COUNTRY PROFILE : VIETNAM
December 2004

Library of Congress
Federal Research Division

COUNTRY

Formal Name: Socialist Republic of Vietnam (Cong Hoa Xa Hoi Chu Nghia Viet Nam).

Short Form: Vietnam .

Term for Citizen(s): Vietnamese.

Capital: Hanoi .

Major Cities: With 5.6 million people, Ho Chi Minh City (formerly Saigon) is the most populous city. Hanoi has a population of 3.0 million. Other major cities are Danang, Haiphong , and Can Tho.

Independence : Vietnam declared independence from Japan and France on September 2, 1945 . However, Vietnam remained under French control until the communist Viet Minh defeated French forces at Dien Bien Phu in 1954.

Public Holidays: Official holidays are New Year's (January 1), Tet or Lunar New Year (movable dates in January and February), Liberation Day to commemorate the fall of Saigon (April 30), Labor Day (May 1), and Independence Day to commemorate Japan 's withdrawal following its defeat in World War II (September 2).

Flag: Red, with a large yellow five-pointed star in the center.

HISTORICAL BACKGROUND

Origins: The Vietnamese trace the origins of their culture and nation to the fertile plains of the Red River Delta in northern Vietnam . After centuries of developing a civilization and economy based on the cultivation of irrigated rice, in the tenth century the Vietnamese began expanding southward in search of new rice lands. Until the mid-nineteenth century, the Vietnamese gradually moved down the narrow coastal plain of the Indochina Peninsula , ultimately extending their reach into the broad Mekong River Delta. Vietnamese history is the story of the struggle to develop a sense of nationhood throughout this narrow 1,500-kilometer stretch of land and to maintain it against internal and external pressures.

China was the chief source of Vietnam 's foreign ideas and the earliest threat to its national sovereignty. As a result of a millennium of Chinese control beginning in about 111 BC, the Vietnamese assimilated Chinese influence in the areas of administration, law, education, literature, language, and culture. Even during the following nine centuries of Vietnamese independence, lasting from the late tenth century until the second half of

the nineteenth century, the Chinese exerted considerable cultural, if not political, influence, particularly on Vietnam 's elite.

Colonial Period, Independence , and War: After 900 years of independence and following a period of disunity and rebellion, the French colonial era began during the 1858–83 period, when the French seized control of the nation, dividing it into three parts: the north (Tonkin), the center (Annam), and the south (Cochinchina). In 1861 France occupied Saigon , and by 1883 it had taken control of all of Vietnam as well as Laos and Cambodia . French colonial rule was, for the most part, politically repressive and economically exploitative. The Japanese occupied Vietnam during World War II but allowed the French to remain and exert some influence. At the war's end in 1945, Ho Chi Minh, leader of the communist Viet Minh organization, declared Vietnam 's independence in a speech that invoked the U.S. Declaration of Independence and the French Revolution's Declaration of the Rights of Man and of the Citizen. However, the French quickly reasserted the control they had ceded to the Japanese, and the First Indochina War (1946–54) was underway. French control ended on May 7, 1954 , when Vietnamese forces defeated the French at Dien Bien Phu . The 1954 Geneva Conference left Vietnam a divided nation, with Ho Chi Minh's communist government ruling the North from Hanoi and Ngo Dinh Diem's regime, supported by the United States , ruling the South from Saigon (later Ho Chi Minh City).

As a result of the Second Indochina War (1954–75), Viet Cong—communist forces in South Vietnam —and regular People's Army of Vietnam (PAVN) forces from the North unified Vietnam under communist rule. In this conflict, the insurgents—with logistical support from China and the Soviet Union —ultimately defeated the Army of the Republic of Vietnam , which sought to maintain South Vietnamese independence with the support of the U.S. military, whose troop strength peaked at 540,000 during the communist-led Tet Offensive in 1968. The North did not abide by the terms of the 1973 Paris Agreement, which officially settled the war by calling for free elections in the South and peaceful reunification. Two years after the withdrawal of the last U.S. forces in 1973, Saigon , the capital of South Vietnam , fell to the communists, and on April 30, 1975 , the South Vietnamese army surrendered. In 1976 the government of united Vietnam renamed Saigon as Ho Chi Minh City , in honor of the wartime communist leader who died in September 1969. The Vietnamese estimate that they lost nearly 3 million lives and suffered more than 4 million injuries during the U.S. involvement in the war.

Unified Vietnam : In the post-1975 period, it was immediately apparent that the popularity and effectiveness of the Vietnamese Communist Party (VCP) policies did not necessarily extend to the party's peacetime nation-building plans. Having unified the North and South politically, the VCP still had to integrate them socially and economically. In this task, VCP policy makers were confronted with the South's resistance to communist transformation, as well as traditional animosities arising from cultural and historical differences between North and South. More than a million Southerners, including about 560,000 "boat people," fled the country soon after the communist takeover, fearing persecution and seizure of their land and businesses. About a million Vietnamese were relocated to previously uncultivated land called "new economic zones" for reeducation.

The harsh postwar crackdown on remnants of capitalism in the South led to the collapse of the economy during the 1980s. With the economy in shambles, Vietnam 's

government altered its course and adopted consensus policies that bridged the divergent views of pragmatists and communist traditionalists. In 1986 Nguyen Van Linh, who was elevated to VCP general secretary the following year, launched a campaign for political and economic renewal (Doi Moi). His policies were characterized by political and economic experimentation that was similar to simultaneous reform agendas undertaken in China and the Soviet Union . Reflecting the spirit of political compromise, Vietnam phased out its reeducation effort. The government also stopped promoting agricultural and industrial cooperatives. Farmers were permitted to till private plots alongside state-owned land, and in 1990 the government passed a law encouraging the establishment of private businesses.

Compounding economic difficulties were new military challenges. In the late 1970s, two countries— Cambodia and China —posed threats to Vietnam . Clashes between Vietnamese and Cambodian communists on their common border began almost immediately after Vietnam ’s reunification in 1975. To neutralize the threat, Vietnam invaded Cambodia in December 1978 and overran Phnom Penh , the Cambodian capital, driving out the incumbent Khmer Rouge communist regime and initiating a prolonged military occupation of the country.

In February and March 1979, China retaliated against Vietnam 's incursion into Cambodia by launching a limited invasion of Vietnam , but the Chinese foray was quickly rebuffed. Relations between the two countries had been deteriorating for some time. Territorial disagreements along the border and in the South China Sea that had remained dormant during the Second Indochina War were revived at the war's end, and a postwar campaign engineered by Hanoi to limit the role of Vietnam 's ethnic Chinese community in domestic commerce elicited a strong protest from Beijing . China also was displeased with Vietnam because of its improving relationship with the Soviet Union .

