

IN-DEPTH ANALYSIS

Vietnam: Despite human rights concerns, a promising partner for the EU in Asia

Authors: Laurence VANDEWALLE and Susana MENDONCA

ABSTRACT

The year 2015 – the 25th anniversary of the establishment of diplomatic relations between the EU and Vietnam – is likely to be a landmark one. Three years after the EU and Vietnam signed a framework agreement for a Comprehensive Partnership and Cooperation Agreement (PCA), the European Parliament has been requested to decide whether to give its consent to the agreement. Separately, the European Commission announced on 4 August 2015 that an agreement had been reached on a bilateral free trade agreement (FTA), three years after negotiations were launched. For the Socialist Republic of Vietnam, deepening relations with the EU is a priority, a way of offsetting China's strong influence while maintaining independence from the United States. Within the country, the Communist Party maintains a firm grip on the state apparatus. Media and civil society are severely restricted, and the human rights record remains poor.

This paper was requested by the European Parliament's Delegation for relations with the countries of Southeast Asia and the Association of Southeast Asian Nations (ASEAN)

English-language manuscript was completed on 14 October 2015.

Translated into FR/DE.

Printed in Belgium.

Authors: Laurence VANDEWALLE and Susana MENDONCA, with contributions from Juliette JANIN (intern)

Editorial Assistants: Martine HAMRIT and Elina STERGATOU

Feedback of all kind is welcome. Please write to the author: laurence.vandewalle@europarl.europa.eu.

To obtain copies, please send a request to: poldep-expo@europarl.europa.eu.

This paper will be published on the European Parliament's online database, '[Think tank](#)'.

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

Table of contents

1	Key issues and developments	4
2	European Parliament–Vietnam: Milestones	5
3	Political situation in Vietnam	5
3.1	Structure of the state	5
3.2	The Communist Party and the Vietnamese Fatherland Front	6
3.3	The National Assembly	9
3.4	Corruption	11
3.5	Human rights	11
3.6	Foreign policy and international relations	14
4	Economic situation	16
4.1	Trade	19
5	The European Union and Vietnam	21
5.1	Political relations and the forthcoming PCA	21
5.2	Trade relations and the forthcoming FTA	22
5.3	Human rights	24
5.4	Development and humanitarian assistance	25
5.5	Research and education	26
5.6	Outlook for the European Parliament	26
6	Vietnam: basic data and rankings	28
7	Map	29

1 Key issues and developments

- On 23 February 2015, the European Parliament was officially requested by the Council to give its consent to the draft Council decision on the Framework Agreement for the Comprehensive Partnership and Cooperation Agreement (PCA) between the EU and Vietnam. Signed by the Commission in June 2012, the PCA had been held up by legal questions; it is now scheduled for the Parliament's December 2015 plenary session. The agreement refers to human rights principles and international human rights instruments; it deepens cooperation on human rights (Article 35) and contains a clause on the 'fulfilment of obligations' (Article 57), which authorises the partners to take 'appropriate measures' if the obligations are not fulfilled. This clause means that in case of severe human rights violations, the agreement could be suspended.
- On 4 August 2015, DG Trade announced that the EU and Vietnam had reached an agreement 'in principle' for a free trade agreement (FTA), after two and a half years of intense negotiations. However this agreement 'in principle' is not equivalent to the conclusion of the negotiations, as negotiations can only be concluded when the legal text of the agreement is ready to be initialled. The FTA will cover tariffs, non tariff barriers, procurement, regulatory issues, competition, services and sustainable development. It is also likely to include an investment chapter (still under negotiation). On 26 March 2015, the EU Ombudsman recommended that the Commission carry out, without further delay, a human rights impact assessment for the agreement¹.
- Development cooperation is an important component of the relations between the two partners. For the 2014-2020 period, the EU has increased its allocation from EUR 304 million (the amount budgeted in 2007-2013) to EUR 400 million. The main objective of the 2014-2020 Multiannual Indicative Programme is to 'accompany' Vietnam's economic transition, focusing on two sectors: 1) sustainable energy and 2) governance and the rule of law. Vietnam is the European Investment Bank's top beneficiary in Asia in per capita terms.
- Vietnam remains a one-party state with no plans to introduce a multi-party democracy. Political dissidence is repressed. No major formal political developments are expected before the next congress of the Communist Party of Vietnam, in early 2016.

¹ Draft recommendation of the European Ombudsman in the inquiry into complaint 1409/2014/JN against the European Commission, 26 March 2015: <http://www.ombudsman.europa.eu/cases/draftrecommendation.faces/en/59398/html.boomark>.

2 European Parliament–Vietnam: Milestones

6 to 10 April 2015	A delegation of the EP's Committee for International Trade visited Vietnam to assess the country's readiness to conclude the free trade agreement (FTA) currently under negotiation with the EU.
14 October 2014	A meeting was held between President of the European Parliament Martin Schulz and Vietnamese Prime Minister Nguyen Tan Dung.
17 April 2014	The European Parliament adopted a resolution on the on-going negotiations for an EU-Vietnam FTA ² . While welcoming progress in the talks, Members highlighted a number of issues and called on the Commission to apply an approach based on conditionality, with the signature of the FTA dependent on concrete progress on human rights and other fundamental rights.
28 October to 1 November 2013	An interparliamentary meeting was held in Hanoi and in Hué. The discussions were dominated by three issues: the ratification of the EU-Vietnam PCA; the on-going negotiations on the EU-Vietnam free trade agreement; and the human rights situation – in particular, limitations of freedom of expression, the harsh punishments imposed on a number of internet bloggers, and the use of capital punishment.
18 April 2013	The EP adopted a resolution ³ voicing deep concerns on the freedom of expression in Vietnam and expressing disappointment with the country's conviction of journalists and bloggers and their harsh sentences. The resolution condemned on-going human rights violations, which breach Vietnam's international obligations, as well as the country's land confiscations, excessive use of force in response to public protests, arbitrary arrests and heavy sentences given to protesters.

3 Political situation in Vietnam

3.1 Structure of the state

Vietnam is ruled by a triumvirate composed of the president, the prime minister and the secretary-general of the Communist Party.

A socialist republic, Vietnam remains a one-party state. The 1992 constitution amended in 2001 and 2013 reaffirmed the central role of the Communist Party of Vietnam (CPV). Multiparty democracy remains firmly off the agenda.

The country is ruled by a triumvirate:

- The Secretary-General of the CPV is the most powerful figure within the party's Politburo. He also leads the Party's Central Military Committee.

² [European Parliament resolution of 17 April 2014 on the state of play of the EU-Vietnam Free Trade Agreement \(2013/2989\(RSP\)\)](#).

³ [European Parliament resolution of 18 April 2013 on Vietnam, in particular freedom of expression \(2013/2599\(RSP\)\)](#).

The current Secretary-General of the CPV is Nguyen Phu Trong (1944), elected by the previous 11th Party Congress in January 2011.

- The President's role remains largely ceremonial, though it has been augmented during the most recent amendment of the constitution in 2013. The President is elected by the National Assembly (NA) from among its members for a five-year term. The next presidential election is scheduled for July 2016. Truong Tan Sang (1949), the current President, is a senior figure in the CPV. He was elected by the NA in July 2011 with 97 % of votes.
- The Prime Minister leads the work of government members and presides over the meetings of the Central Government. He is appointed by the President from among members of the NA. The current Prime Minister Nguyen Tan Dung (1949) was designated in 2006 and reconfirmed to his post in 2011.

Following the 11th Party Congress, the 13th NA was convened on 22 May 2011 and formally re-appointed the Prime Minister on 26 July 2011. No major formal political developments are expected before the 12th CPV Congress in spring 2016 where important changes could take place. A new Secretary General will be elected and several members of the Politburo are scheduled to retire. After the congress, the 14th NA should be convened and appoint a new Prime Minister.

3.2 The Communist Party and the Vietnamese Fatherland Front

Around 3 % of the population belong to the Communist Party.

Ho Chi Minh founded the Communist Party of Vietnam (CPV) clandestinely in 1930 when he was in exile in Hong Kong. Today, it is estimated that around three percent of the population belongs to the party, bringing its members to 3 600 000⁴. The CPV is a Marxist-Leninist party which functions along the principles of democratic centralism. However, unlike in the Chinese Communist Party, decisions at Politburo are taken by consensus, which encourages collective decision-making. The party coordinates the state apparatus and determines the main political orientations of the government.

