

**Testimony of
Deputy Assistant Secretary Eric G. John
East Asian and Pacific Affairs
Senate Finance Committee
PNTR for Vietnam
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Mr. Chairman, thank you for the opportunity to testify before the Senate Finance Committee on Permanent Normal Trade Relations (PNTR) for Vietnam. The Department of State enthusiastically supports Congressional approval of PNTR for Vietnam.

Vietnam's accession to the World Trade Organization comes in the context of a remarkable transformation that has been underway in Vietnam for some time. I have been working on and following Vietnam for 17 years, and I can tell you that this transformation has brought about dramatic, positive change inside Vietnam, has enabled us to improve our own bilateral relationship to an extraordinary degree, and has turned Vietnam into an increasingly responsible player and a potential partner in the region.

When I first traveled to Vietnam for the State Department in 1989, the country was a Soviet client state just beginning to move away from doctrinaire Marxist policies that had produced economic ruin. The Communist Party and government rigidly controlled people's lives; there was no color, and no dynamism. Reeducation camps still held large numbers of people whose only "crime" was association with the old Saigon government. The human rights situation was appallingly bad. Vietnam was on unfriendly terms with ASEAN, and had no relations at all with us. In most respects, Vietnam was on the outside of the international community and only beginning to try to "look in."

In the late 1980s, Vietnam's leadership recognized the failure of doctrinaire Marxism and abandoned it in favor of a policy of "doi moi" or renovation, designed to promote economic development. The government began significant economic reforms and started to reach out to the international community, including the United States.

Doi moi has been a success. Vietnam today is not the same country it was 20 years ago. It has become a tremendous economic success story, consistently ranked by the World

Bank as one of the world's fastest growing and reforming economies. Indeed, Vietnam's gross domestic product has more than doubled in the past four years from \$23 billion to \$45 billion. It is a strong member of ASEAN, an increasingly positive force in the region, and will soon host the President and other leaders at the APEC Leaders' Meeting.

Bilaterally, we now work with the Vietnamese in a broad number of areas that would have been unimaginable even a decade ago. Our health experts are working intensively with their Vietnamese counterparts to combat avian influenza and HIV/AIDS. We are beginning to engage regularly on regional issues ranging from Burma to North Korea. And Secretary Rumsfeld's very positive visit last month to Hanoi imparted additional momentum to a growing bilateral military relationship that just saw two U.S. Navy ships make a well-received port call to Ho Chi Minh City. While we enjoy excellent cooperation from the Vietnamese government on POW/MIA issues, we continue to press for even more access to sites and records to ensure the fullest possible accounting of US service members lost in the war in Southeast Asia.

Despite continuing human rights concerns, which I will discuss in more detail shortly, there can be no question that the average Vietnamese citizen now enjoys significantly greater freedom than in the recent past to live, work, and worship. The country has opened up tremendously.

To me, nothing highlights Vietnam's change more than the events of a couple of months ago. Vietnam held its Party Congress, a week-long highly-sensitive political event during which the government traditionally puts off foreign - particularly American visitors. Just before the Congress, however, Vietnam warmly welcomed Speaker of the House Hastert. And right smack dab in the middle of the Congress, it welcomed Bill Gates and accorded him celebrity treatment.

I go through all of this to make one basic point: For Vietnam, WTO accession - and PNTR status - is only the latest chapter in a long story of change and opening to the world that continues to be written. Vietnam's transformation and outreach to the world, including the

United States, did not start with the WTO and will not end with the WTO.

I won't suggest that WTO accession and PNTR status will be magic bullets that bring about rapid or dramatic improvements in human rights and religious freedom. They will, however, keep Vietnam committed to the very positive course on which it embarked 15-20 years ago. Helping Vietnam stay on that course is very much in our interest.

There are some very critical economic and commercial reasons that PNTR status for Vietnam and its accession to WTO is both good for Vietnam and for the United States.