During its incursion into Cambodia in 1978–89, Vietnam ’s international isolation extended to relations with the United States . The United States , in addition to citing Vietnam 's minimal cooperation in accounting for Americans who were missing in action (MIAs) as an obstacle to normal relations, barred normal ties as long as Vietnamese troops occupied Cambodia . Washington also continued to enforce the trade embargo imposed on Hanoi at the conclusion of the war in 1975. Soon after the Paris Agreement on Cambodia resolved the conflict in October 1991, however, Vietnam established or reestablished diplomatic and economic relations with most of Western Europe , China , and other Asian countries. Vietnam normalized relations with China in 1991 and with Japan in 1993. In February 1994, the United States lifted its economic embargo against Vietnam , and in June 1995, the United States and Vietnam normalized relations. Relations with China took another step forward after the two countries settled their long-standing border dispute in 1999. China is now a major trading partner, and Vietnam models its economic policies after China ’s.

As of late 2004, a three-person collective leadership was responsible for governing Vietnam . This triumvirate consisted of the VCP general secretary (Nong Duc Manh, April 2001–), the prime minister (Phan Van Khai, September 1997–), and the president (Tran Duc Luong, September 1997–). General Secretary Manh headed up not only the VCP but also the 15 member Politburo. President Luong was chief of state, and Prime Minister Khai was head of government. The leadership is promoting a “socialist-oriented market economy” and friendly relations with China , Japan , the European Union, Russia , and the United States . Although the leadership is presiding over a period of rapid economic growth, official corruption and a widening gap between urban wealth and rural

poverty remain stubborn problems that are eroding the VCP's authority. A major goal for 2005 is gaining full membership in the World Trade Organization (WTO).

GEOGRAPHY

Location: Vietnam is located in Southeast Asia , bordered by the Gulf of Tonkin and the South China Sea to the east, China to the north, Laos and Cambodia to the west, and the Gulf of Thailand to the south.

Size: Vietnam is long and thin, with an area of 330,363 square kilometers.

Land Boundaries: Vietnam shares land boundaries with Cambodia (1,228 kilometers), China (1,281 kilometers), and Laos (2,130 kilometers).

Disputed Territory: On December 30, 1999 , China and Vietnam signed a treaty that settled disputes over the two nations' common border. However, the Paracel and Spratly Islands in the South China Sea are still regarded as disputed territory. Malaysia , Brunei , the Philippines , and Taiwan also claim sovereignty over the Spratly Islands , which are believed to be rich in oil and natural gas reserves. In May 2004, the government authorized 50 tourists and 40 officials to visit the Spratly Islands by boat. The other nations staking claim to the islands protested what they interpreted as an assertion of sovereignty by Vietnam . In October 2004, Vietnam invited bids for oil exploration in the Spratlys, triggering a complaint from China 's Ministry of Foreign Affairs. In November 2004, China retaliated by moving an oil-drilling platform into position to explore for oil in the Paracels.

Length of Coastline: Vietnam 's coastline along the Gulf of Tonkin , the South China Sea , and the Gulf of Thailand measures 3,444 kilometers.

Maritime Claims: In June 2004, Vietnam 's National Assembly ratified an agreement originally reached with China in December 2000 that established an internationally valid maritime border in the Gulf of Tonkin . The ratification delay was attributable to concerns that the government had made too many concessions during negotiations. In addition, in April 2004 China and Vietnam agreed to a common fishing zone in the Gulf of Tonkin . Vietnam claims an exclusive economic zone (EEZ) of 200 nautical miles, the approximate beginning of the continental shelf.

Topography: Vietnam is a country of tropical lowlands, hills, and densely forested highlands, with level land covering no more than 20 percent of the area. The country is divided into the highlands and the Red River Delta in the north, and the Giai Truong Son (Central mountains, or the Chaîne Annamitique, sometimes referred to simply as the Chaîne), the coastal lowlands, and the Mekong River Delta in the south. The highest point in Vietnam is Fan Si Pan, at 3,143 meters above sea level, in the northwest.

Principal Rivers: A relatively dense network of rivers traverses Vietnam . The principal rivers are as follows: in the north, the Red and Thai Binh; in the center, the Ca, Ma, Han, Thach Han, and Thu Bon; and in the south, the Mekong and Dong Nai.

Climate: Vietnam ’s climate is tropical and monsoonal; humidity averages 84 percent throughout the year. Annual rainfall ranges from 1,200 to 3,000 millimeters, and annual temperatures vary between 5°C and 37°C.

Natural Resources: Vietnam ’s main natural resources consist of coal, copper, crude oil, gold, iron, manganese, silver, and zinc.

Land Use: In 2003 Vietnam ’s land use was distributed as follows: 21 percent, arable; 28 percent, forest and woodland; and 51 percent, other.

Environmental Factors: The National Environmental Agency, a branch of the Ministry of Science, Technology, and Environment, is responsible for environmental protection. At the provincial level, the Departments of Science, Technology, and the Environment bear responsibility. Non-governmental organizations, particularly the Institute of Ecological Economics , also play a role. Urbanization, industrialization, and intensive farming are having a negative impact on Vietnam ’s environment. These factors have led to air pollution, water pollution, and noise pollution, particularly in urban and industrial centers like Ho Chi Minh City and Hanoi . The most serious problem is waste treatment. Land use pressures have led to significant environmental problems, including severe deforestation, soil erosion, sedimentation of rivers, flooding in the deltas, declining fish yields, and pollution of the coastal and marine environment. The use of Agent Orange by the U.S. military in the Second Indochina War (1954–75) has had a lingering effect on Vietnam in the form of persistent environmental contamination that has increased the incidence of various diseases and birth defects.

Time Zone: Seven hours ahead of Greenwich Mean Time.

SOCIETY

Population: In 2003 Vietnam ’s population was 81.3 million, and it was growing at a rate of about 1.3 percent per year. The average population density was 246 people per square kilometer, one of the highest levels in the world. The highest concentration of people was in the Red River Delta, in the northeast where Hanoi is located, and the lowest concentration was in the northwest. The population, which traditionally has been primarily rural, has become increasingly urbanized since 1986 when the Doi Moi economic renewal program began to boost income and employment opportunities in the cities. In 2002 about 25 percent of Vietnam ’s population was urban and 75 percent rural, down from 85 percent in the early 1980s. Vietnam ’s net migration rate was estimated at –0.45 migrant(s) per 1,000 population in 2004. Consistent with the trend

toward urbanization, urban areas, such as Ho Chi Minh City , Hanoi , Da Nang , and the Central Highlands , have attracted the most migrants. In addition, a steady stream of migrants continues to move from the North to the South. As of 2002, the two largest groups of refugees were Vietnamese and ethnic Chinese returning from Cambodia and the indigenous Montagnards from the Central Highlands seeking asylum in Cambodia .

Demography: In 2004 Vietnam ’s age distribution was estimated as follows: 0 to 14 years of age, 29.4 percent; 15 to 64, 65 percent; and 65 and older, 5.6 percent. This age distribution signals slower population growth than in the past. In 2003 Vietnam ’s birthrate was 19.6 per 1,000 people, and the fertility rate was 2.2 children born per woman; both rates were about average globally. The infant mortality rate was 29.3 per 1,000 live births, and the death rate was nearly 6.2 per 1,000; both rates were better than average. According to 2004 estimates, life expectancy was 70.4 years for the total population, almost 67.9 years for men and 73 years for women. Life expectancy rates were about average globally.