The 16-member Politburo is the highest organ of the Party and the real centre of power.

The 16-member Politburo is the highest organ of the Party. It is the real centre of power. The 14 first members of the 11th Politburo which is currently in place were elected in March 2011 by the Party Congress. Two more members joined the Politburo during the seventh plenum of the 11th Central Committee on 11 May 2013: Nguyen Thien Nhan (1953), the first US-educated person to join this body, and Nguyen Thi Kim Ngan (1954), the Deputy Chair of the Assembly and the second female member of the Politburo. The first-ranked female member is Tòng Thị Phóng (1954), who is also a Deputy Chair of the NA.

⁴ Based on 2011 estimations.

Figure 1:
The Politburo of the
Communist Party of
Vietnam

Name	Born	Post
Trương Tân Sang	1949	President, Chairman of the Council of Defence and Security
Phung Quang Thanh	1949	Deputy Secretary of the Central Military Commission, Minister of Defence
Nguyen Tan Dung	1949	Secretary of the Government Party Leadership Committee, Prime Minister, Deputy Chairman of the Council of Defence and Security
Nguyen Sinh Hung	1946	Secretary of the Party Caucus in the National Assembly, Chair of the National Assembly
Le Hong Anh	1949	Executive Secretary of the Secretariat of the Central Committee, Vice Chair of the Central Steering Committee on Corruption Prevention and Eradication
Le Thanh Hai	1950	Secretary of the Hồ Chí Minh City Party Committee
To Huy Rua	1947	Head of the Organisation Commission, Member of the Secretariat of the Central Committee
Nguyen Phu Trọng	1944	General Secretary of the Central Committee, Secretary of the Central Military Commission, Chair of the Central Steering Committee on Corruption Prevention and Eradication
Phạm Quang Nghị	1949	Secretary of the Hanoi Party Committee
Tran Đại Quang	1956	Secretary of the Central Public Security Party Committee Minister of Public Security
Tong Thị Phong	1954	Deputy Secretary of the Party Caucus in the National Assembly, Deputy Chair of the National Assembly
Ngo Van Dụ	1947	Chairman of the Central Commission for Inspection, Member of the Secretariat of the Central Committee, Vice Chair of the Central Steering Committee on Corruption Prevention and Eradication
Dinh The Huynh	1953	Head of the Propaganda and Education Commission, Chairman of the Central Council on Political Thought, Member of the Secretariat of the Central Committee
Nguyen Xuan Phuc	1954	Deputy Secretary of the Government Party Leadership Committee, Deputy Prime Minister
Nguyen Thiện Nhan	1953	Chair of the Central Committee of the Vietnamese Fatherland Front
Nguyen Thị Kim Ngan	1954	Member of the Secretariat of the Central Committee, Deputy Chair of the National Assembly

Source: Wikipedia

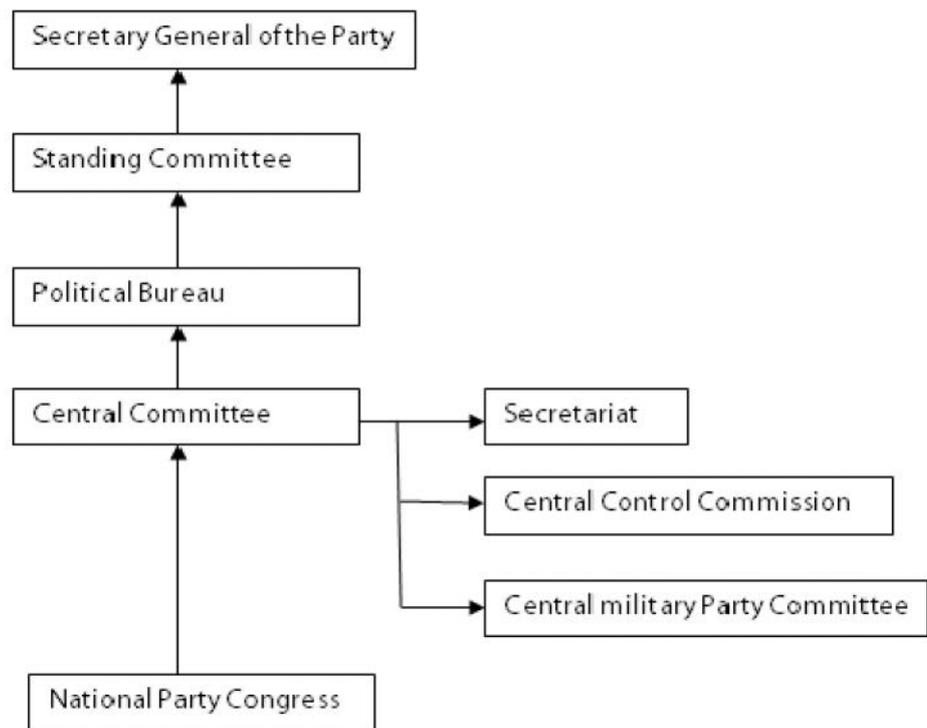
The members of the Politburo are elected and given an order of rank by the Central Committee.

The next Congress is scheduled for the spring of 2016.

The Politburo is elected and given an order of rank (or hierarchical order) by the Central Committee. The Central Committee, whose 197 members meet in plenum at least twice per year, is elected by the Party Congress, held every five years.

In spring 2016, the 12th Congress is expected to gather around 2000 delegates. Candidates for high posts are already consolidating support across the numerous local party organisations. Various geographic and ideological factions coexist within the CPV, notably the reformists, led by Prime Minister Dung, and the conservatives, led by CPV Secretary General Trong. The international context impacts the internal politics of the party; the conservative wing tends to favour closer relations to China while the reformist wing adopts more nationalist stances. Tensions in the South China Sea (see section 3.6) have probably contributed to reinforcing the position of the reformist faction. Persistent rumours point to the fact that Prime Minister Dung could therefore play an even more important role in the future.

Figure 2:
Structure of the Communist Party of Vietnam (CPV)



Source: European External Action Service (EEAS)

The Vietnamese Fatherland Front organises most 'mass organisations' and plays a crucial role in composing the electoral list.

As in other socialist countries, the population is organised through 'mass organisations' (youth organisations, woman organisations, official trade unions). The Vietnamese Fatherland Front is the main umbrella organisation gathering organisations such as the Red-Scarf Teenagers, and the Ho Chi Minh Communist Youth Union. It is described in the constitution as 'a political alliance and a voluntary union of political organisations, socio-political organisations, social organisations and individuals representing their social classes and strata, ethnicities, religions, and overseas Vietnamese'. It links the mass organisations with the party and the government, it implements social programs on behalf of the

government, and it monitors the population. One of the most interesting features of the Front is its role in selecting and endorsing election candidates. Most candidates are indeed nominated by and members of the Front. Even if a few non-party candidates are allowed to stand, their candidature is screened by the Front. Its importance in the country's political system is evidenced by the fact that the chair of the Front's Central Committee is CPV Politburo member Nguyen Thien Nhan. The Front's role is mandated by the constitution and by a specific law⁵.

3.3 The National Assembly

Vietnam has a unicameral parliament called the National Assembly (the NA, or *Quoc-Hoi* in Vietnamese), which has evolved substantially over the years.

The Assembly's president is Nguyen Sinh Hung.

The NA meets twice a year. The most recent session, the 13th legislature, took place from 20 October through 28 November 2014.

The National Assembly (NA) is the country's highest representative body. The NA is chaired by Politburo member Nguyen Sinh Hung (1946), who ranks fourth in the country's order of leadership. The NA has four Vice-Presidents. Its permanent body is the Standing Committee, which meets monthly. The 42nd and most recent session of the Standing Committee session, which took place from 12 to 17 October 2015, focussed on the implementation of the 2015 socio-economic development plan and on the 2016 socio-economic development plan; it scrutinised the implementation of the State budget, as well as the diversification of types of Government bonds.

The NA counts 500 seats, directly elected by the people from a list supervised by the CPV and by the Front. Voting is not compulsory. Members are elected for five years in individual electoral units, based on population. Seats that become vacant between general elections are filled through by elections unless the remaining parliamentary term is less than two years. In the current legislature, more than 90 % of the Members of the Assembly are members of the CPV. Women occupy 24.4 %, or 122, of the seats. The next elections to the NA will take place in May 2016.