Since our Bilateral Trade Agreement (BTA) came into force in 2001, U.S. trade with Vietnam has soared five-fold, hitting \$7.8 billion last year. U.S. companies, including their overseas subsidiaries, were the largest investors in Vietnam in 2005. As a tell-tale sign of Vietnam's economic coming of age, Intel announced in early 2006 its plans to invest over \$300 million in new microchip facilities in the Ho Chi Minh City area.

The economic and regulatory reforms that were launched under the BTA - greatly assisted by an ambitious and innovative U.S. trade capacity building program known as STAR (Support for Trade Acceleration) - have expanded significantly under the WTO accession process. Vietnam is amending its commercial legislation to comply with WTO rules and regulations, improving governance by increasing transparency in state decision-making, and curtailing the privileges of state-owned enterprises. As my colleagues from USTR have detailed, these are profound changes to the structure of the Vietnamese economy that portend enhanced opportunities for U.S. firms and investors for years to come.

Religious Freedoms and Human Rights

While there are indeed many positive things going on in Vietnam and in our burgeoning bilateral relationship - some of which I've touched upon - there are some remaining areas that are of concern to the Administration and, I know, to members of this Committee. These involve continuing deficiencies in Vietnam with respect to human rights and restrictions on the ability of Vietnamese to freely practice their religious beliefs.

Vietnam's record on religious freedoms up until only recently was abysmal. It's designation in 2004 as a "Country of Particular Concern" (CPC), was deserved. However, we have seen significant and sustained progress over the last 18 months and we expect progress to continue in the months ahead.

Shortly after being designated as a CPC, Vietnam revised its legal framework governing the practice of religion so that it now guarantees the right of freedom of belief and religion, grants churches protection from harassment by allowing them to register, and explicitly bans forced renunciations of faith.

Vietnam also proved receptive to U.S. overtures for a formal agreement on religious freedom, which specifies areas for improvement. On May 5, 2005 after extensive negotiations, we concluded an agreement through a formal exchange of letters. It was the first of its kind ever attempted, negotiated, or signed under the International Religious Freedom Act. It was a turning point in our efforts to promote freedom of religion in Vietnam and a guiding light for U.S. efforts in other countries.

Vietnamese religious leaders now tell us that they are allowed more freedom to conduct in religious activities, that there is greater acceptance of various types of religious activities, such as house churches, and that they experience fewer difficulties with Vietnamese authorities.

To be sure, reports of violations continue in Vietnam. In Vietnam's northern tier of provinces, there has been insufficient progress and religious organizations find it difficult to register under the framework on religion. This was underscored recently in Bac Giang province, where a few local officials have insisted that preaching Protestantism "disrupts the solidarity of the community and forces people to believe and to work against the government."

Overall, however, reports of violations have sharply declined in number while evidence of positive developments has multiplied.

In the sensitive Central Highlands region, for example, over 400 religious "meeting places" in Gia Lai province have been registered, and government pressure on house

churches has eased significantly. Many house churches have been allowed to operate in Gia Lai without registration. Incidentally, for the first time in 2006, with the direct support of Congress, we are providing Economic Support Funds to increase opportunities for ethnic minorities in the Central Highlands region.

There are other examples. Provincial officials in Dak Lak have helped 13 candidates to enter seminary to help serve the province's 160,000 Catholics. Officials there also allowed 191 unregistered house churches to hold Christmas services and have acknowledged the regions 100,000 strong Protestant community.

Catholic Church Seminary classes have doubled in size and 57 new priests were ordained in a public ceremony Hanoi in November 2005.

Unregistered Baptists held their first Easter public revival prayer meeting this year with government approval.

Seventh Day Adventist, Grace Baptists, and the largest of Vietnam's Mennonite groups have registered in Ho Chi Minh City and are now seeking national-level registration.

Human Rights

In the broader area of human rights, Vietnam continues to restrict fundamental freedoms and the Department of State's 2005 Human Rights Report categorizes the country's human rights record as "unsatisfactory."

On the other hand, there has been progress in some areas. In the last 18 months, 18 prisoners of concern to the United States have been released including the high-profile cases of religious dissident Father Nguyen Van Ly and pro-democracy activist Dr. Nguyen Dan Que. Both were the subject of recent Congressional resolutions. Four people remain on our list of prisoners of concern, including Dr. Pham Hong Son, whose case we have raised repeatedly with Vietnamese authorities.