Ethnic Groups: Vietnamese are the predominant ethnic group; they constitute 85 to 90 percent of the population. Chinese account for 3 percent of the population. Other ethnic groups are the Hmong, Thai, Khmer, Cham, and Montagnards, an indigenous group living in the Central Highlands.

Languages: Vietnamese is the official language of Vietnam . The Vietnamese have adopted a Romanized script introduced by the French during the colonial period. English is increasingly accepted as a second language. Some French language influence persists. Other languages used are Chinese, Khmer, and mountain area dialects.

Religion: With 7.6 million followers, Buddhism is the most popular religion. The second most popular religion is Catholicism, with 6 million adherents. Other faiths, with the number of followers indicated, are Cao Dai (2 million), Hoa Hao (1 million), Protestantism (500,000), and Islam (50,000).

Education and Literacy: In 2003 Vietnam ’s literacy rate was 94 percent, including 95.8 percent for men and 92.3 percent for women. However, educational attainment was less impressive. Although 92 percent of eligible children were enrolled in primary school in 2000 and five years of primary school education are considered compulsory, only two-thirds completed the fifth grade. The cost of tuition, books, and uniforms and the need to supplement family income were the two main reasons for dropping out. A huge disparity exists in primary school enrollment between the cities and rural parts of Vietnam . In some rural areas, only 10 to 15 percent of the children progress beyond third grade, whereas almost 96 percent of pupils in Ho Chi Minh City complete fifth grade. In 2000 enrollment in secondary school was only 62.5 percent, much lower than in primary school. One of the government’s goals is to expand access to secondary education.

Health: The overall quality of healthcare in 2003 has been characterized as “good,” in view of such indicators as life expectancy (70.4 years), infant mortality (29.3 per 1,000

live births), and physicians per capita (1.3 per 1,000 people). However, malnutrition is still common in the provinces, and the life expectancy and infant mortality rates are stagnating. In 2001 government spending on health care corresponded to just 0.9 percent of gross domestic product (GDP). Government subsidies covered only about 20 percent of health care expenses, with the remaining 80 percent coming out of individuals' own pockets.

In 1954 the government in the North established a public health system that reached down to the hamlet level. After reunification in 1976, this system was extended to the South. Beginning in the late 1980s, the quality of health care began to decline as a result of budgetary constraints, a shift of responsibility to the provinces, and the introduction of charges. Inadequate funding has led to delays in planned upgrades to water supply and sewage systems. As a result, almost half the population has no access to clean water, a deficiency that promotes such infectious diseases as malaria, dengue fever, typhoid, and cholera. Inadequate funding also has contributed to a shortage of nurses, midwives, and hospital beds. In 2000 Vietnam had only 250,000 hospital beds, or 14.8 beds per 10,000 people, a very low ratio among Asian nations, according to the World Bank.

Vietnam has made progress in combating malaria, for which the mortality rate declined sharply, to about 5 percent of the rate in the early 1990s, after the country introduced antimalarial drugs and treatment. However, tuberculosis (TB) cases are on the rise, with 57 deaths per day reported in May 2004. With an intensified vaccination program, better hygiene, and foreign assistance, Vietnam hopes to reduce sharply the number of TB cases and annual new TB infections.

As of mid-2004, Vietnam had diagnosed 81,206 human immunodeficiency virus (HIV) cases, of which 12,684 developed acquired immune deficiency syndrome (AIDS) and 7,208 died. But the actual number of HIV-positive individuals is estimated to be as high as 200,000. An average of 40–50 new infections are reported every day in Vietnam . Vietnam hopes to contain the HIV infection rate at the current official rate of 0.3 percent, which is about average worldwide, by limiting the disease as much as possible to sex workers and intravenous drug users. However, if the current trend continues, the number of infected persons could reach 1 million by 2010. One of the impediments to containing HIV/AIDS is that the victims face discrimination and stigmatization that are more severe than almost anywhere else in the world, according to a United Nations official. In June 2004, the Bush Administration announced that Vietnam would be one of 15 nations to receive funding as part of a US$15 billion global AIDS plan.

Welfare: Vietnam 's welfare efforts target victims of the Second Indochina War (1954–75), such as individuals disabled in combat or by toxic chemicals and the families of fallen combatants. About 5 million Vietnamese, corresponding to more than 6 percent of the population, are disabled. The Ministry of Labor, War Invalids, and Social Affairs administers welfare. Vietnam has legislated a social insurance system with provisions for old age, disability, and death; sickness and maternity; and work injury. Coverage is reported to be mandatory for state employees, non-state enterprises with more than 10 employees, and foreign-invested enterprises. Special programs are said to exist for government civil servants and armed forces personnel.

ECONOMY

Overview: Beginning in the 1980s, dire economic conditions forced the government to relax restrictions on private enterprise and sharply cut back on labor camp prisoners, many of them entrepreneurs. In 1986 Vietnam launched a political and economic renewal campaign (Doi Moi). Doi Moi introduced reforms intended to facilitate the transition from a centralized economy to a "socialist-oriented market economy." Doi Moi combined government planning with free-market incentives. The program abolished agricultural collectives, removed price controls on agricultural goods, and enabled farmers to sell their goods in the marketplace. It encouraged the establishment of private businesses and foreign investment, including foreignowned enterprises.

By the late 1990s, the success of the business and agricultural reforms ushered in under Doi Moi was clearly evident. More than 30,000 private businesses had been created, and the economy was growing at an annual rate of more than 7 percent. During the 1990s, poverty declined from 50 percent to 30 percent of the population. Poverty continued to decline between 1998 and 2002; the World Bank estimates that 8 percent of Vietnam 's population moved out of poverty during this period, although progress varied geographically. Most prosperous were the major cities, where per capita income rose rapidly to reach about US$1,000 in 2002. In addition, inflation declined from an annual rate of more than 160 percent in 1988 to only 3 percent in 2003, reflecting the success of economic stabilization measures.

In 2001 the Vietnamese Communist Party (VCP) approved a 10-year economic plan that enhanced the role of the private sector while reaffirming the primacy of the state. In 2003 the private sector accounted for more than one-quarter of all industrial output, and the private sector's contribution was expanding more rapidly than the public sector's (18.7 percent vs. 12.4 percent growth from 2002 to 2003).

Despite these signs of progress, the World Economic Forum's 2004 Global Competitiveness Report, which reflects the subjective judgments of the business community, ranked Vietnam 77th in growth competitiveness in the world (down from 60th place in 2003) and 79th in business competitiveness (down from 50th place in 2003), well behind its model China, which ranked 46th and 47th in these respective categories. Vietnam 's sharp deterioration in the rankings from 2003 to 2004 was attributable in part to negative perceptions of the effectiveness of government institutions. Official corruption is endemic despite efforts to curb it. Vietnam also lags behind China in terms of property rights, the efficient regulation of markets, and labor and financial market reforms. State-owned banks that are poorly managed and suffer from non-performing loans still dominate the financial sector.