The NA meets twice a year for a session lasting between 7 and 10 weeks. The 10th and most recent session of the 13th legislature will take place from 20 October until 28 November 2015.

The NA has ten committees: the law committee, the judicial committee, the economic committee, the finance and budget committee, the committee on science, technology and environment, the committee on foreign affairs, the committee on security and national defence, the committee on culture, education, youth and teenagers, and the committee on social affairs.

Until a 1992 constitutional amendment increased the role of the NA, it served merely to 'rubber stamp' the CPV's decisions. Since then, the NA's

⁵ Law of the Vietnam Fatherland Front, 1999, <http://www.mattran.org.vn/home/gioithieumt/luatmt/lmttqvn1.htm>.

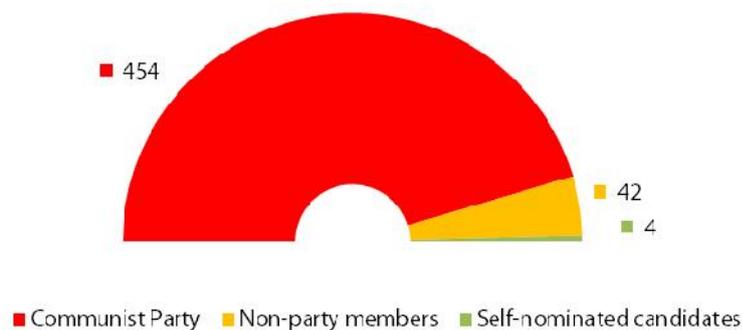
Since 1992, the NA's capacities have been gradually reinforced, and it has grown more assertive.

capacities have been gradually reinforced and it has grown more assertive⁶:

- Since 2013, the NA subjects the country's top leaders to yearly confidence votes. The President, the Prime Minister, the Cabinet Members, the Chief Justice of the Supreme People's Court, the NA president, 46 ministers and officials receive a vote of 'high confidence,' 'confidence,' or 'low confidence' by secret ballot.
- The NA amends the constitution.
- The NA holds a parliamentary 'question time' during which ministers answer questions from the Members. These hearings are broadcasted on the national television.
- The NA adopts the budget of the State and is involved in the socio-economic policy decisions.

The NA ratifies international agreements, for example recently it ratified the United Nations Convention against Torture and Other Cruel, Inhumane or Degrading Treatment or Punishment.

Figure 3:
13th National Assembly (Quoc-Hoi), as elected on 22 May 2011



Source: http://www.ipu.org/parline-e/reports/2349_E.htm

In 2013 and 2014 the NA held votes of confidence for the leaders of the country.

The vote of confidence is an important process. In 2013, nearly one third of the lawmakers expressed dissatisfaction with Prime Minister Nguyen Tan Dung. The highest number of negative votes went however to Nguyen Van Binh, Vietnam's Central Bank Governor. The Prime Minister was subsequently criticised for corruption and for poor management.

The 2014 vote provided a hint of the likely political climate at the 2016 Party Congress.

In 2014, the situation was very different. The 2014 confidence vote provided some useful indications on the political climate of the country almost one year before the 2016 Party Congress. First, the vote of confidence was postponed till 15 November. Then, Prime Minister Dung obtained a good score (64 % of the delegates gave him a high confidence vote) probably due to an improved economic context and to his outspoken comments vis-à-vis China. The governor of the Central Bank also received a high confidence vote. The highest score went however to NA deputy chairman Nguyen Thi Kim Ngan.

⁶ [Toward more effective government oversight by the National Assembly of Vietnam, Asia Foundation.](#)

3.4 Corruption

Corruption remains a major problem.

An on-going anti-corruption campaign should be seen in the context of political games and factional fights within the CPV.

Despite strong government rhetoric, corruption remains a major problem. Its damage to the economy is evidenced in a report from Vietnam's Government Office, issued in December 2012, which estimated the loss due to corruption between 1.7 % and 3.3 % of the GDP⁷. An aggravating fact is that citizens who denounce corruption and bloggers and journalists who investigate it are the target of repression⁸ by the authorities.

The entry into force of the anti-corruption law in 2005 has not improved the situation; the number of convictions carried on the basis of this law has been insignificant. According to Transparency International's 2014 Corruption Perceptions Index, the country ranked 119th of 175 countries. In 2013, the government adopted a decree compelling officials and legislators to disclose yearly their income and possessions.

In 2014 several trials against corrupt officials took place, particularly in the banking sector (a co-founder of Asia Commercial Bank was sentenced to 30 years in prison; a former executive of the Vietnam Development Bank was sentenced to death) or in the state-owned sector (the Vietnam Railways). This anti-corruption campaign is also to be seen in the context of the political games and the intensification of the fights between CPV's factions ahead of the 2016 Party Congress.

3.5 Human rights

Vietnam's human rights record is very poor.

The death penalty is applied by lethal injection.

Despite some encouraging signs regarding international commitments the human rights record of the country remains poor⁹.

The death penalty is applied in Vietnam for murder, drugs offences, treason and crimes against humanity. In 2011, a new law introduced lethal injections as means of executions, instead of shooting by firing squad. The EU then banned export of substances used for lethal injections, and the executions came to halt between January 2012 and August 2013 when Vietnam authorised the use of locally-produced chemicals. The number of people on death row is estimated to be above 650 but the exact figures of the executions are a state secret¹⁰. Additionally, many who have committed only minor crimes reportedly die in police custody due to the rampant police brutality.

⁷ Nguyen Pham Muoi, Vietnam Decrees Financial Transparency From Officials, 6 September 2013: <http://blogs.wsj.com/indonesiarealtime/2013/09/06/vietnam-decrees-financial-transparency-from-officials/>.

⁸ See, e.g. the cases of journalist Hoang Khuong who went undercover to expose police corruption and was sentenced to four years, and an ordinary citizen: http://www.transparency.org/news/feature/vietnam_citizens_against_corruption.

⁹ <http://www.hrw.org/world-report/2013/country-chapters/vietnam>.

¹⁰ Amnesty International, [Amnesty International Report 2014/15: The State of the World's Human Rights](#).

Civil society activists are harassed and prosecuted in the name of national interests.

No independent civil society organisations, political parties or trade unions are allowed. Civil society activists and bloggers face harassment, assaults, arbitrary detentions and lengthy prison sentences on the basis of the penal code stipulations of 'undermining national unity' or 'abusing the rights to democracy and freedom'. Many activists are prevented from leaving the country¹¹.

Internet censorship and media restrictions place Vietnam on the bottom of lists ranking countries according to press freedom.

Internet¹² is censored and many websites, including news portals and social media, are blocked, while users face tough penalties for expressing dissenting views. Media freedom remains severely restricted as all print and broadcast outlets are controlled by the state, while journalists risk paying compensation for defamation and fines for 'denying revolutionary advancement'. The country ranks 175 out of 180 countries in the 2015 Press Freedom Index, compiled by Reporters Without Borders.

Freedom of religion is limited due to registration requirements and harassment.

The UN Special Rapporteur for freedom of religion or belief, Heiner Bielefeld paid a long-awaited visit to the country in July 2014. He noted the 'the lack of clarity in the legal provisions that tend to give broad leeway to regulate, limit, restrict or forbid the exercise of freedom of religion or belief in the interest of 'national unity and public order'. Religious groups and individual clergy members must register with the government and obtain permits for their activities. Unregistered groups are often subject to harassment, in particular, independent Protestant home churches, Hoa Hao Buddhists, Cao Dai religion, the Unified Buddhist Church of Vietnam and Falun Gong.

Indigenous people are protected by the constitution but are discriminated against in practice.

Vietnam counts 54 officially recognised ethnic groups, representing approximately 12 % of its population, mostly living in remote mountainous areas in the central highlands and the north. Although the constitution recognises that all people have equal rights, minorities often face discrimination and do not reap the fruits of the current economic development; on the contrary, in some cases, their lands have been confiscated in name of the latter. Among these groups are the Degar (or 'Montagnard'), minorities living in the central highlands, the Hmong (who live also in Myanmar/Burma, Thailand and China where they are known as Miao). Because many Hmong fought against the Communists during the First Indochina war (1946-1954) and the Vietnam War (1954-1975), they were persecuted after the Communists took over in Vietnam and Laos. Many subsequently fled to the USA and Thailand. In 1999 and 2011, a Hmong-led protest took place in Dien Bien province, followed by a violent crackdown.

