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Report of the AIAV Study Tour to Vietnam: 7-21 April 2011

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INTRODUCTION

26 members of the AIIA (which included members from Victoria, NSW and Western Australia) participated in a study tour to Vietnam from 7–21 April 2011 organised by the AIIAV (Australian Institute of International Affairs Victoria).

Vietnam was chosen because it is a fast-growing and rapidly changing country of considerable importance to Australia. The itinerary exposed members of the group to a variety of locations including Vietnam's capital city (Hanoi), its largest city and commercial hub (Ho Chi Minh City), the former imperial capital (Hue), an area of sublime natural beauty (Halong Bay) an historic trading port and tourist site (Hoi An), an agricultural centre and former French hill station in the highlands to the north west of Ho Chi Minh City (Da Lat) and the Mekong Delta, the rice bowl of Vietnam. The itinerary was also chosen to show something of the physical and cultural differences of Vietnam and the challenges its geography poses to its development and the effects it has had on its history.

The group had discussion with academics, business people, economists, diplomats, lawyers, public servants, and ordinary Vietnamese. Travelling around the country we were able to observe the rapid development taking place in different regions and get a sense of how life is lived by Vietnamese in the cities and the countryside.

The following report includes input from a number of members (particular thanks to Joy Selby Smith for her assistance with the economic section) but it does not pretend to be a consensus document. I expect that tour participants will have different perspectives on what they saw and heard and I hope they will discuss these at our report night on Wednesday 1 June 2011 when they will share their impressions and experiences with AIIAV members. Above all, this report is not an official document of the AIIA or any of its branches nor does its publication carry with it any endorsement by the Institute of its contents.

We are grateful to a number of people in Vietnam for their advice in planning the trip and in making their time available to assist us come to a better understanding of contemporary Vietnam. I would like to mention specially HE Mr Allaster Cox, the Australian Ambassador to Vietnam, and Mr Graeme Swift, the Australian Consul-General in Ho Chi Minh City.

Sincere thanks are also due to the group members for their collaborative and cooperative approach, their interest and their contributions to our discussions.

I would like to thank particularly Zara Kimpton, Deputy Tour leader, whose organisational skills and wise counsel were invaluable in the development and execution of the program.

Leslie Rowe
Tour Leader

VIETNAM : POLITICS AND GOVERNMENT

Vietnam has undergone profound political, social and economic transformation since the doldrum years following the ending of the Vietnam War in 1975. By almost any measure the Vietnamese are better off than previously. Over the last twenty years the Government has presided over a period of rocketing economic development and embarked upon a process of more substantive engagement with the international community.

Vietnam is one of the few remaining communist states in the world – along with China, Laos, Cuba, and the Democratic Republic of Korea - and the Communist Party is the only legal political party (albeit one which presides over “a socialist-oriented market economy”). The Party will have to continue to steer a course that enables the country to make money while meeting the challenges posed by volatile external developments.

Although it is a one-party state, Vietnam is not a dictatorship. Its leadership is not monolithic handing out immutable policies on tablets of stone. There is no Honnecker, Ceausescu or Kim Jong Il holding the reins of power. There is, however, little prospect of any successful challenge being mounted to the dominant role of the Party [nor does there appear to be any strong wish for such challenge].

The government keeps close tabs on the activities of its citizenry through the party organization at all levels and through the powerful security services. There is less of a visible police presence on the streets of Vietnamese cities than perhaps we expected.

THE NATURE OF THE STATE

The formal structures of the Party are quite complex and involve an element of grassroots participation. The Party organisation is well explained in this extract from “Vietnam Rethinking the State” by Martin Gainsborough (Zed Books London and New York) :

“Vietnam is a one-party state headed by the Communist Party of Vietnam (CPV). The National Party Congress is the highest body of the CPV and meets every five years. The Party Congress elects the Central Committee, the party organization in which political power is formally vested and which meets in plenary sessions at least twice a year. The Central Committee elects the Politburo and the general secretary of the Party. Between plenums the Politburo runs party affairs. The general secretary of the CPV, the president, the prime minister and the chairman of the National Assembly in Vietnam’s parliament, are all members of the Politburo. Formally speaking, the CPV sets policy direction, which the government implements, although the reality is far more complex. The government consists of the prime minister, three deputy prime ministers, ministers, and heads of organizations of ministerial rank. The government is accountable to the National Assembly and reports both to the National Assembly and to the president. The National Assembly is the highest-ranking organization of the state and the only body with constitutional and legislative powers. Members of the National Assembly are elected through national elections held every five years. In terms of sub-national government, People’s Councils are elected at the provincial, district and commune levels. The People’s Council is the highest state institution at the sub-national level, responsible to the electorate at each level and the National Assembly at the national level. People’s Councils elect People’s Committees to serve as the executive institution at the local level, although historically the People’s Councils have been weak.”