Although Vietnam 's economy, which continues to expand at an annual rate in excess of 7 percent, is one of the fastest growing in the world, the economy is growing from an extremely low base, reflecting the crippling effect of the Second Indochina War (1954–75) and repressive economic measures introduced in its aftermath. Whether rapid economic growth is sustainable is open to debate. The government may not be able to follow through with plans to scale back trade restrictions and reform state-owned enterprises. Reducing trade restrictions and improving transparency are keys to gaining full membership in the World Trade Organization (WTO), as planned in 2005. The government hopes to reform the state-owned sector by partially privatizing various state-owned enterprises, beginning with Vietcombank, a large state-owned commercial bank.

Gross Domestic Product (GDP): In 2003 Vietnam 's GDP was US$39.2 billion. Per capita gross national income was US$480. However, based on purchasing power parity

(buying power for a basket of goods without regard for market exchange rates), Vietnam ’s per capita GDP was US$2,500. In 2002 the contributions to GDP by sector were as follows: agriculture, 23.0 percent; industry, 38.5 percent; and services, 38.5 percent. Reflecting Vietnam’s hybrid economy, industry ownership was mixed, as indicated by percentage of output, as follows: stateowned, 40 percent and declining; privately owned, 25 percent, but employing four times as many workers as the state-owned sector; and foreign-owned, 35 percent.

Government Budget: In November 2003, Vietnam ’s National Assembly approved a total state budget of about US$12 billion for 2004, corresponding to about 26.5 percent of estimated gross domestic product (GDP). The government’s budget deficit is expanding, from 2.0 percent of GDP in 2002, to an estimated 2.4 percent in 2003, and a targeted 5 percent in 2004.

Inflation: In 2003 inflation was a low 3 percent, down from 160 percent in 1988. The decline reflects the beneficial effect of fiscal and monetary reforms aimed at stabilizing the economy.

Agriculture, Forestry, and Fishing: In 2002 agriculture and forestry accounted for 23 percent of gross domestic product (GDP). However, agricultural employment was much higher than agriculture’s share of GDP; in 2002 some 66.1 percent of the employed labor force was engaged in agriculture, forestry, and fishing. Rice is the staple crop, accounting for 4.3 percent of export earnings in 2002. The relaxation of the state monopoly on rice exports transformed the country into the world’s second or third largest rice exporter. Other cash crops are coffee, cotton, peanuts, rubber, sugarcane, and tea.

In 2002 Vietnam produced an estimated 29.5 million cubic meters of roundwood; about 90 percent was consumed as fuel. Production of sawnwood was a more modest 2,950 cubic meters. In 1992, in response to dwindling forests, Vietnam imposed a ban on the export of logs and raw timber. In 1997 the ban was extended to all timber products except wooden artifacts. During the 1990s, Vietnam began to reclaim land for forests with a tree-planting program.

Vietnam ’s fishing industry, which has abundant resources given the country’s 3,444-kilometer coastline and extensive network of rivers and lakes, has experienced moderate growth overall. In 2001 the total catch was about 2 million tons. However, seafood exports expanded fourfold from 1990 to 2002 to more than US$2 billion, driven in part by shrimp farms in the South and “catfish,” which are a different species from their American counterpart but are marketed in the United States under the same name. By concentrating on the U.S. market for the sale of vast quantities of shrimp and catfish, Vietnam triggered antidumping complaints by the United States , which imposed tariffs in the case of catfish and is considering doing the same for shrimp.

Mining and Minerals: In 2002 mining and quarrying accounted for an 8.6 percent share of gross domestic product (GDP); in 2000 the sector employed 0.6 percent of the workforce. Petroleum and coal are the main mineral exports, with crude petroleum accounting for 21.1 percent of total merchandise exports in 2001. Also mined are antimony, bauxite, chromium, gold, iron, natural phosphates, tin, and zinc.

Industry and Manufacturing: Although industry contributed 38.5 percent of gross domestic product (GDP) in 2002, it employed only 12.9 percent of the workforce. In 2000, 22.4 percent of industrial production was attributable to non-state activities. During 1990–2002, industrial GDP grew at an average annual rate of 11.1 percent. Manufacturing contributed 20.6 percent of GDP in 2002, while employing 10.2 percent of the workforce. During 1990–2002, manufacturing GDP grew at an average annual rate of 10.9 percent. The top manufacturing sectors—food processing, cigarettes and tobacco, textiles, chemicals, and electrical goods—experienced rapid growth. Almost a third of manufacturing and retail activity is concentrated in Ho Chi Minh City .

Energy: Petroleum is the main source of commercial energy, followed by coal, which contributes about 25 percent of the country's energy (excluding biomass). Vietnam 's oil reserves are in the range of 270–500 million tons. The World Bank cites the lower bound of the range. Oil production more than doubled from 1995 to 2001, when it reached 340,000 barrels per day. However, oil production is believed to have peaked and is expected to decline gradually. Vietnam 's anthracite coal reserves are estimated at 3.7 billion tons. Coal production was 12.6 million tons in 2001, up from 9.6 million tons in 1999. Vietnam 's potential natural gas reserves are 1.3 trillion cubic meters. In 2002 Vietnam brought ashore 2.26 billion cubic meters of natural gas. Hydroelectric power is another source of energy. In 2004 Vietnam began to build a nuclear power plant with Russian assistance.

Crude oil is Vietnam 's leading export, totaling 17 million tons in 2002; in 2001 crude oil represented 21.1 percent of all export earnings. Petroleum exports are in the form of crude petroleum because Vietnam has a very limited refining capacity. Vietnam 's only operational refinery, a facility at Cat Hai near Ho Chi Minh City , has a capacity of only 800 barrels per day. Several consortia have abandoned commitments to finance a 130,000-barrel-per-day facility at Dung Quat in central Vietnam . Refined petroleum accounted for 10.2 percent of total imports in 2002.

Services: In 2002 services accounted for 38.5 percent of gross domestic product (GDP). During 1990–2002, GDP attributable to the services sector grew at an average annual rate of 7.0 percent.

Banking and Finance: Vietnam 's first stock exchange, known as the Ho Chi Minh City Securities Trading Center , was established in July 2000. In mid-2004, the number of companies listed on the exchange reached 24, with a total market capitalization of only US$250,000. This extremely modest figure reflects the fact that the exchange remains a minor source of funding. Vietnam plans to boost the transparency of its financial system by establishing a credit-rating agency and performance standards for joint-stock banks. Although Vietnam is a cash-based society, 300 to 400 automated teller machines (ATMs) have been installed, and about 350,000 debit cards are in circulation.

Tourism: In 2003 the number of foreign visitors to Vietnam totaled 2.4 million, down slightly from the previous year as a result of the impact of the severe acute respiratory syndrome (SARS) epidemic in Asia . However, the impact of SARS was contained, as

tourism was 35 percent higher in 2003 than in 1999. The Vietnam National Administration of Tourism is following a long-term plan to diversify the tourism industry, which brings needed foreign exchange into the country.