In 2015, revisions of the Law on Marriage and Family removed the ban on same-sex marriage.

In January 2015, the revisions of the Law on Marriage and Family came into force, removing the ban of same-sex marriage. This move makes Vietnam a leader in the region, although some observers argue that it is not 'politically sensitive' in the country and the main reason for it was to gain

¹¹ Human Rights Watch, World Report 2015: <http://www.hrw.org/world-report/2015>.

¹² Not as systematically as in neighbouring China, as observed by Forbes: [Vietnam Closes In On Bloggers But Keeps Websites Open](#), 16 December 2014.

more recognition in the international community.

There is only one official trade union, and illegal strikes are punished with high fines.

Independent trade unions are forbidden. The Vietnam General Conference of Labour (VGCL) is the only official trade union. Nevertheless, independent labour associations without formal status have sometimes been allowed to represent workers. Under the revised Law on Trade Unions, the establishment of unions and participation in their activities are still subject to the statutes of the VGCL. Vietnam has not ratified the International Labour Organization (ILO) Freedom of Association and Protection of the Right to Organise Convention, 1948 (No 87) nor the Right to Organise and Collective Bargaining Convention, 1949 (No 98).

Inflation and an increase in living cost have led to increasing labour unrests and strikes¹³. The enforcement of labour laws remains poor. The right to strike is subject to strict conditions. Participation in illegal strikes can be punished by the payment of compensation to employer up to three months' salary.

A residential registration system discriminates against internal migrants.

The residential registration system, which bears some similarities with the Chinese *Hukou* system, has a discriminatory impact on access by internal migrants to social services, and other rights, such as housing rights and the right to water and sanitation.

International commitments

Vietnam ratified two core UN conventions in 2014 and is a member of the UN Human Rights Council.

In 2014, Vietnam ratified the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and the UN Convention on the Rights of Persons with Disabilities. During its second Universal Periodic Review (UPR) in February 2014 the country also pledged to ratify the Rome Statute of the International Criminal Court. Vietnam accepted 80 % of the recommendations presented in the process, including on freedom of expression, civil society and the death penalty. The Prime Minister announced a master plan for the implementation of the recommendations of the UPR. Vietnam is currently a member of the UN Human Rights Council.

Vietnam a member of the Association of South East Asian Nations (ASEAN) whose objectives include promotion and protection of human rights. ASEAN Heads of State/Government adopted the ASEAN Human Rights Declaration on 18 November 2012.

¹³ Idem.

3.6 Foreign policy and international relations

The country's defence policy is based on the principles of 'three no's': no military alliances, no foreign military bases on its territory and no military reliance on other countries.

Vietnam is an active member of the Association of Southeast Asian Nations (ASEAN).

Vietnam's defence policy is based on the 'three no' principle: no military alliances, no foreign military bases on its territory and no reliance on other countries 'for defence'. This is clearly outlined in the White Book on defence issued by the Ministry of Defence in 2009. This White Book also elaborates on the country's intentions in the field of defence cooperation policy, in particular the 'desire for advancing mutual understanding and trust with other peoples and armed forces'¹⁴.

Vietnam joined the **ASEAN** in 1995. Since 2013, former Deputy Foreign Minister, Le Luong Minh has been the Secretary-General of the ASEAN and is expected to hold the post till 2018. This adds momentum to Hanoi's efforts to increase its influence in the region. The country is one of the most advanced in implementing the required legal framework ahead of the entry into force of the ASEAN Economic Community (AEC) scheduled on 31 December 2015¹⁵. Vietnam which was until mid-2015 country-coordinator for EU-ASEAN relations has consistently been a promoter of enhanced EU-ASEAN relations. Vietnam participates in the 27-member ASEAN Regional Forum (ARF), which is the forum for security dialogue in Asia.

Hanoi leads a hyperactive diplomacy in Asia to consolidate its strategic position particularly in trade and in defence. For example, the country signed a Defence Cooperation Agreement with **India** and a Strategic Partnership with **Indonesia** in July 2013. The two countries have negotiated the establishment of an Economic Exclusive Zone (EEZ)¹⁶ and have agreed to work together to reduce illegal fishing. For historic and political reasons, Vietnam enjoys excellent relations with its western neighbour, the Socialist Republic of **Laos**. On the contrary, Vietnam still has border issues over offshore islands with **Cambodia**, who remains a close ally of China. Vietnam and Japan's bilateral relationship has been developing steadily. In October 2013, the two countries agreed to promote maritime security cooperation and in 2014, they agreed on an extensive strategic partnership for peace and prosperity in Asia. **The Japanese Prime Minister** Shinzo Abe has declared his intention to enhance economic, trade and investment ties with Vietnam. Tokyo is also one of the main providers of official development assistance (ODA) to Hanoi.

¹⁴ The complete English version of the White Book can be downloaded here: Vietnam: National defence, The international relation and security, network: <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?lng=en&id=155222>.

¹⁵ Laurence VANDEWALLE, *EU-ASEAN: Challenges ahead*, 14 November 2014, European Parliament DG External Policies, Policy Department.

¹⁶ The EEZ is the maritime area extending 200 nautical miles from a country's shores over which the country has special exploration and resource exploitation rights.

Beijing remains the main challenge for Hanoi's foreign policy.

China remains the main challenge for Hanoi's foreign policy, and its only potential adversary in the region. The two countries have a border dispute over the Spratly and the Paracel Islands in the South China Sea (called the East Sea in Vietnam). The disputes involve competing claims by Brunei, Malaysia, China, the Philippines, Taiwan, and Vietnam. China has presented a 'nine-dashed line' claiming about 80 % of the South China Sea/East Sea a move officially contested by Vietnam, Malaysia, Brunei, Indonesia and the Philippines. In 2011 Vietnam's Navy conducted operations in the South China Sea, and in 2012 Vietnam adopted a 'Law of the Sea', which places those islands in Vietnamese waters¹⁷.

In 2014, the China-Vietnam relationship, managed independently from the maritime dispute, went back through a temporary positive track - until the installation by China's state-run CNOOC oil company of a giant oil rig 150 miles off the coast of Vietnam in a disputed area (near the Paracel Islands). Tensions escalated. On 4 May, a Vietnamese and a Chinese boat collided, allegedly injuring several Vietnamese sailors. Clashes continued until 26 May when a Vietnamese fishing boat was sunk. Anti-Chinese riots enflamed Vietnam and violent attacks on Chinese - owned factories around Hanoi followed. Tensions between the two countries reduced substantially in July, after China finally removed the oil rig. The two neighbours took steps to restore friendly relations. In the margin of the 2014 Asia-Pacific Economic Cooperation (APEC) summit held in Beijing, President Truong Tan Sang met with President Xi Jinping. The two heads of State agreed to resolve their maritime dispute through peaceful means. However early in 2015, as satellite images showed an expansion in China's construction of artificial islands on disputed reefs, Vietnam's concerns about its neighbour's territorial aims were revived. On 16 March 2015, Vietnam officially expressed support for the Philippines's legal submission to the Permanent Court of Arbitration in the Hague. Nguyen Phu Trong, the Secretary- General of the CPV, held a meeting with President Xi Jinping in Beijing in April 2015: both sides pledged to increase cooperation - this was the highest level political exchange between the two countries since the oil rig dispute. By the end of 2015, Xi Jinping could pay the first visit of a Chinese President to the country in ten years.

Vietnam is seeking to offset China's growing influence with intense diplomatic activity, including by creating closer ties to both the USA and the EU.

Against the background of often complex and sometimes tense relations with China, Vietnam is steadily developing its relations with the **United States**. The two former enemies concluded a comprehensive partnership agreement in 2013 and have boosted cooperation in particular in the fields of education, culture, security, and defence. On 23 July 2013, President Sang met with USA President Barack Obama in the White House, and on 30 September 2013, Prime Minister Dung visited Washington. In 2014, the

¹⁷ The Paracel islands, currently under Chinese control, are disputed between China, Vietnam and Taiwan. The Spratly islands are disputed among the same plus the Philippines, Malaysia and Brunei.

The year 2015 marks the 20th anniversary of the normalisation of Vietnam-USA relations.

