress to businessmen and members of social and scientific organizations, schools and research institutes, generally speaking, all wished to enhance the increasingly extensive, multifaceted and efficient relations with us (VN) on the basis of mutual respect and mutual benefit". Also in Deputy Prime Minister Nguyen Manh Cam's words, in order to develop those multifaceted relations, "The two sides agreed to accelerate the trade and economic relations as the first step

to move forward to the full normalization of relations as agreed in 1995 when the two countries established diplomatic relations" (ND, 7 and 10 October 1998. *Italics*).

I. ECONOMIC COOPERATION

1. Trade

After the normalization of diplomatic relations, trade relations between Vietnam and the United States have still faced major obstacles as the two countries have not yet signed the Bilateral Trade Agreement and Vietnam has not been granted the MFN or NTR status by the United States. As long as the MFN or NTR status was not yet granted to Vietnam, most of Vietnam's exports to the United States are subject to high tariff rates. Frank Desiderio, Director of the Vietnam-American Chamber of Commerce, in an article written in 1995 entitled "*Trading Without MFN*," compared the differences in tariff rates applied to the three commodities as follows:

	With MFN	Without MFN
Certain footwear products	6%	35%
Certain wrist watches	6.25%	80%
Certain cotton apparel	10%	90%

(Desiderio, pp. 26-27)

To 1998, Fukase and Martin of the World Bank in another research paper listed 42 items which can be exported from Vietnam to the United States but subject to high tariff rates due to the non-MFN status (Table 12).

Table 12: US tariffs against Vietnam's MFN vs Non-MFN export rates

GTAP	Description	SIMPLE AVERAGE (%)		WEIGHTED AVERAGE (%)					
		MFN	Non-MFN	1994 Imports Weight		1995 Imports Weight		1996 Imports Weight	
				MFN	Non-MFN	MFN	Non-MFN	MFN	Non-MFN
1	Paddy rice	1.7	6.5	na	na	na	na	na	na
2	Wheat	3.5	10.0	na	na	na	na	na	na
3	Cereal grains	0.6	4.0	na	na	na	na	1.4	3.6
4	Vegetables, fruits, nuts	5.4	20.8	0.2	1.8	0.3	2.9	0.1	1.2
5	Oil seeds	8.2	35.4	0.0	1.6	na	na	0.0	0.0
6	Sugar cane, sugar beet	2.1	na	na	na	na	na	2.5	na
7	Plant-based fibers	0.3	1.6	na	na	na	na	0.0	0.0
8	Crops n.e.c.	2.8	18.2	0.0	0.0	0.0	0.0	0.0	0.0
9	Bovine cattle, sheep, goats, horses	0.7	7.8	na	na	na	na	na	na
10	Animal products n.e.c.	1.2	5.6	3.1	12.4	2.5	14.2	1.5	11.1
12	Wool, silk, worm cocoons	0.6	0.0	na	na	na	na	na	na
13	Forestry products	0.0	1.7	na	na	na	na	0.0	0.0
14	Marine products	0.4	3.9	0.0	0.0	0.2	4.2	0.0	0.0
15	Coal	0.0	0.0	0.0	0.0	na	na	na	na
16	Oil	0.2	0.6	na	na	na	na	0.4	1.3
17	Gas	0.0	0.0	na	na	na	na	na	na
18	Minerals n.e.c.	0.7	10.0	3.4	7.5	1.1	10.0	1.3	10.3
19	Bovine cattle, sheep, goat, horse meat	3.4	23.9	na	na	na	na	na	na
20	Meat products n.e.c.	4.7	23.1	na	na	na	na	na	na
21	Vegetable oils and fats	3.7	12.8	0.0	na	na	na	na	na
22	Dairy products	27.8	29.9	na	na	na	na	na	na
23	Processed rice	5.8	23.6	8.8	35.0	8.8	35.0	8.8	35.0

		SIMPLE AVERAGE (%)		WEIGHTED AVERAGE (%)					
		MFN	Non-MFN	1994 Imports Weight		1995 Imports Weight		1996 Imports Weight	
GTAP	Description			MFN	Non-MFN	MFN	Non-MFN	MFN	Non-MFN
24	Sugar	10.3	20.0	na	na	na	na	na	na
25	Food products n.e.c.	5.5	19.2	0.3	1.1	0.3	1.3	0.5	1.9
26	Beverage and tobacco products	16.8	92.0	2.8	18.1	4.5	22.1	2.2	17.4
27	Textiles	10.3	55.1	6.7	63.8	9.6	58.2	4.4	38.5
28	Wearing apparel	13.4	68.9	13.5	56.4	13.1	52.5	14.3	58.0
29	Leather products	5.6	33.0	11.9	46.3	9.2	28.4	8.4	22.8
30	Wood products	2.1	29.4	3.3	38.7	3.5	38.9	3.5	37.3
31	Paper products, publications	1.3	22.7	0.9	21.9	0.3	4.1	1.6	25.4
32	Petroleum, coal products	1.3	8.6	na	na	0.0	4.3	na	na
33	Chemical, rubber, plastic products	4.3	30.3	5.3	24.5	6.4	25.1	30.8	49.6
34	Mineral products n.e.c.	4.3	41.6	4.1	42.4	3.6	40.2	3.8	40.4
35	Ferrous metals	3.7	21.5	na	na	na	na	na	na
36	Metals n.e.c.	3.0	28.0	0.0	0.0	0.0	0.1	0.0	1.1
37	Metal products	3.6	38.9	na	na	3.3	43.4	4.5	45.0
38	Motor vehicles and parts	5.2	18.9	na	na	na	na	na	na
39	Transport equipment n.e.c.	3.0	28.4	na	na	na	na	2.8	28.3
40	Electronic equipment	2.8	34.0	2.1	35.0	na	na	4.1	36.8
41	Machinery and equipment n.e.c.	2.9	37.6	3.0	35.7	1.8	46.1	2.4	30.1
42	Manufactures n.e.c.	3.8	46.7	5.0	47.7	5.6	39.7	13.1	40.9
	Total	4.9	35.0	1.9	8.7	1.5	6.2	4.7	11.8

Source: Fukase and Martin, Table 2, p. 5

Note:

- In most cases, 'na' in the weighted averages means the absence of trade. Some 'na*' reflects 'specific' tariffs for which ad valorem equivalent tariff rates are not available in Arce and Taylor's datasheet.
- No.11 was missed from the original text.

As presented in Table 12, when Vietnam was to be granted the MFN status, the total tariffs imposed on Vietnam's exports to United States would be reduced from 35% to 4.9%, among which the tariffs applied to Vietnam's major exports to the US like apparel and textiles would be reduced from 68.9% to 13.4% and from 55.1% to 10.3% respectively.

Despite the present high tariff rates, the export volume from Vietnam to the United States has been since the lifting of the US embargo rapidly increasing and reached a tenfold higher within a period of five years from US\$50 million in 1994, the year the United States lifted its trade embargo against Vietnam, to US\$500 million in 1998, and three years since President Bill Clinton announced the normalization of diplomatic relations with Vietnam (Table 13).

Table 13: US-Vietnam trade relations (\$ million)

	1993	1994	1995	1996	1997	1998
Vietnam's exports to USA	0.00	50.15	193.96	319.07	425.51	500.00
Vietnam's imports from USA	6.92	172.22	252.86	616.04	817.23	250.00
Total trade turnover	6.92	222.37	446.82	935.11	1,242.74	750.00

Source: VER, Feb. 1999, Table 3, p. 17, and Standley Foundation, p. 42

The development of Vietnam's exports to United States is reflected in Table 14 in which two main characteristics are presented. Firstly, agricultural and marine products occupy a large share in total exports of Vietnam to the United States and concentrate mostly in a small number of commodities, they are not yet diversified. In 1994, for instance, ten largest items in the 6-digit Harmonized System, accounted for

91.3% of the total value of Vietnam's exports to the United States. This share then changed to 92.7% in 1995 and 87% in 1996. Among these ten largest items, "coffee" and "frozen shrimps and prawns" accounted for 63.7% and 78.5% of total export value of Vietnam to the United States in 1994 and 1995 respectively. In 1996 petroleum export increased dramatically which together with the two above-mentioned products made up 68.3% of the total value of Vietnam's exports of the year to the United States. Other important exports from Vietnam to the United States are rice, clothings, footwear, gloves, plastic and rubber products.

The second characteristic is that Vietnam's exports to the United States have not been stable. Among the ten leading exports in each year, only five continued to be in the list of the "top ten" in the succeeding years, while the other five were newcomers. For instance, only five items which ranked 1st, 2nd, 4th, 5th and 9th in the 1994 "top ten" remained in the "top ten" list of 1995; and also, 5 items of the 1995 "top ten" (No.1, 2, 3, 5, 9) continued to be listed in the "top ten" of 1996, while the other five items were new ones.

Table 14: Vietnam's ten leading exports to the US in 1994, 1995 and 1996

	HS Code	Description	1994		1995		1996	
			Exports (US \$ 1,000)	Share in Total Exports (%)	Exports (US \$ 1,000)	Share in Total Exports (%)	Exports (US \$ 1,000)	Share in Total Exports (%)
1	90111	Coffee, not roasted or decaffeinated	29,017	53.8	146,025	70.3	115,708	34.3
2	30613	Frozen shrimps and prawns	5,352	9.9	17,067	8.2	28,896	8.6
3	100630	Semi-milled or wholly milled rice	5,339	9.9			6,568	1.9

	HS Code	Description	1994		1995		1996	
			Exports (US \$ 1,000)	Share in Total Exports (%)	Exports (US \$ 1,000)	Share in Total Exports (%)	Exports (US \$ 1,000)	Share in Total Exports (%)
4	90112	Decaffeinated coffee, roasted	2,145	4.0	5,642	2.7		
5	620520	Men's or boy's shirts of cotton	1,666	3.1	6,899	3.3	9,477	2.8
6	151311	Crude coconut (copra) oil and fractions	1,554	2.9				
7	270111	Anthracite, not agglomerated	1,548	2.9				
8	90240	Black tea	999	1.9				
9	621600	Gloves, mittens and mitts	986	1.8	8,212	4.0	6,014	1.8
10	420292	Containers with surface of plastic or textiles	651	1.2				
11	640399	Footwear with rubber soles, leather uppers			3,184	1.5	7,899	2.3
12	330129	Essential oils (incl. concretes and absolutes)			1,606	0.8		
13	180100	Cocoa beans, whole or broken			1,408	0.7		
14	400122	Technically specified natural rubber			1,279	0.6		
15	30420	Frozen fish fillets			1,257	0.6		
16	270900	Petroleum oils					85,834	25.4
17	640291	Footwear covering the ankle of rubber, plastics					12,658	3.8
18	640411	Sports footwear, with rubber or plastic soles					12,463	3.7
19	80130	Cashew nuts, fresh or dried					8,015	0.4
20		Total	49,257	91.3	192,579	92.7	293,532	87.0

Source: Fukase and Martin, Annex 2A, 2B, 2C, p. 19

At present the United States is the largest importer of Vietnam's coffee beans, accounting for over 25% of total coffee exported from Vietnam (VER, Feb., p. 16). In the coffee crop from 1st November 1998 to 31st March 1999 Vietnam exported around 243,000 tons of coffee through Ho Chi Minh City Port, of which 43,264 tons were exported to the United States, 34,362 tons to Germany, 24,174 tons to Italy, 19,271 tons to Spain, 13,923 tons to France and 13,040 tons to Britain. The present world coffee prices

is more profitable to Vietnamese coffee growers than those in other crops (ND-dt, 9 April 1999).

The United States is also an important market for marine exports from Vietnam, it accounts for about 10% of Vietnam's total export of sea products. It is estimated that by the year 2005 the US market may consume up to 20% of the sea products exported from Vietnam.

Though at present, agricultural and sea products make up a major proportion of Vietnam's export to the United States, but the earnings from all of these reached just a few hundreds million US dollars a year. This is a very small amount compared to the total import of agricultural and sea products to the United States of around US\$50 billion per year (ND, 9 October 1998).