Labor: In 2002 the unemployment rate in urban areas was 6.0 percent. In the following years, the World Bank estimated that the unemployment rate declined slightly.

Foreign Economic Relations: Vietnam is an observer to the World Trade Organization (WTO), but it aspires to full membership as early as 2005. The main impediment to joining the WTO is legal and regulatory transparency. Specifically, Vietnamese laws place foreign investors at a disadvantage, in violation of WTO rules. Trade restrictions constitute a second impediment. Vietnam is considering the required changes to its laws and regulations, but some observers are skeptical that the country will be able to follow through with additional trade-related reforms in the form of reduced tariffs and non-tariff barriers in time to join the WTO as a full member in 2005. However, the Asia-Pacific Economic Cooperation (APEC) forum endorsed Vietnam 's prompt accession to the WTO at its 12th meeting held in Santiago , Chile , in November 2004.

Joining the WTO is vitally important because membership will free Vietnam from textile quotas enacted worldwide as part of the Multifiber Arrangement (MFA) of 1974. The MFA placed restrictions on the import by industrialized countries of textiles from developing countries. For China and other WTO members, however, textile quotas under the MFA expire at the end of 2004, as agreed in the Uruguay Round of trade negotiations in 1994. Vietnam faces the danger of losing market share in foreign markets in the opening months of 2005 until it secures WTO membership.

Economic relations with the United States are improving but are not without challenges. Although the United States and Vietnam reached a landmark bilateral agreement in December 2001 that boosted Vietnam 's exports to the United States , disagreements over textile and catfish exports are hindering full implementation of the agreement. Also disrupting U.S.-Vietnamese economic relations are efforts in Congress to link non-humanitarian aid to Vietnam 's human rights record.

Given neighboring China 's rapid economic ascendancy, Vietnam 's economic relationship with China is of utmost importance. Following the resolution of most territorial disputes, trade with China is growing rapidly, and in 2003 Vietnam imported more products from China than from any other nation. In November 2004, the Association of Southeast Asian Nations (ASEAN), of which Vietnam is a member, and China announced plans to establish the world's largest freetrade area by 2010.

Imports: In 2003 Vietnam 's imports were valued at US$26.5 billion, and growing rapidly. Vietnam 's principal imports were machinery (21.4 percent), refined petroleum (9.7 percent), material for the textile industry (8.2 percent), steel (6.6 percent), and computers and electronic goods (3.9 percent). The main origins of Vietnam 's imports were China (14.1 percent), South Korea (12.0 percent), Japan (11.4 percent), Singapore (10.7 percent), the United States (5.9 percent), Thailand (5.6 percent), and Hong Kong (4.3 percent).

Exports: In 2003 Vietnam 's exports were valued at US$23.4 billion, and, much like imports, were growing rapidly. Vietnam 's principal exports were crude oil (18.7 percent), textiles and garments (18.0 percent), footwear (11.2 percent), fisheries products (11.0 percent), and rice (3.6 percent). The main destinations of Vietnam 's exports were the United States (22.1 percent), Japan (14.5 percent), Australia (7.7 percent), China (6.6 percent), Germany (6.0 percent), Singapore (4.6 percent), and the United Kingdom (4.5 percent).

Trade Balance: In 2003 Vietnam ran a trade deficit of US$3.1 billion, or 12 percent of imports.

Balance of Payments: The current account balance was negative US$1.85 billion in 2003. In the previous two years, the current account balance registered a swing from positive to slightly negative, and the statistic continued to deteriorate in 2003.

External Debt: In 2003 external debt amounted to US$14.8 billion, or 38 percent of gross domestic product (GDP).

Foreign Investment: From 1988 to May 2004, cumulative foreign direct investment (FDI) commitments totaled US$43 billion. By May 2004, about 60 percent had been dispersed. About half of FDI has been directed at the industrial sector, with a rising tendency. Also about half has been concentrated in Ho Chi Minh City and the surrounding provinces. Despite rising investments, foreign investors still regard Vietnam as a risky destination, as confirmed by a recent survey by the Japan External Trade Organization of Japanese companies operating in Vietnam . Many of these companies complained about high costs for utilities, office rentals, and skilled labor. In 2002 new foreign direct investment commitments were US$1.4 billion, down sharply from US$2.2 billion the previous year. The largest sector by far for licensed FDI is industry and construction. Other sectors attracting FDI are oil and gas, fisheries, construction, agriculture and forestry, transportation/communications, and hotels and tourism.

Foreign Aid: Since November 1993, the World Bank has committed US$3.8 billion of interestfree loans to Vietnam . For 2000 international donors had pledged US$2.8 billion of credits and grants.

Currency and Exchange Rate: As of December 2004, one U.S. dollar was equivalent to about 15,770 Vietnamese dong (D).

Fiscal Year: Calendar year.

TRANSPORTATION AND TELECOMMUNICATIONS

Transportation Overview: Vietnam ’s transportation system is in need of modernization and expansion. Ports are operating at only one-third of capacity. Roads are in generally poor condition, and the underdeveloped railroad system carries less freight than the inland waterways. Motorcycles are more popular than buses. In an effort to improve bus service, Hanoi plans to invite private companies to bid for operating rights for six municipal bus routes.

Roads: Vietnam ’s roads extend over 210,000 kilometers, implying a network density twice as high as Thailand ’s and Malaysia ’s. However, the condition of the roads is generally poor; only 13.5 percent of the roads are considered to be in good condition. Only 29 percent of the roads are tarred, and road access is cut off to more than 10 percent of villages for at least one month per year because of monsoons. Despite government efforts to promote the use of buses, motorcycles remain the preferred mode of local transport. There is one motorcycle for every seven people.

Railroads: Vietnam has six single-track railroad routes with a total length of 3,260 kilometers. The network’s density is only about one-third of the average for low-income countries. The longest railroad line measures 1,730 kilometers from Hanoi to Ho Chi Minh City and requires 32 hours to traverse with the Reunification Express. Of the nation’s inventory of rolling stock, 25 percent is not operational. Twenty-five percent of the nation’s operational rolling stock is more than 30 years old. Freight traffic picked up in 2000 and 2001 following five years of decline. Vietnam needs more than US$400 million between 2004 and 2009 to modernize its railroads. The government plans to build two subway lines in Ho Chi Minh City by 2007. Project-related costs are estimated at US$800 million.

Ports: The principal ports in Vietnam , listed from north to south, are Haiphong , Quang Ninh, Danang, Qui Nhon, Ho Chi Minh City , and Can Tho. Altogether Vietnam has seven international ports and five additional ports that specialize in transporting oil and coal. The freight volume is about 14 million tons annually, compared with only 4.5 million tons in 1993. However, total traffic is only about one-third of capacity. Vietnamese ships carry only about 20 percent of the country’s international trade, although plans exist to expand the merchant fleet substantially.