USA granted an aid package of 18 million USD to 'help Vietnam improve its naval capacity'¹⁸. The United States decided in October 2014 on a partial lift of a ban on the sale of lethal weapons to the country. The year 2015 marks the 20th anniversary of stabilised Vietnam-USA relations. CPV General Secretary Trong paid an official visit to Washington from 5 to 10 July 2015 and held a meeting with President Barack Obama; the two leaders discussed the human rights situation in Vietnam and freedom of navigation in Asia. The possibility of a visit to Vietnam by President Obama, who will travel to Asia in November 2015, has been discussed but not yet confirmed.

Russia remains Vietnam's closest defence ally.

Vietnam is a strategic partner of **Russia**, who remains its strongest defence ally. Much of its military equipment still dates from the Soviet era. In April 2015, Russian Prime Minister Dimitri Medvedev started his visits to South East Asian countries in Vietnam, where he met with the country's four key leaders. He announced that a free trade agreement between the Eurasian Economic Union¹⁹ (EEU) and Vietnam could be signed in the near future - Russia hopes that such an agreement could help reaching a bloc to bloc free trade agreement between the EEU and ASEAN.

President Sang attended the military parade to commemorate the 70th anniversary of the end of World War II on 9 May 2015, and held a meeting with President of Russia Vladimir Putin who congratulated him for the 40th anniversary of the reunification of his country.

4 Economic situation

Vietnam's political and economic reforms prompted a transition towards a more open and modern market system.

Political and economic reforms called Doi Moi ('renovation' in Vietnamese), launched in 1986, have transformed Vietnam from one of the poorest countries in the world to a lower middle income country. The shift introduced market reforms and opened up the country for foreign investment. The process of accession to the WTO — launched in 1995 and finalised in 2007 — transformed the country's regulatory and economic environment, resulting in a massive inflow of foreign investment. Before the reforms, Vietnam was a full centrally planned economy, heavily dependent on agriculture. Market reforms have contributed to the industrialisation and modernisation of the economy, with a rapid shift of employment out of low productivity agriculture into higher productivity non-farm jobs. Land reforms prompted the development of individual farms, enabling farmers to expand production.

¹⁸ 'Vietnam promotes relationship with key partners', VOV5, 6 March 2015: <http://vovworld.vn/en-US/Current-Affairs/Vietnam-promotes-partnerships-with-key-partners/315871.vov>.

¹⁹ Established on 1 January 2015, the EEU is an international organisation for regional economic integration which has international legal personality. Its member states are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation.

Increasing market openness has been an important factor for the performance of Vietnam's economy. By the 2000's, Vietnam had established trade relations with around 160 countries²⁰. Exports of manufactured products and tourism became the main drivers of the economy and it became the world's second largest exporter of rice.

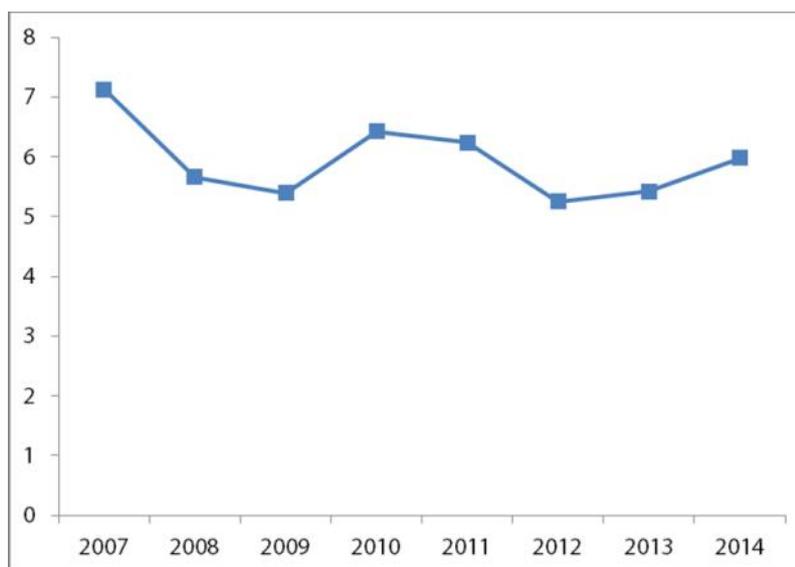
The economy has registered remarkable growth rates, although it slowed down during the global crisis.

For the last few decades, the economy has registered remarkable growth. The poverty rate dropped from 58 % in 1993 to 11.8 % in 2011²¹. Vietnam's annual GDP growth rate passed from 3 % in 1986 up to 10 % in 1995 and maintained an annual average growth of about 7 %, until 2008²².

As a result of the global crisis and falling demand in international markets, Vietnam registered an economic slowdown. During the early years of the crisis, in 2008 and 2009, the average GDP growth rate dropped to about 5.5 %. It recovered slightly, reaching 6.3 % in the period 2010-2011 but went down again to 5.2 % in 2012²³.

Although remaining below its potential, economic growth has started to recover. GDP increased 5.5 % in 2013 and is projected to grow by 6 % in 2014 and 2015²⁴.

Figure 4:
Vietnam's GDP annual growth rate



Source: *The World Bank, World Development Indicators*

Structural transformations have reduced the share of agriculture while increasing industry and services.

Economic reforms have reduced the share of agriculture in favour of industry, whose value added as percentage of GDP went from 28.9 % to 38.3 %. Vietnam has also developed a service sector, driven mainly by tourism, telecommunications and trade-related services (e.g. wholesale and retail, storage, transports).

²⁰ Multiannual indicative programme for Vietnam.

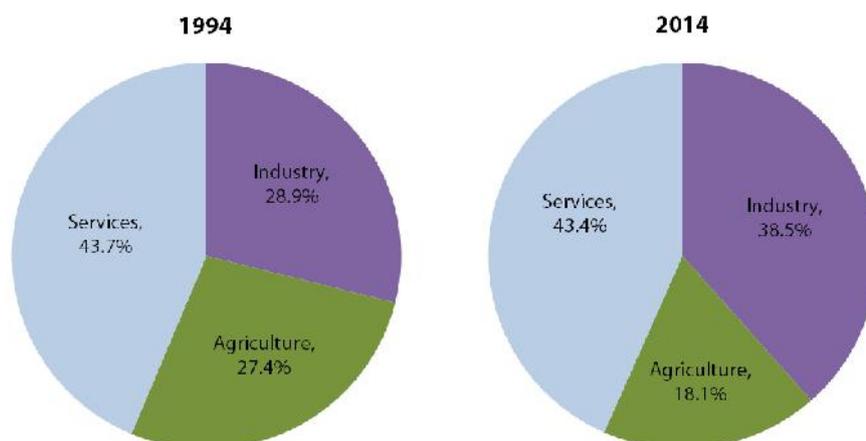
²¹ UNDP Vietnam 2014.

²² *The World Bank, Taking Stock. An update on Vietnam's recent economic developments*, December 2014.

²³ World Bank's WDI database: <http://www.worldbank.org/en/publication/global-economic-prospects/data?region=EAP>.

²⁴ Idem.

Figure 5:
Value added by sector
(% GDP)



Source: [The World Bank, World Development Indicators](#)

Vietnam aims to further develop a socialist-oriented market economy.

Moderate economic growth is likely to continue, mainly driven by exports and foreign direct investment (FDI).

Moving upwards in the value-chain is important for economic sustainability.

Vietnam's Socio-Economic Development Strategy for 2011-2020 puts a special focus on structural reforms, including macroeconomic stability, social equity and environmental stability. These objectives were developed in a five years plan covering the period 2011-2015.

The environmental degradation (pollution, over use of natural resources, threats to biodiversity, inefficient use of energy, etc.) that has accompanied capital, labour and energy intensive pattern of development is also a source of concern addressed in the five-year plan.

Although Vietnam is entering a new phase of its economic development, the country is still transitioning from a centrally controlled economy to an industrialised and modern market-based economy. Projections indicate that GDP could continue to increase at a moderate pace and the economic stability is likely to be further consolidated. Growth is expected to continue to be mainly supported by manufacturing, trade and FDI, with the trade balance back in surplus.

The high export orientation of the economy exposes Vietnam to adverse events in the global economy, particularly on demand. Exports of textiles, footwear and furniture remain the main source of foreign currency. To ensure a steady sustainability of its economy, Vietnam needs to move further from a model based on low cost labour. This requires significant improvements on skills of the Vietnamese work force and a stronger focus on innovation²⁵. Progress on restructuring SEO and the banking sector are also important challenges to secure the stability of the economy, while contributing to a better environment for the development of a domestic private sector.