In the trade relations between the two countries, Vietnam is among a few countries from where the United States often gains surplus, though the figure is not considerable. Table 13 shows that the United States continuously experienced surplus in its trade relations with Vietnam in five consecutive years, from 1993 to 1997. In 1998 the United States suffered trade deficit due to the fall of Vietnam's import from the United States as a result of the limitation of Vietnam's import because of the decrease of its economic growth in comparison with the previous years and the negative impact of the Asian financial crisis on the Vietnamese economy.

The volume of the trade between Vietnam and the United States is still small compared to that of other ASEAN countries. In 1997, Vietnam and the United States thanks to their great efforts since the previous years raised the total value of

their trade to over US\$1.2 billion (Table 13). However, this amount was equal to only 1% of the total value of the US-ASEAN trade which was of US\$119 billion in the same year. Compared to the trade relations between the United States and each ASEAN member country, Vietnam's position in the US market was also relatively small. In 1997, the total trade relation between the United States with Indonesia was US\$13 billion, with Malaysia US\$29 billion, with the Philippines US\$18 billion, with Singapore US\$38 billion, and with Thailand US\$20 billion. Vietnam's position in the US market was even smaller in comparison with the total trade value of US\$61 billion between China and the United States. This makes clear, in the words of the document published by the Standley Foundation, that "Vietnam remains relatively unimportant trading partner for the United States" (Standley Foundation, p. 42).

2. Investment

As it was discussed earlier, before the US Government lifted its trade embargo and normalized its diplomatic relations with Vietnam, US companies were impatiently longing for opportunities to set up businesses in Vietnam to compete with companies from Japan, Europe and other countries. When the US Government lifted the embargo, "Thirty companies opened offices on the day after the embargo was lifted, starting the battle for Vietnamese hearts and wallets" (Herring, p. 320). Just a few years later, particularly since the normalization of diplomatic relations between Vietnam and the United States, US investments in Vietnam rapidly increased and since 1996, 1997 the United States has been listed among the ten largest foreign investors in Vietnam

with some years ranked ninth or sixth. In the middle of 1998 there were 400 US companies invested in Vietnam with total registered capital of US\$1,134 million, accounting for 3.54% of the total foreign direct investment in Vietnam (Table 15).

Table 15: FDI in Vietnam by regions and countries as of May 31st, 1998

Regions and countries	1988-1990		1991-1995		1996- May 1998		Total	
	Capital (\$1,000)	%	Capital (\$1,000)	%	Capital (\$1,000)	%	Capital (\$1,000)	%
Total	1,582,646	100.00	16,244,387	100.00	14,253,916	100.00	32,080,949	100.00
I. Asia-Pacific	779,858	49.28	11,207,538	68.99	10,958,520	76.88	22,945,916	1.53
ASEAN countries	58,435	3.69	2,804,937	17.27	5,087,670	35.69	7,951,042	24.78
Other countries	466,199	29.46	7,688,141	47.33	5,720,545	40.13	13,874,885	3.25
Taiwan	199,923	7.58	3,112,886	19.16	1,189,688	8.35	4,442,497	13.79
Japan	85,932	5.43	1,780,641	10.96	1,404,865	9.86	3,271,438	10.20
Hong Kong	240,288	15.18	1,371,003	8.44	1,554,096	10.90	3,165,387	9.87
Korea	4,975	0.31	1,375,633	8.47	1,531,024	10.74	2,911,632	9.08
II. Europe	690,846	43.65	3,770,406	23.21	2,119,438	14.87	6,580,735	20.51
France	289,244	18.28	604,340	3.72	841,049	5.90	1,734,633	5.41
The Netherlands	118,000	7.46	385,084	2.37	104,310	0.73	607,394	1.89
Britain	115,510	7.30	351,103	2.16	52,763	0.37	519,376	1.62
Germany	9,358	0.59	23,017	0.14	140,354	0.98	172,729	0.54
III. America	111,942	7.07	1,219,443	7.51	1,175,913	8.25	2,507,298	7.82
The United States	2,565	0.16	759,970	4.68	371,906	2.61	1,134,441	3.54
Canada	109,257	6.90	67,789	0.42	13,239	0.09	190,285	0.59

Source: VER, January 1999, p. 40

In respect of the investment structure, two thirds of US investments were on industries, following by oil and gas, tourism, hotels, offices, services, healthcare, banking, finance, construction and aquaculture (Table 16).

Table 16: US investment in Vietnam by industry

	%	US\$
Industries	40	\$ 865,671,396
Oil & Gas	4	142,000,000
Aquaculture	2	4,816,000
Tourism, Hotel, Offices	4	105,876,767
Services	10	47,814,407
Finance/ Banking	2	30,000,000
Construction	3	8,000,000
Health Services	5	33,424,195
Total	70	1,237,602,765

Source: VBJ, August 1998, p. 38

Regarding provinces and territories, during the early years, two thirds of the total US direct investments in Vietnam concentrated on Southern provinces, only one third went to the North (Table 17). This reflected the "familiarity and attraction" as well as "historical relations" of the South of Vietnam with US companies (Bang Chau, ND, 9 October 1998). Recently, US companies have paid more and more attention to the North, but the level of US investments in the North has not yet exceeded that in the South.

Table 17: US investment in Vietnam by province

	%	US\$
Bac Lieu	1	\$ 4,116,000
Ba Ria - Vung Tau	4	87,617,000
Binh Dinh	1	1,000,000
Binh Duong	5	55,073,066
Can Tho	1	1,751,000
Danang	1	10,093,000

	%	US\$
Dac Lac	1	4,563,530
Dong Nai	5	234,909,265
Hanoi	15	121,145,532
Ha Tay	3	104,177,000
Hai Duong	1	102,700,000
Haiphong	2	36,700,000
HCMC	17	178,408,372
Khanh Hoa	2	6,700,000
Long An	1	5,150,000
Phu Yen	1	1,000,000
Quang Nam	2	133,877,000
Quang Tri	1	3,952,000
Thai Binh	1	280,000
Vinh Long	1	2,390,000
Total	66	1,095,602,765

Source: VBJ, August 1998. p. 42

There are two factors need to be looked at concerning the US direct investments in Vietnam in the past few years. Firstly, the amount of investment commitments was fairly high, but the share of disbursement was not considerable, just as of around US\$200-300 million. Secondly, from 1997 up to now, there have been signs that some US companies have withdrawn their investments, stopped raising capital, and/or invested, if they did so, with a low level of capital. This situation was caused, according to a number of US businessmen, partly by the negative impacts of the Asian financial crisis and partly by the unstable, complicated, risky and low profitable investment environment in Vietnam. The situation was also due to the fact of high discrimination in the treatment

policy of Vietnam toward foreign companies in general, and US companies in particular, which is unfavorable to their business operation.

In an article on February 6, 1999 about the difficulties of international investors in doing business in Vietnam, the Australian ABC quoted Mr. Lee Guang Yew's advice that Vietnam should improve its investment conditions and have better treatment policies to prevent US companies from leaving Vietnam. According to this article, Mr. Lee Guang Yew recently spoke frankly to Vietnamese high-ranking officials that "You treat the Americans in the same way as you did during the war. You invite them to come here and then ambush them. No wonder they will leave".

The withdrawal of US companies from Vietnam not only asserts unfavorable effects on Vietnam in respect of capital mobilization, technology transfer, job creation, import and export promotion, but also creates negative psychological effects on companies of other countries doing business in Vietnam.

To overcome the above-mentioned difficulties and to continue the cause of economic renovation, the Vietnamese Government has recently amended, supplemented and improved its policies and procedures in order to create favorable investment conditions for foreign companies in general and US companies in particular. For example, in the first half of 1999, the Vietnamese Government decided to reduce the electric price applied to foreign companies in Vietnam (ND-dt-E, 22 June 1999), and allowed foreign companies to purchase up to 30% of enterprises' shares in several industries such as textiles and garment, footwear manufacturing, leather

processing, agricultural, forestry and marine products processing and other consumer goods industries, production of building materials, domestic road and water transportation, transportation of goods in container, teaching instruments production, toys production, trading, hotel services, engineering production, and businesses specializing in making the goods of the above listed items (ND-dt-E, 30 June 1999).

One of the significant measures which was highly appreciated by the US specialists who attended the negotiations on the bilateral trade agreement between Vietnam and the United States was that Vietnam has given privilege treatment to the United States in respect of exporting US goods to Vietnam, whereas the United States has not yet granted its MFN or NTR status to Vietnam. In their views, this is a sign of goodwill of Vietnam and it helped reach the progress in the seventh and eighth rounds of negotiation (TBKTVN-dt-E, 27 March 1999). Finally, Vietnam and the United States accepted in principle the bilateral trade agreement at the ninth round of negotiation in July 1999, 23 years after the United States imposed its trade embargo against Vietnam, opening a new phase of promising prospects in the relationship between the two countries, including the brighter future for US direct investment in Vietnam. As it was commented by Mr. Pete Peterson, the US Ambassador to Vietnam: Vietnam's current renovation process has recorded remarkable achievements and Vietnam continued pledging to reform its economy, integrate into the region and set up a legal framework for foreign investment, the investment prospect in Vietnam will be brighter and Vietnam will become a major economy in the region in the years to come (ND-dt-E, 12 June 1999).

In 1999, despite the impacts of the financial crisis in the Asian region and the downturn of the growth rates of the Vietnamese economy compared to those in the previous years, foreign investors continue to pay attention to the Vietnamese market. In the first half of 1999, 55 more new foreign representative offices were set up in Ho Chi Minh City, of which 11 were from Singapore, 7 from Taiwan, 6 from Hong Kong and Republic of Korea, 5 from Japan and 4 from USA and France, bringing the number of foreign representative offices to 1,342 in Ho Chi Minh City to date. These offices employ about 5,000 Vietnamese people and 2,241 expatriates (ND-dt-E, 10 July 1999).

In another move to promote trade ties between Vietnam and the United States, the Saigon Port of Vietnam and the Los Angeles Port of the United States have agreed to establish a "sister port" relationship. This is the first time Vietnamese and US ports establish such relation with an aim of improving bilateral trade between the two countries. Since the United States lifted the trade embargo on Vietnam in 1994, the trade value with Vietnam through the Los Angeles Port increased markedly from \$70 million in 1996 to \$132 million in 1998 (ND-dt-E, 22 July 1999).

3. Development assistance

In 1991, along with the efforts made by Vietnam in cooperation with the United States to resolve several humanitarian issues such as the MIAs and POWs and to arrange the setting up of the US MIAs Office in Hanoi, the United States announced the provision of US\$1 million as humanitarian aid to Vietnam. This was "the first such governmental aid since

1975" to be provided to Vietnam (Williams, p. 82). After that, the United States has, since 1992, provided Vietnam each year with a humanitarian aid of US\$3 million.

The formal provision of aid to Vietnam by the US Government is an important step forward in relationship between the two countries. This is just a humanitarian aid, not yet development aid, it is however a new sign which opens new possibilities for the cooperation between the two governments – particularly the possibility of the US engagement in the reconstruction of the Post-War Vietnam, though in the intermediate future this is still tightly restricted, if not to say strictly prohibited by US laws.

On August 10, 1994, the US Congress passed the Foreign Operations Bill of 1995 which was signed by President Bill Clinton on August 23, 1994. The Bill included a repeal (Section 526-B) of Section 13 of the Authorization Appropriations Act of 1973, which stated in part: "Notwithstanding any other provisions of law, no funds can be appropriated to or on behalf of Vietnam unless with permission of Congress"(VBJ, Nov-Dec., 1994, pp. 26-27). Under this provision, US development aid to Vietnam will continue to be prohibited until a new provision of law is to be passed by the US Congress which cancels this provision and permit the US Administration to provide development aid to Vietnam. Though that time has not yet come for developmental assistance, at present the US Government is able to provide Vietnam some assistances of other kinds with other contents and objectives such as humanitarian aid in compliance with laws.