Our visit took place between the holding of the 11th National Party Congress of the CPV from 12 -19 January 2011 and the elections for the National Assembly scheduled for 22 May. There were

political posters in evidence throughout the towns we visited exhorting people to vote in the elections. Although there is only one Party to vote for, there is a choice of individual candidates.

The elections for the Central Committee and the Politburo delivered a steady-as-she-goes outcome and there was little evidence of generational change upon which there had been some speculation prior to the Congress. There was some turnover of membership; 58% of the incumbents were re-elected whereas 42% were new members. Ten ministers were not re-elected (including the Foreign Minister Pham Gia Khiem) and 12 were. The 14 members of the Politburo include the outgoing Prime Minister who was re-elected (Nguyen Tan Dung), the Party Secretary General Nguyen Phu Trong and the State President Truong Tan Sang, the Party Secretaries for Hanoi and HCMC, the Minister and Deputy Minister for Public Security, the Minister for Defence and a number of party functionaries. There is increased representation from the armed forces in both the CPV and the politburo.

We were told that, although the party secretary's is formally the most important position in the hierarchy, in recent years the power of the prime minister has been increasing.

While opting for continuity overall the Central Committee, which is charged with setting the broad outlines of government policy and overseeing its implementation, acknowledged that Vietnam is facing serious threats from inflation (14 % in April), and macroeconomic instability. Following the congress and the Tet lunar New Year holidays, the Government announced a range of measures to dampen demand and to increase prices on a range of basic commodities.

In order to ensure regime stability and survival the party requires continuing economic development (and the creation of one million new jobs a year) to maintain its hold on a population becoming younger, more educated and more urbanized and in which there are increasing disparities in income. Meeting these objectives presents challenges and contradictions including in the way in which dissent is handled, the role of the state in the economy - and particularly the role of the state-owned enterprises (SOEs) - and the degree to which state control should be adjusted in the political and social spheres.

Increasing market orientation and a greater degree of openness lead to the increased complexity that comes with expansion and growth. There are now many more actors/economic agents in the economy. The challenge for the leadership will be to determine whether to try to keep its finger on every button or whether to focus on areas requiring structural reforms and re-assessing areas where it would be easier to let market forces direct resources and bear the risks.

None of those with whom we spoke gave the impression that the Party faces any serious challenges to its survival in the foreseeable future. While there may be pockets of discontent and opposition to the government over issues such as compulsory land acquisition or the treatment of dissent, this is not widespread or likely to crystallize into any concerted threat to the regime. Should the economy experience serious problems this could lead to more opposition.

Why is there so little pressure for fundamental change to the political system? This is probably explained by the hold of the party but also by its success in providing marked improvements in living standards (notwithstanding the distance yet to travel) and its historical association with military victory and national unity. Also relevant is the Vietnamese adherence to Confucian principles with their respect for authority.

Those who see Vietnam set on an inevitable path to multi-party democracy are likely to be disappointed in at least the short and medium terms. The most interesting issue is likely to be how far the regime can mutate to expand the space for greater economic and social change and the

acceptance of enhanced civil and political rights. Confucian respect for authority has its limits, as China's history demonstrates.

There is much to be done in Vietnam in developing a culture of Government accountability and judicial independence and transparency. There is a high degree of Government control of the media and some issues such as criticism of the Party and the leadership are definitely off-limits. Other issues are raised in the media with the prospect that they will be addressed and there appears to be vigorous debate at all levels within the Party on policy and administrative issues.

Membership of the Communist Party itself is carefully controlled and is a necessary means of self-advancement in government employment. Many of those joining through the universities are urban and well educated (whereas traditionally the party drew heavily on rural workers to build the core of the party) and this points to new dynamics occurring in the party in future.

It is interesting that it is not necessary to be a member of the Party to be a member of the National Assembly though non-party candidates still have to be vetted and given a seal of approval.

HUMAN RIGHTS

Formally the Vietnamese constitution provides strong support for human rights - it was amended in 1991 to enshrine the protection of political, civil, economic and cultural rights - but adherence to these principles is patchy.