Inland Waterways: Vietnam ’s inland waterways, primarily the Mekong River and Red River systems, carry more freight than the railroads, and the volume of freight is rising slowly. According to the World Bank, transportation productivity via the inland waterways is 40 percent below the system’s potential, assuming proper maintenance, navigation aids, and dredging. **Civil**

Aviation and Airports: Vietnam Airlines, the national airline, has a fleet of 30 aircraft that link Vietnam with 19 foreign cities. In November 2004, Vietnam Airlines announced that it would purchase 10 Airbus A310–200 aircraft and continue negotiations for four Boeing 7E7 “Dreamliner” aircraft. Vietnam Airlines’ goal is to expand its fleet to 73 aircraft by 2010. It also hopes to inaugurate service to the United States by the end of 2005. International airlines carry almost two-thirds of foreign visitors. Vietnam operates 17 major civil airports, including three international gateways: Noi Bai in the north,

Danang in the center, and Tan Son Nhat in the south. Tan Son Nhat is the largest, handling 75 percent of international passenger traffic.

Pipelines: In April 1995, a 125-kilometer natural gas pipeline connecting Bach Ho with a power plant near Vung Tau went into operation. With the subsequent addition of compressors, the volume pumped rose to more than 1 billion cubic meters per year. In late 2000, the government approved plans to construct a 399-kilometer underwater pipeline, the world's longest, to carry natural gas onshore from the Nam Con Son basin. The pipeline's anticipated capacity is 2 billion cubic meters per year, while the basin has an estimated 59 billion cubic meters of natural gas reserves.

Telecommunications: The International Telecommunication Union rates Vietnam 's telecommunications market the second fastest growing in the world after China . With rapid telecommunications growth leading to 4.9 million landline telephones and 3.4 million mobile telephones as of mid-2004, Vietnam 's telephone penetration rate is still only 10 percent. As of mid-2004, Vietnam had 5.1 million Internet users, corresponding to 6 percent penetration. In 2000 Vietnam had about 600,000 personal computers, or 7.35 for 1,000 people. In 2003 Vietnam had 8.2 million radios, or 100.45 per 1,000 people. There were 65 AM radio stations, 7 FM stations, and 29 shortwave stations. Also in 2003, Vietnam had 3.6 million televisions, or 43.73 per 1,000 people. Television broadcast stations numbered at least seven in 1998.

GOVERNMENT AND POLITICS

Government Overview: The Vietnamese Communist Party (VCP) has a monopoly on power. A three-person collective leadership consists of the VCP general secretary, the prime minister, and the president. President Tran Duc Luong is the chief of state, while Prime Minister Phan Van Khai is head of government. General Secretary Nong Duc Manh heads up not only the VCP but also the 15-member Politburo. A decision by any member of the triumvirate is vetted by the other two. As a result, policy announcements tend to be bland and equivocal.

In July 2002, the National Assembly voted to keep Prime Minister Khai and President Luong in office until 2007. Khai, who is the oldest member of the cabinet and is known for his pro-reform policies, is believed likely to complete his 2002–07 term because of the absence of an heir apparent, although if a successor is found he may consider stepping down in 2005. The mechanism for transfers of power suffers from a lack of transparency.

Constitution: Vietnam has had a series of constitutions, introduced in 1946, 1959, 1980, and 1992. As of late 2004, the Vietnamese constitution is regarded as the 1992 document, as amended in 2001 to continue the reform of the state apparatus, to allow more leeway to the private sector, and to promote progress in the areas of education, science, and technology. The original 1992 constitution modestly downgraded the roles of the Vietnamese Communist Party (VCP) and the government in favor of reform. Instead of being authorized to do whatever was necessary to "build socialism," the VCP was subordinated to the constitution and the law, while the government was assigned

specific management functions under the direction of a prime minister, whose powers were also defined. In addition, the constitution called for a multisector economy. Although the autonomy of state enterprises was recognized, a role was also assigned to the private sector. Individuals were permitted to acquire lengthy land leases. Foreign investors were granted ownership rights and protection against nationalization.

In 2001 the constitution was amended to increase the role of the National Assembly by giving it the authority to decide budget allocations and to stage votes of no confidence in office holders. Amendments also boosted the role of the private sector by recognizing the right to operate of any businesses not explicitly prohibited and lifting restrictions on their size. These revisions were intended to encourage the development of a cottage industry of individual traders and private enterprises. In the field of education, amendments established the goals of universal secondary education, more vocational and technical training, and easier access to education by the poor and handicapped.

Branches of Government: The National Assembly, a 498-member unicameral body elected to a five-year term, meets twice a year. The assembly appoints the president (chief of state), the prime minister (head of government), chief procurators of the Supreme People's Court and the Supreme People's Office of Supervision and Control (the heads of the judiciary), and the 21- member cabinet (the executive). The constitution recognizes the National Assembly as "the highest organ of state power." Once a rubber stamp, the National Assembly has become more assertive in holding ministers accountable and amending legislation. Ultimately, however, the Vietnamese Communist Party (VCP) controls the executive and the electoral process. The VCP exercises control through the 150-member Central Committee, which elects the 15-member Politburo at national party congresses held every five years. Members of the party hold all senior government positions.

The Vietnamese government has ministers in the following areas: agriculture and rural development; construction; culture and information; education and training; finance; foreign affairs; industry; interior; justice; labor, war invalids, and social affairs; marine products; national defense; planning and investment; public health; science, technology and environment; trade; and transport and communications.

Administrative Divisions: Administratively, Vietnam consists of 59 provinces and 5 municipalities. The provinces are An Giang, Bac Giang, Bac Kan, Bac Lieu, Bac Ninh, Ba Ria- Vung Tau, Ben Tre, Binh Dinh, Binh Duong, Binh Phuoc, Binh Thuan, Ca Mau, Cao Bang, Dac Lak, Dac Nong, Dien Bien, Dong Nai, Dong Thap, Gia Lai, Ha Giang, Hai Duong, Ha Nam, Ha Tay, Ha Tinh, Hau Giang, Hoa Binh, Hung Yen, Khanh Hoa, Kien Giang, Kon Tum, Lai Chau, Lam Dong, Lang Son, Lao Cai, Long An, Nam Dinh, Nghe An, Ninh Binh, Ninh Thuan, Phu Tho, Phu Yen, Quang Binh, Quang Nam, Quang Ngai, Quang Ninh, Quang Tri, Soc Trang, Son La, Tay Ninh, Thai Binh, Thai Nguyen, Thanh Hoa, Thua Thien-Hue, Tien Giang, Tra Vinh, Tuyen Quang, Vinh Long, Vinh Phuc, and Yen Bai. The municipalities are Can Tho, Da Nang , Haiphong , Hanoi , and Ho Chi Minh.

Provincial and Local Government: Provinces and municipalities are subdivided into towns, districts, and villages. The provinces and municipalities are centrally controlled by

the national government. The towns, districts, and villages are locally accountable to some degree through elected people's councils.