In an interview made by the Vietnam Economic Times, the US Ambassador to Vietnam, Mr. Pete Peterson explained

about the possibilities of the United States in providing development aid and other assistances to Vietnam as follows: "We are prohibited from providing any AID money to the Socialist Republic of Vietnam at this time. There is a provision of course for humanitarian assistance and we are providing humanitarian assistance at this time, about \$3 million a year. There are some other provisions allowed by the Statute, to provide assistance in helping them to develop the rule of law, and some other humanitarian issues as well. Beyond that we have to wait until we get through the full normalization process and the lifting of the restrictions currently enforced by the Foreign Relations Statute that govern our relations throughout the world. This is a restriction that is enforced by law, and it is not something that the President can waive..." (VET/Supplement, July 1997).

The amount of aid as mentioned above has been used by the US Agency for International Development (US AID) in some following humanitarian areas and projects:

a) Regional rehabilitation and prosthetics medical training at provincial level:

- World Rehabilitation Fund 1992-1995 (\$275,000).
- Vietnam Assistance for the Handicapped 1993-1997 (\$1 million).
- Prosthetics Research Foundation 1991-1995 (\$775,000).
- World Vision Relief and Development 1991-1995 (\$2,075,000).
- Vietnam Veterans of America Foundation 1994-1997 (\$730,000).

- International Institute for Education 1994-1997 (\$300,000).

b) Displaced children and orphans:

- World Vision Relief and Development (\$933,000).
- Holt International 1992-1997(\$797,000).
- World Concern 1992-1997 (\$1,520,000).
- East Meets West Foundation 1992-1997 (\$250,000).
- Health Education Volunteers, Inc. 1994-1997 (\$220,000).

c) Other assistances:

- Flood Disaster Relief, 1992, 1995.
- World Concern (\$245,000).
- World Vision Relief (\$164,094).

The above-mentioned US\$3 million of aid provided by the United States to Vietnam each year is a new and important contribution to the development of the relationship between the two countries, but in quantity it is a small amount compared to those provided by the United States to other Southeast Asian countries and very small compared to the amount that former US presidents promised to contribute to the reconstruction of Vietnam after the war.

As presented in Table 18, each year by now the United States provided Vietnam with US\$3 million of humanitarian aid while it provides from US\$20 to \$30 million to Cambodia, US\$40-80 million to Indonesia, US\$5-10 million to Mongolia, US\$40-60 million to the Philippines, and US\$6.5 million to Thailand in 1994.

Table 18: US AID funding for Southeast Asia (incl. Mongolia for comparison) (\$ million)

	FY1993	FY1994	FY1995
Cambodia	32.5	20.3	33.5
Indonesia	37.0	48.8	80.3
Laos	-	-	-
Mongolia	8.0	10.8	5.1
Philippines	58.8	44.8	39.3
Thailand	0.5	6.5	-

Source: VBJ, June 1995, p. 38

In the past, US Presidents pledged much greater amount for the reconstruction of Vietnam than what they have done to the present time. During the 1960s, President Johnson used both "butter and gun" as the main instruments of his "Great Society" Policy to attack the liberation forces in Vietnam. But later on he realized that gun could not help resolve the issues in the battlefield, he then, as the former US Secretary of State Henry Kissinger recalled, "tried to *tempt* Hanoi with an economic-aid program for all of Indochina" or an "offer of a massive reconstruction program open to all, including North Vietnam"(Kissinger, pp. 662, 669 and 672. *Italics*). The amount of assistance often mentioned at that time was about US\$1 billion. Such "*temptation*" however could not lure nor deviate the Vietnamese people from their struggle for national liberation and independence.

To the 1970s, "As part of the issues discussed in the Paris Agreements, Nixon had secretly promised to provide Hanoi

with \$3.25 billion in aid for reconstruction and another \$1.5 billion in commodities" (Herring, p. 288).

II. COOPERATION IN OTHER AREAS

1. People-to-people cooperation

Vietnam attaches great importance to the cooperation with the people in other countries. Therefore, in many cases, the relations between non-governmental organizations have been developed while the government-to-government relations have not yet been set up. The Vietnam-US Relationship is one of the typical examples. That is why American NGOs were considered as "pioneers of Americans in Vietnam... the earliest American ambassadors in Vietnam" (Standley Foundation, p. 48).

According to Mr. Nguyen Van Kien, Deputy Director of PACOM, before 1975 there were few NGOs in Vietnam which operated in humanitarian assistance. During the period 1975-1988 period, more and more NGOs came to Vietnam and they not only operated in the area of humanitarian aid, but also in relief activities. Since 1989, along with the positive results achieved by the implementation of the renovation policy shifting Vietnam from a planned toward an open and multi-sector commodity economy, the number of NGOs in Vietnam rapidly increased from 70 in 1988 to 476 in 1998 with a combined budget of US\$70-80 million. The activities of NGOs have become more diversified and widespread from humanitarian aid to other areas such as development assistance, hunger eradication and poverty alleviation.

According to Mr. Vu Xuan Hong, Executive Vice President, Vietnam Union of Friendship Organizations, up to 1999, NGOs have budgeted US\$126 million for more than fifteen hundred projects in Vietnam (Indochina Interchange, Spring 1999, p. 16-17).

In that general context, the number of US NGOs in Vietnam has also grown quickly. To date, there are 280 US NGOs in Vietnam with the total aid of over US\$60 million per year, focusing on key areas such as sustainable development, alleviation of poverty, training and capacity building. "The activities of US NGOs have grown explosively in Vietnam over the past eight years" from 1990 to 1998 and have made positive contributions to the construction of a strong, prosperous and independent Vietnam (Standley Foundation, p. 48).

An important factor of the people-to-people cooperation is the number of the Vietnamese people living in the United States. At present there is about two million Vietnamese people living and working in 80 countries around the world, the largest number of which (900,000 people) live in the United States, accounting for nearly half of the total overseas Vietnamese. Among the Vietnamese people living in the United States, a small number still keeps living in hostility, opposing the current Government in Vietnam, while the majority, particularly the young people, are honest citizens who regularly concern themselves with their Fatherland and increasingly support the Vietnamese Government. They have blood relations with their relatives in Vietnam. In Ho Chi Minh City alone, 50% of the total households have their relatives living and working in the United States (ND, 9

October 1998). These families usually receive money and gifts from their relatives in the United States which enable them to overcome the difficulties in their life.

The amount of money that overseas Vietnamese return to Vietnam through their family ties is about a billion US dollars a year, approximately equal to the State budget allocation for development investment, or equivalent to 15% of the total annual social investment. Out of this amount, about \$200 million has been used as direct investments for development, most of which have been investments in real estates, personal consumption and services. A large portion of the remittances have been used by the overseas Vietnamese relatives to develop small businesses, including weaving and garment factories, plastic factories, bottled water plants... Recently, the amount of money sent by overseas Vietnamese to their families have declined due to the "fading-away" of the old relationship between the overseas Vietnamese and their relatives in the country. In contrast, the direct investments by overseas Vietnamese and the remittances by Vietnamese workers who were sent to work abroad have increased (Phong, N.M., p. 17-18).

The overseas Vietnamese, particularly Vietnamese Americans, are important to Vietnam not just because of their remittances and investments, but also, and more importantly, because of their knowledge and talents. Sixty percent of Vietnamese Americans are under 34 years old and 82% under 44 years old. "This group represents a huge possible reserve of wealth" (VBJ, p. 34-35) and knowledge and skill. Since the lifting of the US embargo, many of them have come back to Vietnam, not just to visit their families, but also to

contribute to the country in different ways. Some acted as "bridges" in bringing US companies into Vietnam. Others participated in academic, education, health care activities or provided humanitarian or relief assistances to the people in need. They have been increasingly positive to the growing Vietnam-US relationship.

2. Cooperation in education, science and technology, culture and health care

The cooperation between Vietnam and the United States in education, culture, science and technology, and health care, like the economic and people-to-people cooperation, has also experienced two obviously different periods: before and after the normalization of diplomatic relations. During the 1980s Vietnam and the United States already had cooperative links and exchanges with each other in these areas, but the collaboration was limited mainly to training and research activities. Since February 1994, after the United States lifted its trade embargo on Vietnam, the cooperation between the two countries in these areas has been expanded and improved. It was not until the time President Bill Clinton announced the normalization of diplomatic relations with Vietnam that the cooperation in these areas started "to develop vigorously... and along with the quantitative growth there has been major changes in qualitative development" (Long, Ky yeu, p. 155).

Here once again we witness the pioneering role of the NGOs in these areas. According to John McAuliff, Executive Director of the US-Indochina Reconciliation Project, after 1975, while most of the Americans left Vietnam by the end

of the war, some few US NGOs such as the American Friends Service and the Mennonite Central Committee continued their humanitarian assistance activities in Vietnam. During the early 1990s, there were 59 NGOs operating in Vietnam and helping Vietnam with the total assistances estimated at about US\$15 million, while at this time there had been very little operation of business and other circles (McAuliff, p. 20). It is reasonable to say that before the normalization of diplomatic relations, the cooperation and exchange activities in culture, education, science and technology and health care between Vietnam and the United States were mostly carried out by and/or through the NGOs. After the normalization of diplomatic relations between the two countries, the NGOs were also spiritually and materially supported by the US Government, adding to the great efforts they have made so far, hence making their activities more active and efficient with greater realistic contributions toward Vietnam.

As far as *education* is concerned, every year about 5,000 Vietnamese students and scientists are sent abroad to study and to do research, of which the largest number is sent to Australia, about 1,500 people. In 1998 there were 1,300 Vietnamese students studying in US, among these around 100 students were sponsored or given scholarships by various funds such as the Fulbright Program which provides 30 scholarships each year to Vietnam. The remaining 1,200 are self-financed students. The number of Vietnamese students studying in the United States is limited, as it was assessed in a conference organized by the Standley Foundation, mainly due to the "funding availability, knowledge of opportunities and application procedures in Vietnam, academic and foreign

language training, and US visa policies... [among which] funding remains a crucial constraint on the development of Vietnamese educational, professional, and academic exchanges with the United States" (Standley, p. 47).

The United States has helped Vietnam, through several Governmental and non-Governmental funds, to realize a number of cooperation and exchange programs such as the English volunteer teachers to teach English at a number of universities; the training programs for economic managers; the information technology programs; the programs for cooperation between Vietnamese and US universities; cooperation programs in science, technology and health care; and exchange programs on culture, information and sports...

In respect of the cooperation in *English teaching*, US organizations such as the Volunteer In Asia (VIA) and English Language Institute (ELI) signed a formal cooperation agreement with the Ministry of Education and Training of Vietnam. In the two years of 1996-1997 over 60 US volunteer teachers were sent to Vietnam to teach English at the universities and foreign language centers located in the large cities of Vietnam in order to help Vietnamese students, teachers and staff to improve their English, enabling them to obtain necessary TOEFL scores for the entrance into US universities and to do their professional work better.

In the area of *economic management training*, the Ford Foundation and the Fulbright Program in cooperation with Harvard Institute for International Development (HIID) have opened training courses for economic managers at the

National Economic University in Hanoi and the University of Economics in Ho Chi Minh City. By December 1997, Ford Foundation helped the National Economic University to organize six training courses on the market economy management. Each of these courses lasted six months and attracted from 50 to 60 participants. At the University of Economics in Ho Chi Minh City, the Fulbright Program coordinated with the Harvard Institute for International Development (HIID) and the US Academic Council to organize a 2-year training program with the budget of US\$2 million granted by the US Congress with the purpose to train 50 students each year and to improve the material facilities for the University such as libraries and classrooms.

A part from the above-mentioned Governmental and non-Governmental funds, *US companies* also assisted Vietnam in training economic managers. For instance, since 1995 Citicorp has helped train over 1,000 Vietnamese staff in the area of finance and banking, or in 1997 GE Company organized 3-week training course in the United States for 40 staff from ASEAN countries, among these five participants were coming from Vietnam (Preeg, p. 4-14).

The *cooperation between Vietnamese and US universities* is also developing. There has been various delegations and experts from US universities such as Harvard, Berkeley, Columbia, Georgetown, Ohio, Indiana, Fullerton, UCLA, Washington, Eastern, Oregon, Buffalo and others visited Vietnamese universities to do research and set up cooperation programs in training and research.