Vietnam regularly comes under fire from human rights organizations such as Human Rights Watch and Amnesty over its human rights record focusing on such issues as treatment of dissidents, restrictions on free association and individual liberty, restrictions on press and religious freedom, conditions in prisons and the use of torture. As noted above the media is a highly controlled by the Government and some issues such as criticism of the Party and the leadership are definitely off-limits. The Government's approach is to come down hard and early to avoid confronting large numbers of protesters.

Officially the Government recognises Buddhism, Catholicism, Protestantism, Bao Dai and Islam and religion co-exists with the state. There are, however, limits on the ability of religious organisations to engage in activities of a social or political nature that could challenge the authority of the state. This is especially true of relations with the Catholic Church that are circumscribed by the refusal of the Vietnamese Government to recognize the Vatican's authority in Vietnam.

There is a strong State security establishment which maintains surveillance over the community. It has records on people who were supporters of the old regime or opponents of the communist party. We were told by people who were excluded from government employment or advancement on the grounds of their families' support for the former South Vietnamese government, that this process will continue for three generations. This highly discriminatory behaviour may change over time but our interlocutors were not holding their breath.

Discrimination can also affect those whose religious beliefs put them at odds with the state affecting for example their employment prospects.

Australia, along with a number of other western countries, has an annual human rights dialogue with Vietnam where there is vigorous discussion of human rights issues (in both countries). One of our interlocutors made the point that these dialogues are useful to the Vietnamese who are looking for ways of governing in an extremely complex world within the framework of a one party state.

THE ECONOMY

Vietnam has made stellar progress since beginning the official process of economic renewal in the late 1980s (doi moi) following decisions of the Part congress in 1986.

Vietnam's progress has been such that it is now linked together with a group of rapidly developing countries known as the CIVETS (Colombia, India, Vietnam, Egypt, Turkey and south Africa). This group ranks below the BRICs (Brazil, Russia, India and China). Vietnam's growth rate is of course taking place off a low base.

Prior to doi moi, one of the key pillars of a socialist state – the collectivization of agriculture – had been relaxed to allow private farming and trading. This expanded into the industrial economy and set the scene for the further reforms that culminated in Vietnam's admission to the WTO in 2007.

In 1990 50% of the population was classified as 'living in poverty' with a per capita GDP of between \$US200 - \$300. In 2011 only 10% of the population is similarly classified and the average GDP per capita is \$US1100. Vietnam has achieved most of the UN's Millennium Goals early and has progressed from being a least developed country to joining the group of developing countries.

There are extreme economic and cultural differences within the society between North and South; urban and rural; young and old; and rich and poor.

In terms of income distribution the top 1.5 % of the population have an income of \$US40,000+ pa; the 9.5% considered affluent have an income between \$6000 and \$40,000; the 15% who are middle income earners have an income between \$1800 and \$6000 and the 63% at the lowest end of the scale have incomes below \$1800.

In this period agriculture has boomed and Vietnam is now the second largest exporter of rice in the world (having been an importer in the 70s and 80s). It is now also the world's second largest exporter of coffee. This has happened at a time when agriculture has declined markedly as a percentage of GDP (though some 70% of the population is engaged in primary production) as manufacturing and service industries are rising.

State Owned Enterprises (SOEs) were the backbone of the Vietnamese economy from the founding of the state and after reunification. While private companies have developed over the last twenty years the SOEs still have a very powerful role in the economy, having commanding roles in energy production and distribution, petroleum, shipbuilding and the banking and finance sector. In relation to the latter, SOEs own some of the country's largest banks (though there are also some large private banks) and some ¾ of Vietnam's finance companies. The sector is now decentralised and that this is causing regulatory and other problems. The SOEs are a major source of government revenue in a country with a weak tax base.

Unlike in China the SOEs are monopoly operators in their respective sectors (with the exception of banking and finance).

The State continues to have a high degree of control over the economy through the SOEs directly and through joint ventures as well as through linkages between individuals occupying state positions and many of the new private businesses and conglomerates.

In recent years most of the SOEs have spun off subsidiary companies – some in very considerable numbers – which have relatively low levels of prudential supervision. Through the hiving off of state-owned assets into these new companies and the allocation of shareholdings to employees of the SOEs, and to others in government, they have proved a conduit for corruption.