Judicial and Legal System: At the apex of the judicial system is the Supreme People's Court (SPC), which is the highest court for appeal and review. The SPC reports to the National Assembly, which controls the judiciary's budget and confirms the president's nominees to the SPC and Supreme People's Procuracy. The Supreme People's Procuracy issues arrest warrants, sometimes retroactively. Below the SPC are district and provincial People's Courts, military tribunals, and administrative, economic, and labor courts. The People's Courts are the courts of first instance. The Ministry of Defense (MOD) has military tribunals, which have the same rules as civil courts. Military judges and assessors are selected by the MOD and SPC, but the SPC has supervisory responsibility.

Although the constitution provides for independent judges and lay assessors (who lack administrative training), the U.S. Department of State maintains that Vietnam lacks an independent judiciary, in part because the Vietnamese Communist Party (VCP) selects judges and vets them for political reliability. Moreover, the party seeks to influence the outcome of cases involving perceived threats to the state or the party's dominant position. In an effort to increase judicial independence, the government transferred local courts from the Ministry of Justice to the SPC in September 2002. However, the Department of State saw no evidence that the move actually achieved the stated goal. Vietnam 's judiciary is also hampered by a shortage of lawyers and rudimentary trial procedures. The death penalty is often imposed in cases of corruption and drug trafficking.

Electoral System: Vietnam has universal suffrage at age 18. Elections for the National Assembly are scheduled every five years. The last election was held on May 19, 2002 . The next election is scheduled in 2007. In addition, elections to the people's councils (local assemblies) were last held in April 2004. Although candidates are carefully vetted, about 25 percent of those elected were not members of the Vietnamese Communist Party (VCP). By a law enacted in 2003, each district has at least two more candidates than the number of elected positions.

Politics/Political Parties: Vietnam is a one-party state. The Vietnamese Communist Party (VCP) has a monopoly on power.

Mass Media: Vietnam 's mass media are supervised by the Ministry of Culture and Information and communicate officially approved information. The government has shut down noncompliant newspapers. Only senior officials are permitted access to foreign television via satellite. Given Vietnam 's close supervision of official media outlets, dissidents have sought to disseminate their views via the Internet, leading the government to impose restrictions on Internet use and access. The regime controls Internet access via Vietnam 's sole gateway, Vietnam Data Communications. In 2002 the Ministry of Culture and Information began to block access to Internet Web sites it considers "subversive," such as the BBC's Vietnamese language Web site. Also in 2002, the government sent a warning by jailing activists for publishing critical commentaries on

the Internet. Altogether, Reporters Without Borders documented seven cases of dissidents being imprisoned or detained for illicit Internet use. The government also has tightened controls over cybercafés. In 2004 the government reprimanded 65 cybercafé owners for violating restrictions on Internet access, including the viewing of pornography.

Foreign Relations: During its incursion into Cambodia in 1978–89, Vietnam was isolated internationally. However, soon after the conflict was resolved in the Paris Agreement on Cambodia in October 1991, Vietnam established or reestablished diplomatic and economic relations with most of Western Europe , China , and other East Asian countries. Vietnam joined the Association of Southeast Asian Nations (ASEAN) in 1995 and the Asia-Pacific Economic Cooperation forum (APEC) in 1998. Vietnam ’s foreign policy is aimed at developing good relations with a diversified mix of nations.

In February 1994, the United States lifted its economic embargo against Vietnam , and in June 1995 the United States and Vietnam normalized relations. However, these relations remain somewhat volatile. Full implementation of a bilateral trade agreement, which came into effect in December 2001, is being held up by a dispute over catfish exports. In July 2003, the International Trade Commission decided in favor of the United States in the catfish dispute. Vietnam ’s government is also upset with a bill introduced in the U.S. Congress in July 2004 to link non-humanitarian aid to Vietnam ’s human rights record.

Ideological affinities are driving improved relations with China , and trade between the nations soared more than fortyfold during the 1990s to reach US$3 billion in 2002. But despite improved relations, Vietnam remains suspicious of China ’s intentions. In January 2000, China and Vietnam signed a treaty defining a common land border. However, the countries both claim sovereignty over the Spratly and Paracel Islands in the South China Sea , and this dispute is a potential source of renewed tension.

Vietnam enjoys a good political and economic relationship with Japan . At a meeting in Hanoi in July 2004, foreign ministers from the two nations pledged to strengthen the partnership. Already a major trading partner and investor, Japan promised to boost direct investment in Vietnam . Japan also offered support for Vietnam ’s bid to join the World Trade Organization (WTO).

Russia ’s predecessor state, the Soviet Union , was a longstanding ally and a major investor. Following the break-up of the Soviet Union , Russia reduced its investments in Vietnam . Trade also suffered as a result of a dispute over the large debt that Vietnam owed the Soviet Union . This debt has been restructured to Vietnam ’s benefit so that Vietnam now must repay only 15 percent, with payments stretched over two decades. Part of the debt is repayable in commodities such as rice and coffee.

Membership in International Organizations: Vietnam is a member of the Asian Development Bank, the Asia-Pacific Economic Cooperation forum, the International Monetary Fund, the United Nations, and the World Health Organization. Reflecting Vietnam ’s recognition of its place in the global economy, in 1995 Vietnam joined the Association of Southeast Asian Nations (ASEAN). Now an observer at the World Trade Organization (WTO), Vietnam hopes to become a full member of the WTO in 2005, but opinions diverge about whether accession will be possible on schedule.

Other memberships include the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific, Food and Agriculture Organization of the United Nations, International Atomic Energy Agency, International Bank for Reconstruction and Development (World Bank), International Civil Aviation Organization, International Development Association, International Fund for Agricultural Development, International Finance Corporation, International Federation of Red Cross and Red Crescent Societies, International Labour Organization, International Maritime Organization, Interpol, International Olympic Committee, International Telecommunication Union, Nonaligned Movement, Organisation for the Prohibition of Chemical Weapons, United Nations Conference on Trade and Development, United Nations Educational, Scientific, and Cultural Organization, United Nations Industrial Development Organization, World Confederation of Labor, World Customs Organization, World Federation of Trade Unions, and World Intellectual Property Organization.

Major International Treaties: With the United States , Vietnam reached the following agreements: Normalization of Relations (1995), Bilateral Trade (2001), and Counternarcotics, Civil Aviation, and Textiles (2003). With China , Vietnam reached a Land Border Agreement (1999), an Agreement on Borders in the Gulf of Tonkin (2000), and a Declaration on the Conduct of Parties in the South China Sea (2002). With Russia, Vietnam agreed to a Strategic Partnership (2001).