In the area of *information technology*, several large US computer corporations such as IBM, APPLE, UNISSIS, DIG-

ITAL, ORACLE, COMPAQ, have collaborated with the Information Technology Department of the Ministry of Education and Training, while some other agencies have helped in the training, development and consultancy on information technologies, particularly in the area of software development.

Since the beginning of the 1990s, we have developed more and more active cooperation and exchange programs with the United States in *both technical and social sciences, as well as in environment and health care*, including the cooperation in research and training, in the exchange of experts, in organizing scientific seminars and conferences, in the development of public healthcare and disease control, in HIV/AIDS control, and in the research on the effects of orange agents...

In the area of *culture, information, and sports*, there have been exchanges between Vietnamese and US art groups, writers, poets, journalists, film makers and sport delegations, and representative offices of US and Vietnamese news agencies have been opened in both countries to promote the mutual understanding and strengthen the cooperation relations among the people of the two countries.

The cooperation in the above-mentioned areas has after a period of time become increasingly diversified, practical, profound and more realistic. This cooperation is no longer limited just to the efforts of the NGOs or the people's diplomacy, it has been supported by the governments of both countries since the normalization of diplomatic relations as well. Although the conditions for development of the cooperative relations have been more and more favorable in gen-

eral, there are still great difficulties and obstacles due to the constraints of information and mutual understanding, the differences in languages and patterns of training to date, the difficulties in administrative procedures and visa application, and especially in the limitation of funding.

Chapter 6

AMERICAN LAMPS AND THE LIGHT TO THE 21ST CENTURY

Apart from the above areas of cooperation, there are still other very important issues such as the cooperation in politics, diplomacy, security, and others that need to be deliberately studied, but we have so far not much concentrated on these, because the main focus of this study is the economic relations, not those areas. We hope to have other serious studies on these issues. However, it will be shortcoming if in this study these issues are, because of their importance, not satisfactorily discussed. Therefore, they will be analyzed in this part of the study as factors of the general and historical perspective, not as separate issues, in the overall relationship between Vietnam and the United States.

I. THE AMERICAN OIL LAMPS DURING THE 20TH CENTURY

Vietnam is up to date still basically an agrarian country with 80% of its population living in the rural areas, where many regions are out of reach to electricity, so the people have to use oil lamps. These lamps have, no matter how small they are, glimmered throughout Vietnam during the 20th

century and become the most popular lamps in Vietnam. From the mountainous and remote regions to the delta, from rural to urban areas, and from the South to the North, everywhere every Vietnamese knows the lamps, and calls them *the American lamps*. However, very few of them know about the origin of the lamps, except a small number of historians. One economic historian, Mr. Dang Phong wrote as follows about the origin of this lamp:

"The Indochinese people began to know America by the goods brought by American merchant boats to Indochina since the early 20th century. One of the products that the people here liked most was the oil to light. In order to help the people to light the lamps with oil, the Caltex Petroleum Company manufactured a new kind of lamp, at first they gave the lamps to the people as free gifts, later on they sold them with oil. Because of this, the Vietnamese people called them "the American lamps". The Caltex Petroleum Company started to open its agents in the Indochina. Those were the first American bases here" (Phong D., p. 180).

To have a lamp, history had undergone many ups and downs, "missing many opportunities" before and after the appearance of the lamp (Thao, Ky yeu, p. 46-50). Since 1787, eleven years after the declaration of the US independence (1776), T. Jefferson, the US representative to France, reported to the US Government about the rice market in Cochinchina (the South of Vietnam). He then asked the French famous botanist Malesherbes to help find the Cochinchina's rice variety to grow in America, but Malesherbes could not help. Vietnam and America missed a chance to meet.

In 1799, the first American merchant ship reached Cochinchina. Nearly thirty years later another one arrived Vietnam and shipped back to America silk, sugar and rice seeds, but unfortunately, the seeds were damaged by insects and by the bad weather. In addition, a xenophobic movement occurred in Vietnam at this time, so nobody cared about trading with America any longer. Once again, the two countries were set apart.

In 1873, King Tu Duc took an initiative to send Bui Vien, who played the crucial role in helping the King to stabilize Tonkin (the North of Vietnam) and establish Hai Phong, to America to set up the relationship between Vietnam and America with an aim to look for an external backup of the national renovation and to find a force to balance the French power in Vietnam. But Bui Vien regretfully did not bring with him the National Letter of Credit, hence the Agreement was not inked. The history of Vietnam-American relationship missed another chance to be set up, this time it was due to the careless and peasant-style management of the Vietnamese Feudal Imperial Court: they forgot an important legal document.

In 1875, Bui Vien was once again nominated as an envoy to the America. He by then remembered to take with him the National Letter of Credit signed by King Tu Duc. But America at that time was not strong enough to overtake France. The world was preordained: Vietnam was a French colony. The Agreement failed to be signed. "The dream to open the Vietnam-American relationship by Bui Vien and the Tu Duc Empire went bankrupt, as was it the failure of the plan to renovate the country after the 19th century." (Thao, Ky yeu, pp. 47-48).

There had been almost no chance to resume the Vietnam-American relationship in nearly a century later. The opportunity came until the Second World War when the Viet Minh Front, led by President Ho Chi Minh, was founded in Vietnam in 1941 which follow the policy to extend its cooperation with the Ally, including the United States, to fight against the fascist Axis (German-Italy-Japan). At that time Viet Minh and the United States reached an agreement according to which the United States supported Viet Minh with medicine, weapons, communication facilities and military training, and in return, Viet Minh helped the Ally to rescue Japanese pilots when their planes were shot down and reported to the Ally about the Japanese military activities in Indochina.

When Vietnam regained its independence (since 2nd September 1945), President Ho Chi Minh continued his efforts to establish the friendly diplomatic relationship between Vietnam and the United States. He himself and the new Vietnamese Government sent dozens of letters and diplomatic notes to President Truman, the US Government and the US Department of State to ask them to recognize the independence of Vietnam and to support Vietnam to join the United Nations... But the Truman Administration at that time committed to support the French reoccupation of Indochina, therefore did not positively respond the goodwill extended by Vietnam.

President Ho Chi Minh had even after such negative behavior from the United States still continued consistently to look for the opportunities to get in touch with the US Administration. In 1946 for instance, he assigned Minister Pham Ngoc Thach on behalf of the Vietnamese Government

to meet with the US Administration's representative in Thailand, but once again, the US Government declined to meet the goodwill and the proposals of the Vietnamese Government as to recognize the national independence of Vietnam and to establish the cooperative, equal and mutual-benefit relationship between Vietnam and the United States. On the contrary, the US Government advanced from supporting the French to gradually involving deeper and deeper into Vietnam, then replaced the French and set up pro-American Administrations in South Vietnam, dividing the country and ruling over its Southern part.

All the efforts made by the Government of the Democratic Republic of Vietnam and President Ho Chi Minh to establish a close, friendly, equal, and mutual-benefit relationship with the United States were rudely turned down. The more the Vietnamese tried to approach and get closer to the US Government, the far the latter wandered away. Regardless of the proposals of Vietnam to build a peaceful, friendly, equal and mutual-benefit relationship between the two countries, the US Government alternatively opted for war, and then later on imposed its sanctions and embargo against Vietnam which have caused serious consequences and heavy damages to both sides, resulting the difficult search for the remains, the hardship in resolving the MIA and POW and related issues as well as the healing of the wounds of war and the rehabilitation of both countries from the consequences and damages of the embargo, the sanctions and of course the war, too.

Yet, that was not the end. By the early 1990s, the Vietnamese Government once again proposed a meeting at

the highest level with the US Government to discuss a general solution to the issues relating to the two countries, and once again, Vietnam's goodwill was rejected. The truth was so harsh that even the Americans themselves could no longer keep silent about it, they had to raise their voices and wrote down these lines: "The human losses suffered by the US as a result of the actions of the Germans, Japanese, Italians, etc. In the Second World War, were dozens of times more severe than those suffered by the US in its involvement in Vietnam. Yet as soon as the Second World War was concluded we almost immediately began to support the recovery of and trade with our Second World War adversaries.

"We showed compassion and enlightenment in our dealing with our Second World War enemies but we were and are blindsided by our selfishness in dealing with the Vietnamese people after our defeat in the war with them. This continues despite repeated overtures of friendship from the North Vietnamese going back to the Second World War when Ho Chi Minh wrote to then President Harry S. Truman and asked for a meeting but his request was ignored. As late as the end of 1992 and early 1993, Presidents Bush and Clinton refused to receive the Prime Minister of Vietnam who requested a meeting with them to work out, at the highest level of government, a global settlement of all issues keeping the two countries apart including the MIA/POW issue" (Robinson, I.J., p. 18).

The above efforts look like the small American lamps which twinkle throughout the history of relationship between the United States and Vietnam. They have not been consistently lightened up, because now and then some people

lighted them while the others switched them off. They are, however, the "magic lamps" which would be lightened up when both Vietnam and the United States wanted to do so. And now is the point, the very time that both Vietnam and the United States expect to normalize their relationship and to build the friendly, equal and mutual-benefit relationship between the two countries, to light up the historical lamps - the torches that shine the way heading the bilateral relationship of the two countries to the future.

The light of these lamps have, up to now - the end of the 20th century, still been dim because they have been lightened up by oil. To the next century - the 21st - they would be very likely brightened up by electricity which is to be operated by automatic technologies, because it is the time that everybody wants to light up these lamps and light them by new modern technologies, not just by pouring the oil into the lamps and burning them up by hand and matches as the way we have been doing up to the present time.

II. AMERICAN ELECTRIC LAMPS AND COMPUTERS TO THE 21ST CENTURY

It is quite different from what happened earlier when Vietnam and the United States missed many opportunities to get closer to each other, the two countries have during the over past ten years had better conditions to get together, particularly since the cold-war ended and confrontation was replaced by dialogue and cooperation. The paths of development of the two countries are no longer separated far apart as they once were, instead they now tend narrow the gaps of the past in order to come closer and closer to each other.

On the Vietnamese side, the country has since 1986 initiated a comprehensive reform which has been termed as "renovation" and seen as a historic turning-point shifting from a planned toward a multi-sector commodity economy with increasing international and regional integration. After fifteen years of renovation, Vietnam has experienced many changes from thinking to law and economic management mechanism that are more and more compliant with the international practices. Although Vietnam has still faced many difficulties, shortcomings and challenges during the process of its development within the country as well as the problems relating to foreign business, it has in fact made major and fundamental changes which have been increasingly recognized and supported by more and more people all over the world, including those from the United States. As it was noted by Professor Frederick Z. Brown, the "genuine economic liberalization is taking place in Vietnam" (Brown, 1993, p. 11).

Thanks to these new and fundamental changes, the Vietnamese economy continuously attained the growth rates of 8 to 9% per year during the period from 1990 to 1997 and has limited the negative serious impacts of the Asian financial and monetary crisis broken out since 1997, keeping the economy from sinking down into negative growth like some other countries in the region. However, it is admittedly that due to the impacts of the Asian crisis, the growth rates of the Vietnamese economy have also slowed down from 9.5% in 1995 to 9.3% in 1996, 8.2% in 1997, 5.8% in 1998 and less than 5% in 1999.

Another important and the main reason is that Vietnam has not timely renovated its policies in line with the rapid

changes within and out of the country, and not yet created a dynamic and highly competitive business environment. As it was discussed in Chapter 4, American investors have expressed their views since 1995 on Vietnam's weak and complicated performance of law, its cumbersome and bureaucratic administrative apparatus, the backward infrastructure, and the frequently changing and unstable policies of the Government which made it difficult for foreign investors to get short-term benefits, leading to the situation that a number of investors left and/or avoided the Vietnamese market due to their lack of adequate capital to invest or time to wait for long procedures.

Many of the above recommendations required quick changes, but according to many US investors and economists, little has been done so far. Many of the suggestions remain unchanged or little changed. Meanwhile, many other problems occurred that need proper attention and rapid and timely correction. We will continue to discuss in this part a number of new issues raised recently by American experts and businessmen.