The general view is that the majority of SOEs do not perform well, and make heavy demands on the financial sector and investment. The Vinashin default in 2010 (which brought Vietnam's leading shipbuilder to its knees – and caused a scandal in parliament) has drawn negative attention to the SOEs and the recently announced reform measures include measures to improve the performance of the sector.

The population of Vietnam in 2009 was 86 million of whom 35.9% were aged between 0-19; 31.7% between 20-39; 24.2% between 40-59; and 8.2% aged above 60. Increasing population and the high proportion of young people have placed great strain on all forms of infrastructure –health, education and training, urban development, food production and the environment.

Vietnamese educational levels have grown significantly over the last twenty years and the literacy rate, at over 90% is now one of the highest in Asia. Yet there are serious shortages of skilled workers to meet the demands of the economy and for more resources to be directed to the vocational training sector.

Young Vietnamese are tech savvy – and Vietnam is one of the fastest growing IT markets in the world.

VIETNAM: MACROECONOMIC OUTLOOK

In recent decades policy makers have had to deal with the tension between promoting economic growth and fighting inflation. Until now growth has invariably taken precedence. During the recent global financial crisis the Vietnamese leadership used fiscal and monetary policies to keep the domestic economy on track as exports declined. But slowness to wind back these policies resulted in a growing rate of inflation, a high trade deficit, a high budget deficit, a weakening currency and a low level of international reserves.

To overcome these problems the Government announced a series of measures in February following on the party congress (Resolution 11). With these measures it put its emphasis firmly on reining in inflation. In a recent address to the Asian Development Bank, the Minister for Planning and Investment lowered the government's estimates of GDP growth from the officially sanctioned figure of 7-7.5% to 6.5%. The government's counter-inflationary targets represent a comprehensive package that will depend on the government's zeal in ensuring implementation to guarantee its success.

The package included:

- a 9.3% devaluation of the dong against the U.S. dollar (this is the single largest correction to the exchange rate following the onset of macroeconomic instability in 2007);
- centralizing gold exports, eliminating trading in gold bars, and preventing cross-border trafficking of gold - there are about 10,000 gold traders and 8 billion producers in Vietnam and as confidence in the dong has weakened there has been increasing dollarization of the economy;

- reducing the target for credit growth to 20% compared with 39% in 2009 and 30% in 2010; cutting non-salary recurrent expenditure by 10 percent and stopping approving new projects in the public sector, including in the SOEs;
- limiting banks' exposure to non-productive activities (including real estate and the security market) to 22 percent of total credit by June 30, 2011 and to 16 percent by December 31, 2011;
- accelerating the equitisation (privatisation) process and strengthening the governance of SOEs.
- measures to increase disclosure of information and policies affecting monetary management and the banking sector and the government committed itself to a more market-based mechanism for setting the prices of key commodities such as electricity, gas and fuel; and
- increased electricity tariffs by 15.3 percent, gasoline by 18 percent, diesel by 24 percent, and kerosene by 21 percent.

There are conflicting views about the timing and prospects of the measures. The World Bank for example was generally positive, but a number of our interlocutors saw them as being too little too late (though perhaps 'better late than never'). There was also concern that the timing of the measures was delayed to suit the political cycle which put them out of step with economic imperatives.

One commentator observed that the Vietnamese are good at coming together to focus on problems when their backs are against the wall but they do not sustain for long enough the level of effort necessary to address important structural problems constraining the economy. Issues here might include the education system, training and infrastructure development including in the energy sector.

Others pointed to the difficulty of controlling monetary policy effectively when so much money is outside the banking system. There are also concerns about the strength and poor regulation of non-state banks whose numbers have increased rapidly by over 40 since 2005.

Moody's was reported in the Saigon Times Daily [Thursday April 21st] to have put a negative outlook on Vietnam's B1 rating, reflecting concerns about the sustainability of the country's balance of payments 'despite the Government's macroeconomic stabilisation moves'.

OTHER ECONOMY WIDE ISSUES

Every commentator identified corruption as a major structural constraint (and the need to fight against corruption was highlighted in the report of the party congress). It was made clear that corruption is pervasive and is the oil that greases most transactions and that the scale of corruption had increased exponentially over the last 10 years.