²⁵ [The World Bank, Vietnam development report 2014, Skilling up Vietnam: preparing the workforce for a modern market economy.](#)

4.1 Trade

Vietnam has actively developed its trade relations worldwide.

Vietnam acceded to the World Trade Organisation in 2007.

The target date for concluding most of on-going trade negotiations is 2015.

Vietnam is part of the US-led Trans-Pacific Partnership (TPP) regional deal...

Institutional Framework

Since the launch of the 'Doi Moi' Vietnam has been active in developing trade relations and promoting the country gradual integration in the global economy. As a result the country has established a number of trade arrangements²⁶ on tariff reduction and non-tariff measures aiming at opening the market and boosting exports²⁷.

As a member of ASEAN, Vietnam has further pursued regional trade liberalisation, participating in the five free trade agreements the group has concluded with China, Republic of Korea, Japan, India, and Australia-New Zealand.

Vietnam joined the WTO in 2007, 12 years after the starting the negotiations. The significant commitments that Vietnam undertook under the WTO propelled significant regulatory and economic reforms, and served as a further incentive for trade liberalisation and inflows of foreign direct investment.

Vietnam is engaged in further trade liberalisation. It is a party to the recently-agreed Trans-Pacific Partnership Agreement (TPP)²⁸ and is negotiating bilateral trade agreements (FTAs), notably with the EU, the EEU, the Republic of Korea, the Regional Comprehensive Economic Partnership (RCEP) and the European Free Trade Association (EFTA)²⁹. For most of these agreements, 2015 has been set as the target deadline for concluding the negotiations.

Vietnam was one of the twelve Pacific Rim countries whose governments announced the broad outline of an enhanced Trans-Pacific Partnership Agreement (TPP) in November 2011³⁰. The US-led TPP regional negotiations, concluded on 4 October 2015 in Atlanta, are aimed at creating a comprehensive trade and investment agreement, enhancing regional integration and facilitating the development of production and supply chains among likeminded partners. Vietnam is also part of the negotiations of a Regional Comprehensive Economic Partnership (RCEP), a China³¹ initiative, encompassing the ten ASEAN members plus China,

²⁶ Before WTO accession, Vietnam had bilateral trade agreements based on most-favoured-nation treatment with 40 countries. WTO, August 2013.

²⁷ Main export products are agricultural products, fisheries, textiles and clothing, footwear and furniture.

²⁸ The twelve countries currently negotiating TPP are: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, The United States and Vietnam.

²⁹ [The European Free Trade Association \(EFTA\)](#) promotes free trade and economic integration between [Iceland](#), [Liechtenstein](#), [Norway](#) and [Switzerland](#).

³⁰ Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States. Canada, Japan and Mexico joined the negotiations afterward.

³¹ Vietnam's commitment to initiatives by Asian countries is further confirmed by the country participation, on 26 June 2015, in the signing ceremony of the agreement founding

... and of the China driven negotiations on the Regional Comprehensive Economic Partnership (RCEP).

Exports have performed well.

The country's principal imports are also picking up.

Japan, Korea, India, Australia and New Zealand, which are scheduled to be concluded in 2015.

On 26 June 2015, the country participated in the signing ceremony of the agreement founding the Beijing-based Asian Infrastructure Investment Bank (AIIB) of which it became a founding member.

Trade and investment³²

Exports of goods and services today represent around 80 % of Vietnam's GDP, up from 30 % in the mid-1990. Vietnam's exports performance has been strong, mainly owing to the excellent activity of foreign invested companies. Exports growth rate in 2013 was 17.2 %, significantly higher than the 8.4 % in 2010. Accordingly, the country's trade balance is expected to register a surplus in 2014.

Vietnam's main exports items are textiles, footwear, telephone sets and components, seafood, timber, rice, rubber, coffee, crude oil and coal. The main export partners are the EU (19.7 %), the US (17.6 %), China (1.8 %), Japan (9.9 %), and South Korea (5 %)³³.

Vietnam's major imports are fabrics, refined petroleum, steel, plastics, inputs for footwear and inputs for textile and garments. The main sources of imports are China (31.9 %), South Korea (13.9 %), Singapore (7.2 %), Japan (6.9 %) and Hong Kong (5 %), with the EU ranking sixth with 4.8 %.

Figure 6:
Vietnam's top five trading partners (goods), 2013

Origin of imports				Destination of exports				Trade partners			
#	Origin	€ million	%	#	Destination	€ million	%	#	Partner	€ million	balance
1	China	28 337	28.6	1	EU 28	18 657	19.2	1	China	38 504	- 18 170
2	South Korea	15 871	16.0	2	USA	18 303	18.8	2	EU 28	25 905	+ 11 409
3	Japan	8 904	9.0	3	Japan	10 468	10.8	3	USA	22 315	+ 14 291
4	EU 28	7 248	7.3	4	China	10 167	10.5	4	South Korea	20 956	- 10 786
5	Thailand	4 839	4.9	5	South Korea	5 085	5.2	5	Japan	19 372	+ 1 564
All imports:		98 922		All exports:		97 116		Balance of trade:		- 1 806	

Source: European Commission, DG Trade, *European Union, Trade in goods with Vietnam*

the Beijing-based Asian Infrastructure Investment Bank (AIIB) of which it became a founding member.

³² Information in this chapter is based on the data included in the document [European Union, Trade in goods with Vietnam](#) prepared by the European Commission DG Trade.

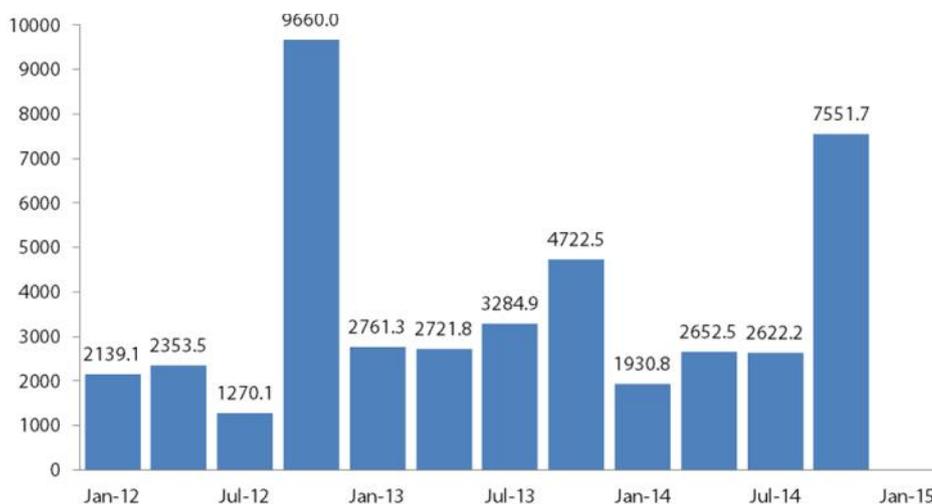
³³ Data retrieved on 14 October 2015 from the database:

<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>.

Foreign direct investment (FDI) in Vietnam has also increased.

Foreign direct investment (FDI) has also increased in 2013. It remains mainly directed to manufacturing, which represents around 22 % of total investment. Foreign invested companies account for almost 20 % of GDP, supply two thirds of merchandise exports and provides a quarter of employment in companies sector. In 2014, FDI has started to decrease but has already picked up reaching EUR 7551.7 million in the last quarter of the year.

Figure 7:
Vietnam's foreign direct investment in EUR million



Source: <http://www.tradingeconomics.com/vietnam/foreign-direct-investment> with elaboration of data by PolDep DG EXPO

5 The European Union and Vietnam

5.1 Political relations and the forthcoming PCA

The year 2015 marks the 25th anniversary of the establishment of official relations between the EU and Vietnam.

The year 2015 marks the 25th anniversary of the establishment of official relations between the EU and Vietnam. A framework cooperation agreement was signed in 1995. On 27 June 2012, the Partnership and Cooperation Agreement (PCA)³⁴ was signed. It aims at deepening the relations beyond trade and development to include areas such as environment and climate change, human rights, science and technology, transport, tourism, energy, education and culture, peace and security. The PCA refers to the human rights principles and to the international human rights instruments. It expands the cooperation on human rights (Article 35) and it comprises a clause on the implementation of obligations (Article 57) by which 'appropriate measures' could be taken in case one of the parties would not accomplish its obligations.