Prof. Mark Mason of the Management School, Yale University, made following suggestions after conducting a survey and making a comparison of the operations among American, Japanese and French companies invested in Vietnam which were included in his deliberate research paper entitled "*Foreign Direct Investment in Vietnam: Government Policies and Corporate Strategies*": "among the most important yet presumably less difficult initiatives the government [of Vietnam] could undertake to address the concerns [of foreign investors]... Include action to reduce the

unusually high cost of telecommunications... and improve the quantity and overall quality of information on local business conditions... Also critical yet surely more challenging to effect in the short run would be public efforts to improve the transportation and other aspects of physical infrastructure... and to curb monopolistic and other anti-competitive practices" (Mason, p. 9).

Juels Carlson, Chief Manager for Cargill Company in Vietnam and Chairman of the Ho Chi Minh City-based US Business Community wrote, "what creates problems is the complex matrix of government entities intertwined with state-owned enterprises that investors and other foreign-based business people must deal with on a daily basis. The time needed to manage these relationships is simply too costly, compared to the profits forecast in many cases, to sustain more investment in Vietnam today.

"It's simply supply and demand. There are too many toll-gates, ministries, customs and tax collectors, inspectors, people's committees, quotes, licenses, chops, etc., than many investors can manage and still run a profitable business. There is too much control over too few business. These factors, together with an overvalued currency, high land costs, and lack of a sound legal system make Vietnamese-produced goods and services too expensive to be competitive in export and domestic markets today. In addition, lack of credit makes it hard for a local company to grow, and foreign investors have many cheaper alternatives to invest in other countries."

Basing on the above situation, Juels Carlson made "a few suggestions" as follows:

- "Privatise all of the state-owned enterprises...
- "... stop smuggling... [or apply] zero import duties and a sharply devalued currency [to balance it]...
- "Stop all state-owned enterprise monopolies on import and export trading...
- "Make real efforts to ensure transparency and fairness with custom procedures and official policies.
- "Lower individual income taxes of both Vietnamese and foreigners...
- "Demonstrate to the foreign-owned investment community that issued decrees and circulars will be implemented. Credibility comes with on time performance, not empty promises" (Carlson, 1998, p. 38).

According to Thomas O'Dore, Chief Representative in Vietnam of CIGNA International and Chairman of the Hanoi Chamber of the American of Commerce, "As the economic crisis lingers on in Asia... Vietnam should carefully examine and notice the sources of its neighbors' economic woes, such as government interference, preferential treatment of government-owned enterprises, and lack of transparency. This is the very situation in Vietnam today, and if the country wants to avoid a similar crisis, it remained here through the regional crisis... American companies supported by superior technology and a competitive transparent financial system remain strong. As other countries retreat to their homeland, American companies remain in Vietnam... America will be Vietnam's largest investor someday and also, as the world's largest consumer market, its largest trading partner. We are willing to share our knowledge and resources to help

Vietnam, but not until the barriers are brought down. First we need more success stories for the roughly 400 American companies who have been in Vietnam since the lifting of the embargo. Those companies with licensed operations face bureaucracy, lack of transparency, high operating costs, and arbitrary taxation. We need to show profits... There is already a sizeable American investment in Vietnam today of roughly \$1.3 billion" (O'Dore, p. 40).

Irwin Jay Robinson, Associate of the Philip Nizer Benjamin Krim and Ballon LLP, and the former Founder and Chairman of the US-Vietnam Chamber of Commerce noted: The Vietnamese have simply not yet recognized the necessary theoretical and practical adjustments to attract and keep foreign investors. They understate the significance of transparency, consistency, accountability and credibility toward foreign investors. Hence, he suggested:

- Low and inadequate devaluation of the Vietnamese Dong (VND);
- Establishment of too many industrial and export processing zones;
- Issuance of too many licenses for car assembly and production while inconsistent over the amount of car imports and taxes on both imported and locally produced cars.
- Call for high ODA commitments with low level of disbursement due mainly to the bureaucracy in administration, the inefficiency of Government performance and the lack of counterpart funds;
- Corruption in the third place out of 12 Asian countries, after Indonesia and Thailand;

- Poor banking system;
- High control of the State over enterprises, leading to their inefficiency, high losses and heavy debts;
- High and inconsistent income taxes;
- Low rate of trained and skilled labor, about 13.8% out of the total labor force of 38-40 million people;
- Bad English language, one of the largest obstacles facing foreigners doing business in Vietnam;
- Many complicated problems concerning laws;
- Many complicated problems occurred in joint ventures, local partners are lack of knowledge about modern management, increasing number of foreign companies want to choose or to change to the form of 100% foreign-own investment, causing a decline in the proportion of joint ventures from 61% in 1994 to 51% in 1997;
- In addition, there is a number of other complicated problems such as the unclear division of political power and administration with no one as the main responsible person, the unclear division of power between central and local authorities, the cumbersome procedures on land tenure, the weak infrastructure, the old way of thinking, the incredibility of promises, the "taking advantage" of FDI... (Robinson, I.J. VNA, III/1998).

Beside the above ideas, there is another kind of view concerning the speed or progress of the reform or "Doi Moi". Several foreign businessmen and experts pointed out that the reform progress in Vietnam during the recent time has been too slow and needed to be carried out with a faster speed. For

instance, Erik Offerdal, IMF representative in Hanoi who, as it was written in the *Wall Street Journal*, has established himself as the "tough cop" of Vietnam's donor community and is one of the people with that "faster idea", said, "The government [of Vietnam] is not yet persuaded that reform at the pace we are recommending is the right thing for Vietnam," and "Vietnam has enormous potential, but the current economic policies run a considerable risk of wasting that future potential" (WSJ, July 2, 1999).

The slowdown in economic growth rates during the last few years in conjunction with the negative impacts of the Asian financial crisis and other problems as mentioned above are really the new challenges for Vietnam. The experiences of the fifteen years of reform in Vietnam since the mid-1980s have shown that the internal policies are the most important factors in determining the successes or failures, the rapid or slow economic growth rates, as well as the attractiveness and efficiency of the mobilization and utilization of external resources. In the future, as it was pointed out in a World Bank Report, "the country's overall growth will depend more on its own policies than on the volume of external financing" (quoted from Le Luu, p. 23). This practical situation requires Vietnam to implement more timely and effective policies aiming at higher competitiveness and profits. Without doing so, Vietnam would not be able to take the best advantage of the new opportunities and favorable conditions and would not be able to improve the present slowdown situation, even when it reached the full economic normalization and signed the bilateral trade agreement with the United States, thus were granted the Most Favored Nation (MFN) or the Normal Trade Regulation (NTR) status by the United States.

In the area of foreign affairs, thanks to its policy of multilateralization and diversification of diplomatic relations and to make friend with all nations on the basis of independence, self-reliance, equality and mutual-benefits, Vietnam has so far established diplomatic relations with more than 160 countries over the world and participated in regional and international organizations such as the UN, ASEAN, APEC, WB, IMF, ADB, and now is being in the process of negotiation to join the WTO. The expansion of diplomatic relations in general, and external economic relations in particular, has helped Vietnam during the past ten years, to raise its total foreign trade by 20 times, from \$1 billion in 1988 to \$20 billions in 1998; and its FDI from \$0.4 billion in 1988 to \$35 billions in 1999; and its ODA from \$1.9 billion in 1994 to \$15 billions in 1999.

Along with the expansion of diplomatic and economic relations with other countries, Vietnam has made great efforts to overcome the challenges and obstacles and narrow the gaps in its relationship with the United States. Since the embargo was lifted in 1994, US direct investment in Vietnam has been raised from zero to US\$1.3 billion, bringing the United States from nowhere in the list of foreign investors to be one of the top ten largest foreign investors in Vietnam, sometimes even ranked the 6th; the trade relations between the two countries have also surged from zero to more than US\$1 billion. US ODA for Vietnam started in 1991 with US\$1 million in the first year, which has been raised to US\$ 3 millions each year since then. These are relatively modest figures in comparison with the potentials of the two countries, they however reflect an upward trend or, in the words of the US Ambassador to Vietnam Mr. Pete Peterson, a

"brighter prospect" in the investment as well as other economic relations between Vietnam and the United States.

Yet, in spite of Vietnam's great efforts and thus the inspiring results attained during the years of the implementation of the "renovation," these achievements are just the improvements of the backward and poverty situation existed during and after the war. Vietnam has basically and essentially not yet escaped from the status of one of the poorest countries in the world which lags far behind many other countries. To overcome such lagging and to catch up with developed countries, Vietnam has mapped out the strategy for industrialization and modernization which aims to develop the country to be an industrialized one by the year 2020. This is the right strategic direction which would not be reversed at least in a few decades to come.

One of the tasks of the experts who study the relationship between Vietnam and the United States is to find out something which would positively contribute to the progress of the relationship between two countries as well as the development of each nation, and in this case that would mean the finding of the areas and the solution contributing to the advancement of the modernization and industrialization in Vietnam. In our personal view, we realize here *two strategic thrusts that the United States could and should develop to contribute to the process of modernization and industrialization in Vietnam, that is, electrification and computerization*. Figuratively speaking, the 21st century would be a successful century in Vietnam-US relationship if the United States is ready to help Vietnam by disseminating the electric lamps and computers throughout the whole of Vietnam as the way they did with the

oil lamps during the 20th century. By that time, presumably by the middle or the end of the 21st century, the Vietnamese people would say "*American electric lamps*" and "*American computers*," instead of "*American oil lamps*."

The United States is with its present powerful industrial and economic potentials is fully able to help Vietnam to make the electric lamps and computers as they have helped many other countries. But the Americans are well known for their pragmatic thinking and action: "there is no free lunch," they often say so. Henry Kissinger once wrote: "For two decades after the end of the Second World War, America had taken the lead in building a new international order out of the fragments of a shattered world. It had rehabilitated Europe and restored Japan... and [South] Korea, entered into its first peace-time alliances, and launched a program of technical assistance to the developing world. The countries under the American umbrella were enjoying peace, prosperity, and stability" (Kissinger, p. 620). This conclusion made by the former US Secretary of State on the US policy to support other countries during the last 20 years has clearly unveiled the main preconditions of the United States when it supports this or that country. The highest support will be provided to a country and make that country a prosperous one when that country becomes an American "alliance" or stays "under the American umbrella". Failure to meet such highest conditions of the United States, the levels of US assistance to a country will be provided depending on the extents that the recipient satisfies the US requirements and/or interests.

In the case of Vietnam, we have witnessed the conditions imposed by the United States through the implementation of

the so-called "Four-Phase Road Map" as the lever for the lifting of the US trade embargo against Vietnam. The US President Bill Clinton stated, "any improvement in the relationship between America and Vietnam has depended upon making progress on the issue of Americans who were missing in action or held as prisoners of war" and other related matters (Clinton, p. 551). The conditions imposed on Vietnam by the United States have been raised in many documents issued by the US State Department and the US Government as well as in various statements of US officials and politicians. These conditions however appeared most concentratedly in the "Road Map" and in President Clinton's announcement on the normalization of relationship with Vietnam. Following are the main points of those conditions:

- Searching for the US servicemen listed as missing in action and prisoners of war in Vietnam (MIAs & POWs);
- Human rights, including religious freedom, labor rights, minority people's rights, and free immigration rights;
- Implementation of economic reform along with democratic reform, or "advance the cause of freedom in Vietnam, just as it did in Eastern Europe and the former Soviet Union."
- "Working for a free and peaceful Vietnam in a stable and peaceful Asia" (President Bill Clinton's announcement on the normalization of the relationship with Vietnam, p. 551.)

To that end, the United States has used the very American-style traditional measures, that is, "the stick and the carrot".