According to World Bank figures, there was virtually no foreign direct investment prior to 1989. It had reached \$US 2.4 billion by 2006 before peaking at \$9.57 billion in 2008 and falling back in 2009 to \$7.6 billion. The view was put to us that this pull back in investment was due in part to concerns about macro instability but may also have been influenced by investors' concerns about the high levels of corruption and its effect on reducing the level of returns. It was also claimed that local investors were investing in other countries, notably the US and EU, rather than in Vietnam because of the level of corruption there.

A number of commentators pointed to problems in factor markets. Energy shortages are a major problem. They not only affect daily life; they impose significant constraints on production and output levels. Vietnam is well set up for hydroelectric power but drought has currently reduced the flow of water and hence power generation.

The lack of technical and vocational training and trades people was a concern expressed by almost all our interlocutors. The training sector is poorly developed and does not meet the needs for labour market support. We were told that 70% of the work force has never undertaken any vocational training. It is an issue that affects people across the employment spectrum. The university sector is also seen to be weak.

Many of Vietnam's exports are low value, low value-added exports and there is an urgent need to improve this in order to tackle its dangerously large balance of trade deficits (Vietnam has, for example, an 80% trade deficit with China which imports low valued imports and exports ETMs). A criticism of foreign direct investment is that a good deal of Japanese and Korean firms favour imported inputs over local goods because of concerns about quality and corruption. The dominant role of SOEs also plays into concerns about quality.

FOREIGN POLICY

The guidelines for Vietnam's foreign policy were laid down in the early 1990s in the wake of the upheavals caused by the fall of communism in Europe (including importantly the Soviet Union, Vietnam's principal backer from the 1970s) and the lessening of ties with many of the countries which had strongly supported Vietnam during its wars with the French and later with America and its allies. These called for Vietnamese foreign policy to be independent, multidirectional and diversified and involved a significant widening of horizons.

Consistent with this approach, Vietnam joined ASEAN, APEC and the WTO and served as a non-permanent member of the UN Security Council in 2008-9. It deepened its relations with Japan, Russia, India and China (with which it has regularized some outstanding land border disputes).

Relations with China are a key element in Vietnam's foreign policy reflecting the importance of China to Vietnam's economic success and its security. There is a 2000 year history of Chinese invasion and interference in Vietnam's affairs most recently the Chinese incursion into the northern provinces in retaliation for Vietnam's intervention in Cambodia of 1979 and the sporadic incursions

and skirmishing which continued for a further decade. On the Vietnamese side this history has resulted in a profound scepticism about Chinese bona fides.

Notwithstanding the resolution of differing land border disputes between the two sides there are still contested areas in the South China Sea in relation to the Spratly and Paracel Islands which could be potential flash points and where China has been particularly assertive recently. Other issues of concern domestically are Vietnam's large trade deficit with China and the extent of Chinese economic penetration of Vietnam which is an emotive issue in Vietnam. Chinese investment in a Vietnamese bauxite mine has been a running sore for the Vietnamese government.

Since normalization of relations with the United States in 2005, Vietnam has worked on the relationship both as a counterpoise to China's assertion of its strategic interests in the region and also to the economic power of the United States. At the government level there has been some progress on dealing with some residual issues left over from the Vietnam war including the consequences of agent orange and there appear few obstacles to the further development of relations. There was no apparent anti American sentiment in the community at large.

Its friendly relationship with Russia reflects the historical ties between the two countries and Russia's continuing role as a major supplier of arms to Vietnam. Vietnam is also concerned to work with Russia with which it has shared concerns about China's growing power and influence.

Vietnam has played a prominent role in ASEAN and has twice chaired it since joining. It is a key element in Vietnam's policy of regional engagement. Vietnam has sought to resolve differences with ASEAN members in the South China Sea and with the upstream Mekong states.

Vietnam also has good relations with Japan and Korea, which are strong economic partners.

Burma is a major issue on the ASEAN agenda and one on which there is disagreement within the organisation. Vietnam's view is that there is change taking place in the country and that this should be encouraged. It therefore prefers to approach the issue step by step and is confident that there will be positive change in the future. We were told at the Diplomatic Academy that in the past Vietnam had favoured sanctions and had favoured isolating the country but this hadn't worked because Burma didn't fear isolation.

THE BILATERAL RELATIONSHIP

In 1973 Australia established an embassy in Hanoi at the same time as it had an embassy in Saigon and continued to maintain the two until reunification in 1975. The establishment of the embassy in Hanoi is still widely appreciated in Government circles. Relations cooled because of Vietnam's invasion of Cambodia in 1979 and the cutting of the Australian aid programme, but revived following Vietnam's withdrawal from Cambodia.