There are another 20 individuals of concern to us who remain under travel or other restrictions. Among this number are the senior leadership of the Unified Buddhist Church of Vietnam (UBCV) the Venerable Thich Huyen Quang and Thich Quang Do, who are confined to their pagodas. The

GVN considers them to be political figures because of their fierce advocacy for multi-party democracy. They should be allowed to travel, to speak freely, and worship without government interference.

In February, we resumed the bilateral Human Rights Dialogue with Vietnam after a four-year suspension and raised some tough issues with the Vietnamese Government in key areas where its human rights record does not meet international standards. The GVN engaged us substantively and we made it known that concrete follow-up needs to take place.

The results of the Dialogue to date have been encouraging. A prisoner of concern was released shortly afterwards. Embassy officials were permitted to visit two prisons in Ho Chi Minh City. The prisons appeared to meet international standards for health and cleanliness and we have requested that international NGOs be allowed similar visits. I am impressed by the fact that Vietnam has about 10 million internet users who are thirsty for knowledge of the outside world. Unfortunately, they continue to be denied access to international human rights websites. We still need to see an end to Vietnam's current practice of administrative detention, which allows the government to hold individuals without due process.

We have seen progress in transparency and accountability. For the first time, the Party's "Political Report," which outlines government policy, was circulated for public comment ahead of Party Congress. In addition, senior Transportation Ministry officials were forced to resign over corruption. The print media has made progress as well. Widespread concern over corruption has expanded the boundaries of press freedom. The government has essentially acknowledged the value of press coverage of corrupt public sector officials. We have also seen the emergence of a nascent political opposition and web-based political broadsides organized by dissidents in Vietnam.

WTO membership will require Vietnam to continue to open its economy, embrace transparency in commercial dealings, and abide by the rule of law in the global trading system. It is no accident that these same characteristics are most likely to contribute to further openings in Vietnam's political outlook.

2006: Watershed Year

As I testified to Congress earlier this year, 2006 is a watershed year for US-Vietnam relations. Building on the visit to the U.S. last year by Vietnam's Prime Minister and culminating in the visit of our own President to Hanoi later this year, we are in the midst of a historic transformation of a relationship that up until only recently was characterized by enmity and mistrust. The new leadership team in Vietnam, in place since last month, seems well disposed to continue and build upon the reform policies of its predecessors - a positive sign.

Our policy priorities with Vietnam in the coming months and years will remain focused on pushing the boundaries of cooperation and engagement across broad areas such as health, science, educational exchanges, regional issues and even the military relationship, while also doing all we can to maintain and improve cooperation in accounting for our missing servicemen.

At the same time, we will continue to vigorously press for further tangible progress on human rights and religious freedoms - the only real impediment to the relationship reaching its full potential. But even in this area, the signs of progress, albeit slow, are encouraging.

A key element of our engagement Vietnam - and building on our recently concluded bilateral WTO agreement - is ensuring Vietnam's accession to the WTO, which will set the course for vigorous new economic ties between our two countries for decades to come and help keep Vietnam on a positive overall reform trajectory. A positive and early vote on PNTR, before the August recess if it can be scheduled, would be a major boost to the relationship and to reform in Vietnam, and would create early opportunities and benefits for both nations.

I would note that even the prominent dissident Dr. Nguyen Van Que has come out strongly in favor of PNTR status for Vietnam because it will bring employment opportunities, reduce poverty, and most importantly, extend the rule of law in Vietnam.

Let me conclude by reiterating one fundamental point: Vietnam, for its own internal reasons, is undertaking a significant transformation that has profound, positive effects inside the country and internationally. Although

we would like to see faster progress in some areas, overall this transformation has been - and almost certainly will continue to be - good for American interests and good for American values. WTO accession - and PNTR status - is the logical next step in Vietnam's transformation, and it is absolutely in our national interest to support it.

Thank you. I would be happy to answer any questions you may have.