With the stick, the United States had imposed its trade embargo and economic sanctions against Vietnam for a period of about 20 years with an aim to isolate Vietnam and force Vietnam to realize the US conditions. But as it was recognized by Senator John F. Kerry, with "the indefinite continuation of economic sanctions that have now been in place 18 years... Vietnam... has never done" what the United States demanded for. So, he thought and wrote in the article titled "*Trade Can Be Carrot For Vietnam Reform*", "I believe that the most effective policy toward Vietnam is a policy that uses the carrots creatively, that engages the Vietnamese across a broad range of issues while simultaneously exploiting the leverage embodied in the convergence of interests between the United States and Vietnam... Only engagement has produced progress" (Kerry, 1993, p. 13-14).

Senator John F. Kerry is one of the most active supporters for the normalization of the relationship between Vietnam and the United States who has very deep understanding about Vietnam, but there is one thing he seems put not right when he wanted to use "the carrots" as a bait to tempt Vietnam. This was already done once by President Johnson during the 1960s, according to the former US Secretary of State Henry Kissinger, but failed to succeed. If this tool is to be used again, it would surely fail again, and would be as unsuccessful as was the use of "the stick". However, one may find in the words of Senator Kerry some of the points that need to be paid high attention such as the policy "that engages the Vietnamese across a broad range of issues while simultaneously exploiting the leverage embodied in the convergence of interests between the United States and Vietnam... and only engagement has produced progress". Reality proves that

this very "convergence of interests" and the cooperation and engagement policy has up to now helped Vietnam and the United States to exchange views and develop their mutual understanding, step-by-step resolving the differences and removing the impediments and obstacles on the path of their normalization and development toward a cooperative, equal and mutual-benefit relationship.

The approach that has been taken in recent years with positive results by Vietnam and the United States in building their relationship is the gradual, piecemeal, step-by-step approach, before moving toward a comprehensive program, basing on the principle of equality and mutual respect. As mentioned earlier, the conditions imposed on Vietnam by the United States are very many and cover a broad scope, from humanitarian to socio-economic issues and diplomatic and political affairs. Some of these issues have been well understood by both countries and, thus, relatively well resolved. The MIAs and POWs issues, for instance, have been well done that to the time when the US President announced the normalization of diplomatic relations with Vietnam, as of July 11th 1995, the number of discrepancy cases were reduced to 55 (President Clinton, p. 551). Regarding the issue of Vietnamese immigrants to the United States and other countries, more than 480,000 Vietnamese have been favorably supported by the Vietnamese Government to leave Vietnam legally and orderly for the United States from 1979 to 1998 (ND, 12 July 1988). Also, Vietnam paid off the US\$ 145 million debt to the United States.

According to Ambassador Pete Peterson, some issues were "miraculously" settled, while some others were "very

well" solved, that made him so proud of as the first US Ambassador to Vietnam. He said, "It is one of pride in coming with the honor of being the first US Ambassador to return to Vietnam, but the other is pride in the works being done here. We have done some *miraculous work* in my view with the MIA/POW's. We have done some *very good work* in moving forward on the economic front, environment, education, medicine and a whole host of other issues that are associated with our relationship" (Peterson, 1998, p. 34. *Italic*).

However, there remain, apart from what have been done, problems such as "freedom", "democracy" and "human rights" which keep the two countries far from each other due to their misunderstanding or the gap and the differences in their thinking and perception that require much time and efforts to discuss and exchange of views in order to develop better mutual understanding prior to the agreement on the solution to these problems.

Concerning the issues of *freedom and democracy*, for instance, there are still a lot of differences between Vietnam and the United States. It is easy to understand this because while the Americans talk about democracy and freedom in a general and overwhelming meaning following the view of a country that pursues a global strategy or "*to practice freedom in the American sense*", as it was stated by Henry Kissinger (Kissinger, p. 638). *Vietnam always talks about freedom and democracy in their direct link with national independence and national sovereignty*, as President Ho chi Minh said, "Nothing is more precious than independence and freedom". For the Vietnamese people, there is no independence without freedom and, vice versa, there is no freedom without independence.

Moreover, independence and freedom are always defined in the context of specific circumstances in association with the culture and tradition of a nation, not by the way imposed by outsiders. With regard to this, the former US Secretary of State Henry Kissinger had drawn a realistic lesson from the United State's failure in imposing its policy of "the democratization of a society with no tradition of pluralism" in South Vietnam (Kissinger, p. 658). Hence, during the whole period of 20 years of building successive governments in South Vietnam from Ngo Dinh Diem in 1950s to Nguyen Van Thieu and other pro-US administrations in 1960s and beginning of the 1970s, the United States had never made one with a democratic society in the US way as it expected. The reason is that such kind of democracy was not suitable or, in President Truman's words, not "fit" to the society of South Vietnam during that time. President Truman had, in his inaugural address of January 20, 1949, grandly committed to the world on behalf of the United States that "all nations and all peoples are free to govern themselves as they see *fit*" (Recited from Kissinger, p. 622. *Italics*). So, let's take the predecessor's right teaching. If it was not possible to make the feet fit the shoes, let's try to make the shoes fit the feet. Let's help the Vietnamese to do what they see fit: fit themselves and fit the Vietnam-US relationship, fit the present world of interdependence and cooperation for development. Or, as it was suggested by Professor Frederick Z. Brown, "if we [the Americans] have confidence in the universality of our core values, we should let the Vietnamese people conduct their political evolution themselves, and we should abstain from the rhetorical "feel-good" flourishes that recall previous failed attempts to dictate the politics of Vietnam" (Brown, 1993, p. 11).

As the *human rights* issue is concerned, it is not only the Vietnamese and Americans that have differences, but also there exist among the Americans themselves different perceptions about the human rights in Vietnam. Some Americans imagine that in Vietnam the human rights have been seriously violated, so it was impossible to remove the US trade embargo against Vietnam and normalize the relationship with Vietnam. Instead the United States needed to use the human rights issue as an instrument to force Vietnam to change its policies in compliance with US requirements. On the contrary, more and more American people like Senator Kerry thought that the human rights conditions in Vietnam have not been so serious as they were in many other countries, meanwhile "we [the Americans] have a broad array of diplomatic and economic relationships with many other countries that have less freedom and worse human rights records than Vietnam" (Kerry, p. 15), and for that reason, they suggested that it is necessary to remove the embargo against and normalize the relationship with Vietnam.

Vietnam and the United States have up to now met a number of times to discuss and exchange views and have passed three rounds of negotiation on the human rights issue. The first exchange of views on political and foreign policy between Vietnam's Ministry of Foreign Affairs and the US Department of State, was also held on July 29, 1999, in Hanoi. It is hoped that the differences and conflicts, the human rights issue and other problems in the relationship between the two countries will be reduced and satisfactorily resolved through the process of increasing mutual understanding and mutual respect.

Though there are still differences and gaps in *the relationship between Vietnam and the United States*, the process of lessening and removing the trade embargo, of normalizing the diplomatic relations has helped the two countries not only to strengthen their mutual understanding and reduce many discrepancies and differences, but also to lead to a "convergence" of interests, including those in the economic, political and national security areas, based on which the two nations have settled more and more issues from specific problems such as the POWs/MIAs to comprehensive matters as the Bilateral Trade Agreement.

The overcoming of the obstacles in nine rounds of trade talks which took place in three years since 1996 to July 1999 when the Bilateral Trade Agreement was accepted in principle is, as it was remarked by President Bill Clinton, *a big step forward* in the relationship between the two nations (VNA, 28 July 1999). And on 13 July 2000, the ceremony on signing the Trade Agreement between the Socialist Republic of Vietnam and the United States of America was held solemnly in Washington. This is a comprehensive agreement which covers a large number of issues such as the trade of goods and services, the protection of intellectual properties and the investment relations between two nations. The Agreement contributes to the formulation of the legal basis for the bright prospect of co-operation, particularly the economic relation between the two nations. When this Agreement is to be finalized and officially approved and enforced by the governments of the two countries (probably from the end of the year 2000 on), Vietnam may be granted MFN or NTR by the United States, hence the average tariffs levied on Vietnamese goods exported to the US market will

be reduced from 35% to 4,9%. That reduction of tariffs will possibly and significantly contribute to the developments of many Vietnamese industries, particularly the ones that produce the products to be exported to the US market. As for the US companies, this Agreement will create favorable conditions for their business and investment at Vietnam. This Agreement is also a factor in favor of the opening of the way for Vietnam to join WTO, because the principles applied to this Agreement are mainly based on those applied for WTO's membership and operation.

The Vietnam - U.S Trade Agreement was signed on the basis of mutual respectation of independence, sovereignty, equality, and not to intervene into each other's internal affairs. This Agreement also reflects the two sides' benefit in line with the regulations of WTO.

Both nations have also understood better about the interests of each other and felt more necessary to each other in the areas of security and politics. "Vietnam's relationship with the United States has evolved from the days when each perceived the other as a regional threat to today when each perceives the other as necessary for regional peace and stability" (Sidel, p. 54).

For the United States, in the past, "four presidents had defined Vietnam as being vital to American security" (Kissinger, p. 697). And recently President Clinton also stated that "by helping to bring Vietnam to the community of nations, normalization also serves our interest in working for a free and peaceful Vietnam in a stable and peaceful Asia" (President Clinton, p. 551).

Since the regaining of its independence in 1945, Vietnam has always considered its relationship with the United States as an important one. We still remember the efforts by President Ho Chi Minh and the Government of the Democratic Republic of Vietnam in sending dozens of letters, telex and liaison men with an aim to establish a cooperative relationship with the American Government during that period, though these efforts failed to succeed due to no reply from the US side. Vietnam has also extended its relationship with US non-government organizations, mass associations and the American people. In his visit to the United States in 1993, the First Deputy Prime Minister Phan Van Khai, now the Prime Minister, stressed that "Vietnam attaches *great importance* to building a better relationship with the United States within its foreign policy aimed at greater multilateralism and diversification" (Phan Van Khai, VBJ, Nov.-Dec. 1993, p. 12. *Italics*).

A scientist, Mr. Nguyen Viet Thao, even emphasized that "the relationship between Vietnam and the United States occupies a special importance in the system of Vietnam's international relations, the United States is the number-one strategic partner which has the ability and potential to affect more than any other partner on the quality of Vietnam's international environment" (Nguyen Viet Thao, Ky yeu, p. 61).

Developing a multifaceted, friendly and cooperative relationship with the United States is a priority direction in the current foreign policy of Vietnam, it is "the continuity of the late President Ho Chi Minh's thought" on the development of a peaceful and friendly relationship with the people

and the Government of the United States (Cat and Lan, Ky yeu, p. 100).

When the US's War against Vietnam was about to come to its very final stage, the US's Government signaled from one side of the globe to show that they "wanted to leave Vietnam with honor" (Kissinger, p. 688). President Ho Chi Minh from the other side informed the United States that "We [the Vietnamese-Đ] are willing to spread red carpets and flowers for the Americans to withdraw from Vietnam" and he proposed that when the War ended, "We [the Vietnamese] will not hesitate to cooperate with the American people, because their technologies are high while those of Vietnam are low, they can help us. Vice versa, we have things that can be helpful to the Americans" (Vu - Loi, pp. 84 and 86). He also said, Vietnam "*is prepared to welcome the Americans not as the present comers as fighters with weapon, but as new and future comers to help rebuild our country*" (ND, 19 May 1992. *Italics*).

Now is the very time that the Americans are coming to Vietnam as the comers "to help rebuild our country". To realize the teachings of President Ho Chi Minh, it is now the time for us to "spread red carpets and flowers" to welcome them, particularly when they bring electric lamps and computers to replace the oil lamps which they brought and disseminated all over Vietnam in the 20th century.

To do this, to absorb the advanced technologies, to build Vietnam to be a strong and wealthy country with an equal and civilized society, and to enable the United States to bring their electricity and information technology to help Vietnam, Vietnam should accelerate its reform in economic, social and

political areas in the orientation of modernization, marketization, and international integration, and also build Vietnam to be a dynamic market with high competitiveness and high profits for American and non-American as well as Vietnamese and foreign businessmen.

As far as the United States is concerned, if they do not really have a goodwill in a constructive cooperation, respecting the national sovereignty and independence of Vietnam and building an equal and mutual-benefit relationship with Vietnam, both parties will never gain *a win-win cooperation*, nor would they be able to make the dreams of their predecessors in building a good relationship between Vietnam and the United States come true.