³⁴ Framework Agreement on Comprehensive Partnership and Cooperation between the EU and its Member States and the Socialist Republic of Vietnam, Hanoi, October 2012. http://eeas.europa.eu/delegations/vietnam/documents/eu_vietnam/pca.pdf.

Four EU Member States have yet to ratify the Partnership and Cooperation Agreement (PCA).

It is currently in the process of ratification by the EU Member States: as of 15 October 2015, 23 member states have ratified the PCA, while France, Ireland, Greece and Italy, have yet to ratified it³⁵ (note that Croatia does not ratify it but will become a party to the PCA through a different protocol). In November 2013 Vietnam informed the EU that it had completed the legal procedures necessary for the entry into force of the PCA.

On 17 February 2015 the Council requested that the European Parliament give its consent to the PCA.

On 17 February 2015 the Council requested the European Parliament to give its consent to the draft agreement. Only after the ratification by all the Member States and by the European Parliament, may the Council finally ratify the PCA - and may the PCA enter into force. The EU and Vietnam have in the meantime advanced the implementation of some strategic aspects of the PCA. In that context, both sides have already upgraded their annual Dialogue on Human Rights (see section 4.2); initiated regular political consultations at vice-ministerial level; and launched new regular consultations on security and crisis management.

5.2 Trade relations and the forthcoming FTA

The EU and Vietnam are important trading partners.

Vietnam is the EU's fifth-largest trading partner within ASEAN and the 29th in general. In 2014. The EU is Vietnam's second largest trading partner after China. The EU and Vietnam's commercial exchanges in 2013 amounted to EUR 27.1 billion. The EU has a trade deficit with Vietnam of EUR 15.5 billion. Trade has grown significantly since 2004, with a temporary decrease in 2009, following the financial crisis.

EU imports from Vietnam amounted to EUR 21.3 billion, in 2013, including machinery and transport equipment (53.6 %) manufactured articles (28.2 %), and food and live animals (11.8 %). Imports from Vietnam have increased by an average of 17 % since 2004.

EU exports to Vietnam amounted to EUR 5.8 billion and have grown by 12 % on average since 2007. These exports include machinery and transport equipment (42.42 %), chemicals and related products (18.5 %) and manufactured goods (12.6 %).

Vietnam benefits from preferential market access to the EU under the Union's Generalised Scheme of Preferences (GSP).

Vietnam trade surpluses with the EU significantly help to balance the country's trade deficits with almost all other trading partners. The EU Generalised Scheme of Preferences (GSP), in force since the beginning of 2014, has improved the trade preferences granted to key Vietnamese exports (including textiles and footwear). Currently, 53 % of imports from Vietnam enter the EU at zero duty, while the weighted average duty applied to remaining imports is around 4.2 %.

³⁵ Council of the EU, Agreements ratification details <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2011010>.

The EU is one of the largest foreign investors in Vietnam.

The EU is one of the largest foreign investors in Vietnam, with investments worth around USD 1.37 billion, representing more than 12 % of Vietnam's total committed FDI in 2013.

Negotiations on a bilateral free trade agreement (FTA) started in mid-2012.

The negotiations on the EU-Vietnam bilateral free trade agreement (FTA) were officially launched on 26 June 2012. They were preceded by a scoping exercise aimed at identifying both parties level of ambition and clarifying the scope of the agreement.

A preliminary agreement was reached on 4 August 2015, but this does not mean that negotiations have been concluded.

On 4 August 2015, DG Trade announced that 'the EU and Vietnam have reached an agreement 'in principle' for a free trade agreement (FTA), after two and a half years of intense negotiations'³⁶. However, this 'agreement in principle', reached between the EU Trade Commissioner and Vietnam Minister of Industry and Trade, does not equal to the conclusion of the FTA negotiations, a whole. This, in theory, can only take place once the final legal text of the agreement is stable, clean and ready for initialling.

Some issues still require technical solutions before they can be incorporated into the legal text.

In this case, some technical solutions are yet to be found and need to be incorporated into the legal text of the Agreement. This is notably the case as regards investment protection and investment dispute settlement. Therefore, discussions are still on-going, at the level of negotiating teams, to solve the remaining issues and finalise the legal text. According to recent information, technical negotiations (e.g. on investment protection and dispute settlement) are likely to be finalised by the end of October, which would, then, open the door for the Agreement to be concluded before the end of the year.

For the EU, the FTA is economically important as it should increase access to a fast-growing market for goods and services (e.g. food products, machinery, pharmaceuticals, fabrics, business services, banking, insurance and transport) but also create new opportunities for investment. In addition, EU companies should be allowed to bid for a majority of Vietnamese public contracts and to compete on a level playing field with State Owned Enterprises (SOEs).

Flexibility in negotiations has been crucial to strike a balance between offensive and defensive interests.

At the end of the negotiations, the right balance has to be struck between Vietnam offensive interests in trade in goods, which include sensitive sector for the EU (e.g. rice, sugar, canned tuna, surimi, footwear, textiles and clothing), and key EU interest in services and investment, government procurement, SOE and GIs, some of them sensitive for Vietnam. Another important element of the final deal concerns the treatment Vietnam will grant to products that are of offensive interest for the EU, such as cars, car parts and alcoholic beverages. This relates to the pace of tariffs dismantling (e.g. duration of the transitional period), to standards applicable for cars (NTB annex) and conditions for distribution of wines and spirits.

³⁶ European Commission: 'EU and Vietnam reach agreement on free trade deal' 4 August 2015: http://trade.ec.europa.eu/doclib/docs/2015/august/tradoc_153674.pdf.

The EU-Vietnam FTA is an important step in establishing a framework for a potential EU-ASEAN agreement.

The FTA contains a legally binding link with the PCA, which includes a human rights clause.

On 26 March 2015, the European Ombudsman stated that the Commission should carry out a human rights impact assessment without further delay.

The EU-Vietnam Agreement could become the second FTA between the EU and an ASEAN partner, after Singapore. It would constitute the first agreement concluded with a developing country in the region. The model would then be set for the other ASEAN member negotiating with the EU, including the boundaries for the maximum and minimum level of ambition. As such it is an important step in defining the framework of a future region to region covenant, which remains the EU's ultimate goal.

The FTA is not a standalone agreement. It is part of the broader EU-Vietnam relation and an important instrument for deepening the partnership between the parties. The European Commission aims for an institutional link between the FTA and the Partnership and Cooperation Agreement, which contains clauses on human rights, democracy and the rule of law. This linkage would ensure that these fundamental rights and principles are essential of EU-Vietnam relations also when it comes to trade between the parties.

In 2014, the International Federation for Human Rights and the Vietnam Committee on Human Rights filed a complaint with the European Ombudsman citing the Commission's failure to carry out studies on the impact of an EU-Vietnam free trade agreement on human rights in Vietnam - Parliament had already requested just such an impact assessment in its resolution of 17 April 2014. In its recommendation issued on 26 March 2015, the European Ombudsman stated that: 'The Commission wrongly refuses to carry out a human rights impact assessment as part of the preparations for an EU free trade agreement with Vietnam', and that 'The Commission should conduct a comprehensive and participatory human rights impact assessment'³⁷.

5.3 Human rights

The EU and Vietnam have a human rights dialogue. This was upgraded from a 'local dialogue' in 2012.

In 2012, in the framework of the PCA's advanced implementation, the EU and Vietnam reviewed the modalities of the human rights dialogue, which was upgraded from a local dialogue led by EU Heads of Mission in Hanoi to a capitals-based enhanced dialogue led by human rights experts. The fourth session of the dialogue took place in the EU on 19 January 2015³⁸. The dialogue was accompanied by a meeting with the European Parliament, and by a visit to a prison in Berlin. According to the EEAS's press release, the atmosphere of the meeting was open, even if discussions touched on difficult topics such as religious freedom, freedom of expression and of the media (including legal framework for the internet). The EU expressed concern regarding the wide-ranging application of

³⁷ European Ombudsman: 'The Commission's failure to carry out a human rights impact assessment of the envisaged EU-Vietnam free trade agreement': <http://www.ombudsman.europa.eu/en/cases/caseopened.faces/en/54682/html.bookmark>.

³⁸ EU-Vietnam human rights dialogue, press release, 19 January 2015 http://eeas.europa.eu/statements-eeas/2015/150119_06_en.htm.

national security provisions in the penal code. ASEAN Intergovernmental Commission on Human Rights (AICHR) and ASEAN Human Rights Declaration (AHRD) figured also on the agenda. The fifth dialogue meeting is scheduled to take place in late 2015 in Hanoi.