Aside from these bilateral agreements, Vietnam is a signatory to numerous international agreements on civil aviation, counterterrorism, diplomatic immunity, the environment, nonproliferation, and war crimes. Notable agreements include the following, organized by subject. *Civil Aviation:* Vietnam is a signatory to various agreements to protect civil aviation from hijackings, including the Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving Civil Aviation (1989). *Counterterrorism and Non-Proliferation of Weapons of Mass Destruction:* Vietnam has signed the Treaty on the Non-Proliferation of Nuclear Weapons (1970), Treaty on the Prohibition of the Emplacement of Nuclear Weapons and other Weapons of Mass Destruction on the Seabed and the Ocean Floor and in the Subsoil Thereof (1972), Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1975), Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Methods of Warfare (1975), Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1997), and International Convention for the Suppression of Terrorist Bombings (2001). *Diplomatic Immunity:* Vietnam is a signatory to the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, Including Diplomatic Agents (1977) and the Convention on Privileges and Immunities of the United Nations (1970). *Environmental Protection:* Vietnam has signed the Convention on the Prohibition of Military or any other Hostile Use of Environmental Modification Techniques (1978), Convention on Early Notification of a Nuclear Accident (1986), Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency (1987), Convention for Protection of the Ozone Layer (1988), Montreal Protocol on Substances that Deplete the Ozone Layer (1989), and United Nations Framework Convention on Climate Change (1994). *War Crimes:* Vietnam is a signatory to the Geneva Conventions for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field, Relative to the Treatment of Prisoners of War, and the Protection of Civilian Persons at a Time of War

(1950), and the Convention on the Prevention and Punishment of the Crime of Genocide (1951).

NATIONAL SECURITY

Armed Forces Overview: Since Vietnam fought against the Khmer Rouge regime in Cambodia in 1978–89, it has demobilized about 500,000 troops and cut military spending. Still, Vietnam has one of the region's largest and most powerful militaries. Furthermore, the People's Army of Vietnam remains politically influential, and many senior officers have obtained leadership positions in the Central Committee and Politburo of the Vietnamese Communist Party (VCP). The military's prestige stems from its formidable track record against such major world military powers as France , the United States , and China and its deep roots in society.

Foreign Military Relations: Vietnam cooperates militarily with India and China . Vietnam advises India on how to combat guerrilla warfare. India helps maintain Vietnam 's MiG fighter planes and helps Vietnam manufacture small- and medium-sized weapons. In 2001 Vietnam bolstered its military cooperation with China . Russia has reduced its military presence in Vietnam since it abandoned control over the Camh Ranh Bay Naval Base in 2001 because it could not afford the expense.

External Threat: Despite having fought a border war with China in 1979, Vietnam does not face an identifiable military enemy. However, sovereignty over the Spratly and Paracel Islands in the South China Sea remains in dispute with China and several other nations. In addition, Cambodia and Laos have protested incursions by Vietnamese squatters.

Defense Budget: In 2003 Vietnam 's defense budget was estimated at US$2.3 billion.

Major Military Units: Vietnam 's active-duty military consists of a 412,000-member army, a 42,000-member navy, a 30,000-member air and air defense force, and a 40,000-member paramilitary border defense corps. The army, which is deployed in nine military regions (including Hanoi), consists of headquarters, 58 infantry divisions, 3 mechanized infantry divisions, 10 armored battalions, 15 independent infantry regiments, special forces and airborne brigades, 10 field artillery brigades, 8 engineering divisions, 10 to 15 economic construction divisions, and 20 independent engineering brigades. The navy, including naval infantry, is deployed in four naval regions. The People's Air Force consists of three air divisions, each with three regiments.

Major Military Equipment: The army is equipped with 1,315 main battle tanks, 620 light tanks, 100 reconnaissance vehicles, 300 armored infantry fighting vehicles, 1,380 armored personnel carriers, 2,300 towed artillery, and more than 30 self-propelled artillery. The army also has an unspecified number of combined gun/mortars, assault guns, multiple rocket launchers, mortars, surface-to-surface missiles, antitank guided

weapons, recoilless launchers, air defense guns, and surface-to-air missiles. The navy has 2 Yugo-class submarines, 6 frigates, 1 corvette, 12 missile craft, 10 torpedo craft, 19 inshore patrol combatants, 10 mine warfare ships, 6 amphibious ships, and at least 30 support craft. The People's Air Force has 189 combat aircraft (53 Su-22, 12 Su-27, and 124 MiG-21) and 26 Mi-24 armed helicopters.

Military Service: Military service is compulsory, usually for two years. In late 2001, Vietnam reinstated the requirement that women register for military service. However, barring an emergency mobilization, they are unlikely to be called up. Mandatory military service for women had been abandoned in 1975 at the end of the nation's civil war.

Paramilitary Forces: Vietnam has a 4-million to 5-million-member paramilitary reserve force, consisting of the People's Self-Defense Force and the rural People's Militia.

Police: The Ministry of Public Security controls the police, a national security investigative agency, and other units that maintain internal security.

Internal Threat: The government seeks to prevent the expression of views critical of the government and non-sanctioned religious worship. When some dissidents sought to evade official media controls by using the Internet to disseminate their views, the government responded by introducing Internet restrictions. Although dissident activity generates substantial press commentary, it does not pose a threat to the regime's stability. The Montagnard ethnic minority represents a special case. This group is seeking a return of its ancestral lands in the Central Highlands. The Montagnards, who traditionally have opposed the communist government, receive support from overseas Vietnamese, particularly the U.S.-based Montagnard Foundation. After a violent clash with demonstrators in April 2004, the government boosted its security presence in the region.

Terrorism: Following al Qaeda's attack on the United States on September 11, 2001 , Vietnam expressed sympathy for the victims and qualified support for the war on terror. Vietnam urged that any steps taken against terrorists be consistent with international cooperation within the bounds of the United Nations Charter, target the culprits, and avoid larger-scale warfare. In April 2004, the State Bank of Vietnam (SBV) issued a draft decree to combat money laundering as a source of terrorist financing. This move followed pressure from the United States , which denied requests by the Vietcombank and the Vietnam Bank for Investment and Development to set up representative offices on the grounds that they could be used to finance international terrorism.

Human Rights: In its 2003 report on Human Rights Practices, the U.S. Department of State characterized Vietnam 's human rights record as "poor" and cited the continuation of "serious abuses." According to the report, the government has imposed restrictions on freedom of speech, freedom of the press, freedom of assembly, and freedom of association. Citizens are denied the right to change their government. The government continues to hold political prisoners who have expressed views at odds with government

policy. Prison conditions are generally harsh; in fact, some prisoners are subject to beatings. Vietnam has no independent judiciary, and there is no right to a fair and speedy trial. Human rights organizations are not permitted to operate. Discrimination against women and ethnic minorities, child labor, and prostitution are serious problems.

The government is attempting to address the child labor issue. The government officially provides for freedom of religion and recognizes Buddhist, Roman Catholic, Protestant, Hoa Hao, Cao Dai, and Muslim denominations. However, non-sanctioned groups, including branches of even the recognized denominations, face harassment. Furthermore, the government insists on supervising the clergies of the sanctioned groups (by approving appointments, for example) in the interest of “national unity.”

In April 2004, 20,000 to 30,000 members of the Montagnard ethnic minority gathered to protest for the return of their ancestral lands in the Central Highlands and an end to religious repression. Human Rights Watch alleges that hundreds of demonstrators were wounded and at least 10 killed in a clash with Vietnamese officials and civilians. The Vietnamese government is concerned that the Montagnards are seeking an independent state. 20