Appendix

US BUSINESS WHO'S WHO

A RESOURCE GUIDE TO US MAJOR INVESTORS IN VIETNAM

Following is the list of some of the most active US companies in Vietnam. These are influential American investors, often with the Ambassador's ear and the ability to help shape US trade policy toward Vietnam. They have the backing of tremendous financial resources, and are prepared to take a leading role in major industrial and service sectors. Ultimately, as the regional financial crisis forces Asian companies scale back investment plans, these and other American investors are poised to play a crucial role in Vietnam's economic development.

Company	Year Estab'd	Business	\$ Invested	Country Manager	Hanoi address telephone, fax	HCMC address telephone, fax
Abbott Laboratories	1994	Marketing of pharmaceutical and hospital products	n/a	Frederique Burman	11A Tran Quoc Toan 942 1646 824 9646	48 Truong Son Tan Binh 848 5211, 848 5212
Aetna International, Inc.	n/a	Life insurance	n/a	Kim Chi Trinh	15 To Hien Thanh 976 0772, 976 0777	
AIG	1993	Insurance, investments, persons, aircraft leasing	\$580m proposed	Brian Murphy	14 Thuy Khue 823 6614, 823 6612	26 Ton That Dam Dist. 1 821 1413, 821 1414
American Express Bank	1995	Banking	n/a	David T. Kaveny	43e Ngo Quyen 824 3214, 824 3962	
Amf/inchbrook Insurance Brokers	1993	Insurance consultants and broking services	\$250,000	Andrew Clarke	27 Ly Thai To 826 0832, 824 3983	41 Nguyen Thi Minh Khai Dist. 1 822 4884, 822 2700
Arthur Andersen Vietnam	1995	Auditing, accounting, taxation and general business consulting	\$1m	Ruy Moreno	17 Bis Pham Dinh Ho 821 9780, 821 9779	12 Nam Ky Khoi Nghia 821 0033
ATA	n/a	Trading	n/a	Waller Blocker/ Eldred	Marshall	32A Truong Dinh 829 6966, 825 6459
Baker & McKenzie	1993	Law firm	n/a	Fred Burke	41 Ly Thai To 825 1428, 825 1432	12 Le Duan 829 5585, 829 5618
Bank of America	1994	Commercial banking	\$15m	Mohan Coomaraswami	27 Ly Thuong Kiet 824 9316, 824 9322	1 Phung Khai Khoan 829 9928, 829 9942
Bechtel Overseas Corporation	1995	Engineering/construction	n/a	n/a	17 Ngo Quyen 825 9489, 825 9496	
Bristol-Myers Squibb	n/a	Pharmaceutical consumer goods nutritional	n/a	Michel Manon	Hoang Van Thu 829 3371	
Callex Vietnam	1994	Production and distribution of petroleum products	n/a	Jim Ollen	17 Ngo Quyen 822 8514, 824 9322	3 Cong Xa Paris 824 4110

Company	Year Estab'd	Business	\$ Invested	Country Manager	Hanoi address telephone, fax	HCMC address telephone, fax
Cargill Vietnam	1995	Processing and exporting of agricultural products	\$30m	Juels Carlson		34 Tran Quoc Thao 930 0219, 930 0213
Carnar	1994	Air conditioning	\$10m	Harry Nguyen Ham		36 Vo Van Tan 829 6593, 829 2859
Chase Manhattan Bank	1995	Banking	n/a	Wesley Grove	31 Hai Ba Trung 822 9534, 822 9603	
Chevron	1995	Oil & gas projects	n/a	Steven Patti	99 Bui Thi Xuan 943 0672, 943 0671	
CIGNA International	1996	Insurance and financial services	n/a	Thomas O'Dore	31 Hai Ba Trung 825 3307, 825 3699	
Citibank	1994	Commercial banking	\$20m	Bradley Lalonde	17 Ngo Quyen 825 1950, 824 3960	115 Nguyen Hue 824 2118, 824 2267
Coca-Cola SE Asia	1994	Production, distribution and sale of soft drinks	\$100m	James Adams	25 Tran Binh Trong 822 3624, 822 3623	58 Ton Duc Thang 822 6494, 822 6490
Colgate Palmolive	n/a	Consumer goods	n/a	Malcolm Woolford		61 Huang Lo 5, An Lac town 875 1785, 875 1496
Coopers & Lybrand	1993	Auditing and consulting	\$1m	Mike Gray	17 Ngo Quyen 825 1215, 825 1737	142 Nguyen Thi Minh Khai 829 2389, 829 2392
Coudert Brothers	1994	Law firm	n/a	Michael Polking- home/ Lee Baker	50 Bui Thi Xuan 822 9961, 822 9395	235 Dong Khoi 829 9088, 829 6464
Craft Corporation	1994	Direct reduced iron project	\$4m	Greig Craft	25 Bis Pham Dinh Phung 927 1184, 927 1185	
Crown Worldwide	1995	Moving and freight forwarding	n/a	Lance Peterson	54 Le Van Huu 825 8545, 822 9905	34 Nguyen Dinh Chieu 823 4127, 823 4128
Danao Int.	1993	Resort, hotels, golf serviced apartments	\$80m	James Dennis		670 Vo Truong Toan An Phu Thu Duc 899 6527, 899 2925

Company	Year Estab'd	Business	\$ Invested	Country Manager	Hanoi address telephone, fax	HCMC address telephone, fax
Della Equipment Construction Company	1993	Real estate construction, pre-engineered buildings, materials testing	\$5m	Alfonso L. DeMatteis	14 Thuy Khue 823 6600, 823 7912	
Digital	1993	Computers	n/a	Darke M. Sani	14 Thuy Khue 823 0322, 823 5956	41 Nguyen Thi Minh Khai 829 8920, 829 8909
Enron Developm. Vietnam LLC	1996	Energy and water infrastructure projects	n/a	John L. Moore	360 Kim Ma 831 5586, 831 5568	
Ernst & Young	1992	Accounting, auditors taxation, international business services	\$1m	Peter Tibbitts	Daeha Bldg. 360 Kim Ma, 831 5100, 831 5090	2A-4A Ton Duc Thang 824 5252, 824 5250
Esso	1994	Manufacture and distribution of lubricants, LPG and bitumen	\$50m	R. C. Ganesh	17 Ngo Quyen 824 2310, 824 1305	Riverside Office Center 2A-4A Ton Duc Thang St 823 6022, 822 8925
Federal Express	1994	Air express transportation service	n/a	Binh Nguyen	6 Vinh Le 829 4054, 825 2479	141 Nguyen Hue 823 4326, 823 4400
Ford Vietnam, Ltd.	1995	Automobile manufacturing	\$54m	Murray J. Gilbert	Cam Binh, Hai Duong (032)850 099, (032)850 080	
Gamon	1994	Trading/Distribution	n/a	Joel Woodcock		61 A Nguyen Van Dau 842 2721, 842 2723
GE	1994	Diversified manufacturing, aircraft leasing	n/a	Andre Sauvageot	31 Hai Ba Trung 825 1017, 825 0551	
Hewlett Packard	1995	Computer hardware	4.5m 1.5m	Bob Hughes	30 Nguyen Du 943 0701, 943 0703	28 Le Duan, Dist 1 823 4151, 823 4158
IBM	1994	Information technology products and services	\$1.5m	Sam Williamson	14 Thuy Khue 842 8316, 843 6670	17 Vo Van Tan, Dist 13 829 8342, 829 8449

1. Investment capital

2. Paid-up capital

Company	Year Estab'd	Business	\$ Invested	Country Manager	Hanoi address telephone, fax	HCMC address telephone, fax
John Hancock Mutual Life Insurc.	1996	Life insurance	n/a	Lance Tay Choong Pang	#203, No. 4 Da Tuong 822 2484, 822 2481	
J. Walter Thompson	1995	Advertising	n/a	Mark Webster		2E Nguyen Thanh, Dist 11 822 9580, 822 9578
Johnson & Johnson	1994	Monitor sales and distribution of consumer products	n/a	Richard McGurk	C4 Thai Ha, Thuan Hung 857 1224, 857 1222	35 Nguyen Hue 821 4812, 821 4814
Leo Burnett	1993	Advertising	\$150,000	Matthew Crawford		27 Nguyen Trung Truc 825 6342, 825 6346
Lucent Technologies	n/a	Telecommunications	\$3.5m	Russell Omburn		101 Nam Ki Khoi Nghia 822 1108, 829 0180
Manoia & Company Asia	1992	Real estate development	\$50m	Peter Ryder	6 Yen Thanh 823 8470, 823 8561	
Marnoll	1996	Hotels	n/a	Chris Tsoi		2a, 4a Ton Duc Thang, Dist. 1 823 2113, 823 2333
McCann Erickson	1994	Advertising	n/a	Peter Sandor *		429 Vo Van Tan 832 1848, 832 1849
Merck	1996	Pharmaceuticals	\$250,000	Nicholas Nguyen		65 Nguyen Du 822 1319, 823 4091
Microsoft	1996	Computer software	n/a	Cuong Phuc Ngo	2 Ngo Quyen 825 1955, 826 1222	
Mobil Oil Vietnam	1994	Oil and Gas	n/a	Le Ngoc Quang	68 Nguyen Du 822 6139, 822 7592	35 Nguyen Thong 820 1105, 820 1100
Mobitda	1994	Telecommunications	n/a	Wayne Bannon	14 Ngo Van So 822 8989, 822 8990	27 Nguyen Trung Truc, Dist. 1 829 4091, 829 4090

Company	Year Estab'd	Business	\$ Invested	Country Manager	Hanoi address telephone, fax	HCMC address telephone, fax
Nike	1995	Footwear, apparel	n/a	George Southrey		58 Ton Duc Thang 829 8172, 822 2600
Oracle	1995	Information technology	\$1m plus	Natasak Rodjanapichet	16 Le Dai Hanh 976 1970, 976 1350	2 Chu Manh Trinh, Dist. 1 822 9890, 829 8005
Otis Ujana Elevator Co Ltd	1994	Elevators	\$4m plus	Vu Trong Hiep	124 Minh Khai 863 3531, 853 3530	
Pacific Architects & Engineers	1995	Design and construction related services	\$300,000	Landis W Hicks		7 Ton Duc Thang 822 2977, 822 3152
Pepsi/IBC	1994	Manufacture, sale and distribution of soft drinks	\$37.2m	Pham Ngoc Trai		12 Ki Dong St 843 8706, 843 8732
Price Waterhouse	1994	Tax & accounting	n/a	Andy Simmonds	38a Trieu Viet Vuong 822 8885, 822 8892	28 Le Duan, Dist. 1 823 0796, 825 1947
Procter & Gamble	1996	Consumer goods	\$20m	Alan Hed		215a No. Trang Long, Binh Thanh, 843 2805, 843 2800
Raytheon International Inc.	1996	Engineering & Construction	\$1m	Roger Luong	56 Ly Thai To 826 9790, 825 9796	
Russin & Vecchi	1993	Law firm	\$500,000	Sesto E. Vecchi	25 Ly Thuong Kiet 825 1699, 825 1742	8 Nguyen Hue 824 3026, 824 3113
Templeton Management	1995	Manager of \$45 million Vietnam and Southeast Asia Fund.	\$14.5m	Chris Freund		Sun Wan Tower, 115 Nguyen Hue St 821 9104, 821 9106

Source: The Vietnam Business Journal, August 1998

REFERENCES

- AID (Agency for International Development), Terminal Report: United States Economic Assistance to South Vietnam, 1954-1975, Washington D.C, 1996.
- ANH, Le: ODA - A forte in 1999, VER, May 1999.
- BALICK, Kenneth D.: U.S Firms Waste No Time Jumping Into Vietnam, VBJ, March-April 1994.
- BICH, Hoang: Export Stagnates under the Impact of Crisis, VER, March 1999.
- BROWN, David G.: Southeast Asia: One Year after the Outbreak of the Financial Crisis, and Policy Implication for the United States, The Woodrow Wilson Center, Asia Program, Special Report, November 1998.
- BROWN, Frederick Z.: U.S-Vietnam Normalization - Past, Present, Future, Chapter 9 in the book co-edited by MORLEY, James W. and NISHIHARA, Massashi: Vietnam Joins the World, Armonk, N.Y.: M.E. Sharpe, 1997.
- BROWN, Frederick Z.: Why the US Should Normalize with Vietnam, VBJ, November-December 1993.
- CAM, Nguyen Manh: Vietnam is increasingly respected and become attracting new cooperation wishes. The People, 10/10/1998.
- CARLSON, Juels: Staying Competitive - Vietnam Will Set the Tone for Future Investment, VBJ, August 1998.
- CARLSON, Juels: Vietnam from a Business Perspective, Paper presented at the US-Vietnam Bilateral Workshop, Washington D.C, May 12-14, 1999.
- CHINH, Hoang Thi: Vietnam's International Economic Cooperation: An Overview, VER, February 1999.
- CHRISTIE, Brian: USAID in Vietnam, VBJ, June 1995.
- CLINTON, Bill (U.S President): Normalizes Diplomatic Relations With Vietnam, White House Fact Sheets, U.S Department of State Dispatch, July 10, 1995, Vol. 6, No. 28.