On 13 February 2015, the EU through the HR/VP's spokesperson issued a statement³⁹ to welcome Vietnam's recent ratification of the UN Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment and the UN Convention on the Rights of Persons with Disabilities.

5.4 Development and humanitarian assistance

Since 1990 the EU has provided more than EUR 650 million in grants for specific Vietnamese projects and programmes, and over EUR 600 million in loans to Vietnam.

For the 2014-2020 period, the EU has increased its allocation from EUR 304 (for the 2007-2013 period) to EUR 400 million.

Development cooperation began in 1990, with the EU's support for a programme assisting Vietnamese asylum seekers who wished to return to Vietnam. Since then, the EU has provided more than EUR 650 million in grants for specific projects and programmes and over EUR 600 million in loans.

Development cooperation support has moved from financing projects to the use of the country's own system (through the budget). The EU and its Member States are also the largest donors in Vietnam, with EUR 542 million committed for 2014 altogether. Among the European donors, the EU ranks second with EUR 174 million committed in 2014. France, Germany and Denmark are major donors. For the period 2014-2020, the EU has increased its allocation from EUR 304 (in 2007-2013) to EUR 400 million.

The main objectives of the Multiannual Indicative Programme (MIP) 2014-2020 are to accompany the country in its socio-economic transition. It focuses on two sectors, namely sustainable energy and governance and the rule of law⁴⁰. Increased allocations are also foreseen for regional cooperation with Asia for the period 2014-2020 (from EUR 70 to EUR 170 million), for which Vietnam is eligible. This includes support to ASEAN integration, trade facilitation, climate change and disaster management which are of particular interest for Vietnam.

Additionally Vietnam also remains eligible under thematic programmes and other instruments (i.e. European Instrument for Democracy and Human Rights, Global Public Goods and Challenges and Instrument for Stability), and Contributions from the ICI+ (Instrument for Cooperation with Industrialised and other high-income countries and territories), initiated since 2013.

³⁹ Statement by the spokesperson on the ratification by Vietnam of two key human rights conventions 13 February 2015: http://eeas.europa.eu/statements-eeas/2015/150213_01_en.htm.

⁴⁰ EEAS, MIP for Vietnam http://ec.europa.eu/europeaid/sites/devco/files/mip20142020-programming-vietnam-20140818_en.pdf.

Vietnam is the European Investment Bank's (EIB) leading per capita beneficiary in Asia. More than EUR 650 million in concessional loans has been agreed in the last 10 years.

The EU mainly provides humanitarian assistance to Vietnam through the Disaster Preparedness programme, DIPECHO.

The EU provides humanitarian help to Vietnam mainly through the Disaster Preparedness programme DIPECHO. It focuses on reducing the impact of typhoons, floods, flash floods and landslides for populations most at risk. In early 2014, the on-going humanitarian and DIPECHO projects in the country amounted to EUR 8.7 Million. In the period 2012-2014, ECHO provided EUR 3.77 million in humanitarian assistance to Vietnam.

5.5 Research and education

Vietnamese students and researchers are entitled to participate in the Erasmus+ and H2020 programmes.

Vietnam was a participant in the education exchange programme Erasmus Mundus 2004-2013. During that period, 79 masters' students, 15 doctorate candidates and 14 scholars (2004-2011) received grants to study in the EU⁴¹. The country is also participating in the follow up program, Erasmus+, which was launched in 2014 and replaces Erasmus Mundus.

A Jean Monnet Module (a short teaching programme in the field of EU studies at a higher education institution) was assigned in 2010 to the University of Social Sciences and Humanities of Hanoi, coordinated by Professor Quang Minh Pham.

Applicants from Vietnam are automatically eligible for funding under the research and innovation funding program Horizon 2020 (2014 -2020). This includes the Marie Skłodowska-Curie actions, which support the mobility of researchers. During the previous EU research and innovation programme (the seventh Framework Programme, 2007-2014), 90 Vietnamese researchers have been funded through the Marie Skłodowska-Curie Actions⁴².

5.6 Outlook for the European Parliament

Vietnam is a key partner for the EU in Asia.

Despite obvious differences in their political systems, the EU and Vietnam increasingly share mutual interests. This is underscored by the conclusion of a Partnership and Cooperation Agreement and by the negotiations for a free trade agreement (FTA). Vietnam, often called 'the EU's best friend in ASEAN', is a promising partner. For its part, the country hopes to enhance its relations with the EU in order to offset China's strong influence while also maintaining sufficient independence from the USA.

⁴¹ Erasmus Mundus Statistics

http://eacea.ec.europa.eu/erasmus_mundus/results_compendia/statistics_en.php.

⁴² FP7 Marie Curie Actions, Country Fact sheet Vietnam 7 November 2014:

http://ec.europa.eu/research/mariecurieactions/documents/funded-projects/statistics/non-eu/marie-curie-actions-country-fiche-vn_en.pdf.

Given the Parliament's scrutiny role, it should pay particular attention to the debates around the ratification of the PCA.

Parliamentary scrutiny may focus on bilateral relations in the fields of development cooperation, trade and human rights.

In light of the increased scrutiny role of the European Parliament, Members may want to pay specific attention to the following issues:

- The EU-Vietnam Partnership and Cooperation Agreement. On 23 February 2015, the Council requested that the Parliament give its consent to the agreement. As of 15 October, the item is expected to be discussed at the plenary session in December 2015.
- The last stretch of negotiations on the EU-Vietnam FTA. Following a telephone conversation between EU Trade Commissioner Cecilia Malmström and Vietnamese Minister of Industry and Trade Vu Huy Hoang, the Commission stated that an agreement had been reached on 4 August 2015. However, only after the text is finalised can the Council formally send it to the European Parliament. The European Parliament will then consider whether or not to consent to the agreement. MEPs may also wish to consider the Commission's response to the European Ombudsman's recommendation to proceed with a human rights impact assessment.
- The developments of human rights in Vietnam. The Parliament may examine the bilateral human rights dialogue and the funds allocated through the European Instrument for Democracy and Human Rights (EIDHR). Former resolutions adopted by the European Parliament have drawn attention to the country's application of capital punishment, religious freedom, freedom of expression, and the situation of dissidents.
- The implementation of the European Commission's development aid programmes for Vietnam during the 2014-2020 financial period. The Commission's programme for Vietnam focuses on sustainable energy and governance and the rule of law. The budget for 2014-2020 is EUR 400 million, an increased from the EUR 304 budgeted for 2007-2013.

6 Vietnam: basic data and rankings

People and geography			
Population	90.73 million	2014	Source: The World Bank
Capital city	Hanoi (3.47 million)	2011	Source: UN
Total land area	330 972 km ²		Source: UN
Religion	Buddhist	9.3 %	Source: UN (1999 census)
	Catholic	6.7 %	
	Hoa Hao	1.5 %	
	Cao Dai	1.1 %	
	Protestant	0.5 %	
	Muslim	0.1 %	
	None	80.8 %	
Ethnicity	Kinh (Viet)	85.7 %	Source: UN (2009 census)
	Tay	1.9 %	
	Thai	1.8 %	
	Muong	1.5 %	
	Khmer	1.5 %	
	Hmong	1.2 %	
	Nung	1.1 %	
	Hoa	1.0 %	
	Others	4.3 %	
Language	Vietnamese		Source: UNDP
Life expectancy at birth	80 (female) 71 (male)	2013	Source: The World Bank
Literacy rate	93.4 %	2011	Source: UN (WHO data)
Rankings			
Human Development Index	'Medium' 121 / 187		United Nations Development Programme, Human Development Report 2014
Press freedom	175 / 180		Reporters Without Borders, 2015 World Press Freedom Index
Freedom in the World	'Not free': political score: 7/7 civil score: 5/7		Freedom House, Freedom in the world, 2015 (1 represents the most free and 7 the least.)
Ease of doing business Index	78 / 189		World Bank Group, Ease of Doing Business in Vietnam, 2015
Corruption Perceptions Index	119 / 175		Transparency International, 2014 Corruption Perceptions Index

7 Map

GREATER MEKONG SUBREGION



Map No. 4112 Rev. 2 UNITED NATIONS
January 2004

Department of Peacekeeping Operations
Cartographic Section

Source: United Nations