- COUGHLIN, Christopher: Vietnam-U.S Relationship – Big Changes Brewing on Capitol Hill, VBJ, June 1995.
- DACY, Douglas C.: Foreign Aid, War, and Economic Development – South Vietnam, 1955-1975, University of Texas at Austin, Cambridge University Press, London, 1986.
- DESIDERIO, Frank: Trading Without MFN, VBJ, January-February 1995.
- Diệp, Đỗ Lộc: New Advance in VN-US Relations, America Today, February 1998.
- DUC, Vo Van: Impact of foreign direct investment on Vietnam's export, VER, May 1999.
- ĐCS VN (Vietnam Communist Party): Development Program of the Country in the Transition to Socialism, Truth Publishing House, Hanoi, 1991.
- FEER (Far Eastern Economic Review), August 28, and December, 1997.
- FORDE, Adam: The US Role in Vietnam – A View from "Down-Under", VBJ, September-October 1994.
- FIFIELD, Russell H.: Southeast Asia in the United States Policy, Council on Foreign Relations, Frederick A. Praeger Publisher, New York & London, 1963.
- FREEMAN, Nick J.: United States's Economic Sanctions Against Vietnam – International Business and Development Repercussions, Columbia Journal of World Business, Summer 1993.
- FUKASE, Emiko and MARTIN, Will: The Effect of the United States Granting MFN Status to Vietnam, World Bank Development Research Group, Washington D.C, USA, November 17, 1998.
- HAASS, Richard N., (Ed.): Economic Sanctions and American Diplomacy, Council of Foreign Relations, 1998. See Final Chapter: Conclusion: Lessons and Recommendations.
- HERRING, George C.: America's Longest War – The United States and Vietnam, 1950-1975, Third Edition, University of Kentucky, McGraw-Hill Inc., New York, 1996.

- HOA, Hoang Lan: Trade and Investment Relations Between Vietnam and the United States: The Past and the Prospect, Asia-Pacific Economic Review, No. 4 (25), Dec. 1999.
- HUNG, Nguyen Manh: Vietnam-U.S Relations, Paper published in the book "Asia-Pacific Changing Environment and Its Impact on Vietnam-US Relations" by The Institute for International Relations, Statistical Publishing House, Hanoi, November 1998.
- HUONG, Thuy: Foreign Direct Investment in Vietnam During the Last 11 Years, VER, March 1999.
- Indochina Interchange, Spring 1999.
- KARR, Timothy: American Goods Slipped Through Embargo Net, VBJ, March-April 1994.
- KERRY, John (US Senator): Opportunity Knocks – Moving US-Vietnam Relations Forward, VBJ, April 1998.
- KERRY, John F. (US Senator): Trade Can Be Carrot for Vietnam Reform, VBJ, September-October 1993.
- KHài, Phan Van (S.R. Vietnam's First Deputy Prime Minister): Vietnam Welcomes American Investment, VBJ, November-December 1993.
- KISSINGER, Henry: Diplomacy, Simon & Schuster, New York, 1994.
- Kỹ yếu (Ministerial level study), TOAN, An Manh (Study Manager): Cooperation and Struggling in Vietnam and U.S Relations, International Relations Institute, Ho Chi Minh National Politics Institute, Hanoi, 1998.
- LUU, Le: The Making of Asian Tigers – Why Should Foreign Investors Choose Vietnam? VBJ, November-December 1994.
- LEVINE, Joshua Jake: Finding an Exit Strategy: Finding a Way to Realize a Return on Investments Requires Some Ingenuity and a Long-Term Vision, VBJ, June 1998.
- LEVINE, Joshua Jake: U.S-Vietnam Relations – Have They Moved Forward ? VBJ, November-December 1994.

- LOI, Luu Van, and VU, Nguyen Anh: Secret Contacts Between Vietnam and U.S Before Paris Convention, International Relations Institute, February 1990.
- LORD, Winston, Assistant Secretary for East Asian and Pacific Affairs: A New Phase in U.S.-Vietnam Relations, Statement before the House International Relations Committee, July 12, 1995, U.S Department of State Dispatch, July 10, 1995, vol. 6, No. 28, pp. 555-556.
- MASON, Mark: Foreign Investment in Vietnam: Government Policies and Corporate Strategies, EXIM Review, The Export-Import Bank of Japan, Vol. 17, No. 2, 1998.
- McAULIFF, John: Business and NGOs Share Many of the Same Goals, VBJ, March-April 1994.
- MCCAIN, John (US Senator): "Improved Relations Serve U.S. Interests - Period", VBJ, March-April 1994.
- MORLEY, James W. and NISHIHARA, Massashi (eds.): Vietnam Joins the World, Armonk, N.Y.: M.E. Sharpe, 1997. See Chapter 9 by Frederick Z. Brown: U.S-Vietnam Normalization - Past, Present, Future.
- ND (Báo Nhân Dân), the years of 1998 (31/10, 10/10, 9/10, 7/10, 12/7, 13/7, 21/6, 13/5), 1992 (19/5).
- ND-dt-E (Nhân Dân-diện tử-tiếng Anh): 1999 (9/4, 12/6, 22/6, 30/6).
- O'DORE, Thomas: Business Partners-Working Together for a Shared Celebration, VBJ, August 1998.
- PETERSON, Pete: Ambassador Pete Peterson Talks to the VET about the State of Relations between the US and Vietnam, VET/Supplement, July 1997.
- PETERSON, Pete: Diplomatic Maneuvers, VBJ August 1998.
- PHONG, Dang: Twenty One Years of U.S Aids in Vietnam, Price and Market Research Institute, Hanoi, 1991.
- PHONG, Nguyen Minh: What to Do Improve Funding for Economic Growth in Vietnam, VER, May 1999.
- POST, Penny: Has the Embargo Changed the Business Climate Yet? VBJ, May-June 1994.

- PREEG, Ernest H.: Feeling Good or Doing Good with Sanctions - Unilateral Economic Sanctions and the U.S National Interest, The CSIS Press (Center for Strategic and International Studies), Washington, D.C 1999. See Chapter 4 - Vietnam: Phasing Out Sanctions in Asia.
- ROBINSON, Irwin Jay: End the Embargo, VBJ, September-October 1993.
- ROBINSON, Irwin Jay: Foreign Investment in Vietnam, Evaluation and Comment, Vietnam News Agency, TLTK&B: World Affairs, Quarter II, 1998.
- ROBINSON, Steven: US-Vietnam and Intellectual Property, America Today, March 1998.
- SEN, Võ Văn: Evolution of Capitalisme in South Vietnam Economy (1954-1975), Historical Doctoral Thesis, Social Science Institute, Ho Chi Minh City, 1992.
- SHERWELL, Chris: The Opportunities in Vietnam, VBJ, September-October 1993.
- SIDEL, Mark: The United States and Vietnam: The Road Ahead, Asia Society, New York, 1996.
- SPENSER, Dao: Overseas Vietnamese Return as Investors, VBJ, January-February 1995.
- STANLEY FOUNDATION: Emerging from Conflict - Cuba, Iran, Iraq, North Korea, Vietnam. See two papers focusing on Vietnam: 1- The United States and Vietnam: Three Years after Normalization, Report of a Ventage Conference, December 11-13, 1998; and 2- Some Thoughts on the Vietnam-US Experience by Mark Sidel and Sherry Gray.
- STOPAK, Aaron: Diplomatic Maneuvers - US Ambassador Pete Peterson Talks about the Strengthening of Economic Ties with Vietnam, VBJ, August 1998.
- TAP, Đào Văn: Vietnam War and U.S Economy, Social Science Publishing House, Hanoi, 1973.
- TBKTVN-dt-E (Vietnam Economics Times, Electronic Newspaper, English), 27 March 1999.

- THU, Vo Thanh : Impact of the Asian Financial-Monetary Crisis on FDI in Vietnam, VER, January 1999.
- THU, Vo Thanh: Foreign direct investment in Vietnam in 1998 and measures to induce foreign investors, VER, May 1999.
- TOMBES, Jonathan: The Road to MFN – US-Vietnam Trade Relations Lurch Toward Maturity, VBJ, June 1998.
- TTXVN, TLTK&B, Quarter III, 1998; 26 August 1998; 10 February 1999 (Quoted from Lee Kuan Yeu); 28 July 1999.
- TU, Le Xuan: Overview of Vietnam's Trade in 1997, VER, February 1998.
- US HOUSE (US House of Representatives): "Vietnam and the Hidden Subsidy", House Report No. 92-760, July 8, 1971.
- VAN, Mai and CUONG, The Vietnam's Foreign Trade in 1998-1999, VER, April 1999.
- VBJ (Vietnam Business Journal) – Issues of 1998 (December, August, June); 1997 (August); 1995 (December, September-October, July-August, June, January-February); 1994 (December, September-October, May-June, March-April); 1993 (November-December, September-October).
- VECCHI, Sesto E and DUYEN, Vo Ha: Mutual Assurance – Contingency Plans for Joint Venture Dissolution Mean Breaking Up Isn't Necessarily Hard to Do, VBJ, June, 1998.
- VER (Vietnam Economic Review), issues of 1999 (January, February, March, April, May); 1998 (February).
- VET (Vietnam Economic Times), issues of 1997 (July/Supplement).
- WERNER, Jayne, and HUYNH, Luu Doan (eds.): The Vietnam War-Vietnam and American Perspectives, Long Island University, 1993.
- WILLIAMS, Michael C.: Vietnam at the Crossroads, The Royal Institute of International Affairs, Council on Foreign Relations Press, New York, 1992.
- WSJ (Wall Street Journal), July 2, 1999.

Nhà xuất bản Thế Giới
46 Trần Hưng Đạo, Hà Nội, Việt Nam
 Tel: (0084-4) 8253841
 Fax: (0084-4) 8269578

Quan hệ kinh tế Việt Nam - Hoa Kỳ

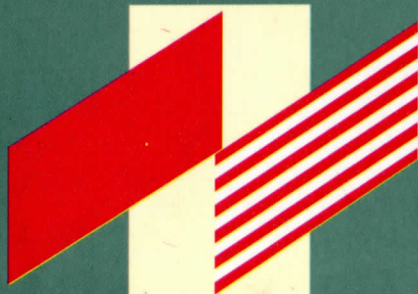
Chịu trách nhiệm xuất bản
Mai Lý Quảng

Biên tập:	Xuân Hồng
Bìa và trình bày:	Ngô Xuân Khôi
Sửa bản in:	Xuân Hồng

In 1.000 bản, khổ 13x19 cm, tại xưởng in Nhà xuất bản Thế Giới. Giấy
chấp nhận đăng ký kế hoạch xuất bản số 3-541/XB-QLXB cấp ngày
29/5/2000. In xong và nộp lưu chiểu tháng 9 năm 2000.

Vietnam - United States

Economic Relations



12529961 VSER