The relationship at the political level is good and in recent years there has been a pattern of high level visits. The Vietnamese Prime Minister visited Australia in 2008 followed by the Secretary General of the Communist Party in 2009.

The Prime Minister Ms Gillard visited Vietnam in 2009 and in April 2011, during our visit, the Foreign Minister Mr Rudd visited Vietnam. The Governor-General visited in May.

Education is an important element in the relationship. Vietnamese students have studied in Australia since 1974 and there are now 25,000 studying in Australia (the largest Vietnamese overseas cohort)

and 10,000 in Australian courses in Vietnam. Concern has been expressed amongst education providers in Australia that the numbers of new enrollees has fallen sharply, as a result of changes to the rules in Australia, the high \$A, and the increasing costs in Australia vis-à-vis competitor universities.

While in HCMC we visited the RMIT University which was a revelation. RMIT is the only foreign university with the right to build campuses in Vietnam. Newly completed, it is a superb modern campus with excellent facilities. It caters to an overwhelmingly Vietnamese student body with all tuition in English provided by expatriate teachers. Students follow the same curriculum as those studying in Australia and they receive identical qualifications to those given by RMIT in Australia. All up there are some 6,500 students attending the Hanoi and HCMC campuses.

Two-way trade is around \$6 billion annually. Australia is the 5th largest export destination for Vietnam and Australia is the 13th most important source of imports into Vietnam. Australia's main imports from Vietnam are crude petroleum and foodstuffs and Australia exports wheat, copper, aluminium and ferrous metals. There is potential for growth in trade, especially in the energy sector particularly coking coal.

Vietnam's is Australia's 4th largest bilateral aid program, totalling \$A120 million in 2011, increasing to \$150 million in 5 years. The program is focused on infrastructure, education and the environment and includes a substantial scholarship program for Vietnamese to study in Australia and in Vietnam.

Australian investors in Vietnam include the ANZ bank which has a banking licence and a branch network, Bluescope Steel, Strategic Marine, Jetstar Pacific (which is 27% Australian owned with the balance owned by the Vietnamese government.), the Commonwealth Bank which has a strategic stake in a local bank and Santos. Australian architects, engineers and lawyers are also active.

Australia has a developing defence relationship with Vietnam. An important element is the provision of English language training for the People's Liberation Army and we have trained more PLA officers than any other country; there are now 1,000 alumni. Training includes high-level courses at Duntroon and ADFA. We are ready to include joint exercises but there are hurdles that have to be overcome.

At the veterans level, discussions are taking place between the RSL and Vietnam on future cooperation including Australian involvement in reconciliation events marking the 50th anniversary of Australia's engagement in the Vietnam War. Australians are visiting war sites. At the time of our visit the Consul-General in HCMC expected some 1000 Australians and New Zealanders to visit the Cross at Long Tan (one of few recognisable war sites in Vietnam) on Anzac Day.

THE OVERSEAS VIETNAMESE

There are 3.5 million Overseas Vietnamese (known as Viet Khieu) of whom half are in the US. Most of the community originated in the south. The second largest group is in France followed by Australia (approx 200,000 based largely in Sydney and Melbourne) and Canada. Significant numbers are also in the former Eastern Bloc particularly Russia and the former East Germany.

The Vietnamese government's approach to the diaspora has mellowed – it is a significant source of remittances - and it is now possible for the Overseas Vietnamese to have dual nationality and to invest in Vietnam and buy houses if they can prove their origins.

More than 50% of the Overseas Vietnamese have returned for a visit and there are usually about 200,000 visitors at Tet. Family to family links are strong.

Most travel by Vietnamese to Australia is family oriented and there is a low level of immigration.

The Vietnamese advised that opponents of the current Vietnamese government are mostly based in the US or Australia. They are small groups but they are well organised and they use the legal system to protest. The American community is quite geographically concentrated and has considerable voting power. The next generation is less hostile.

THE ENVIRONMENT

Climate Change is potentially a major issue for Vietnam. Large parts of both the Mekong and Red River deltas lie very close to sea level and any appreciable rise in sea levels would result in salinity and destruction of large areas of productive land.

As Vietnam industrialises, it will confront the issue of greenhouse gas emissions. At present policies are focused more on mitigation than prevention. Industrial pollution is also an issue as the regulations to prevent pollution are frequently overlooked.

The main form of transport in the cities is the motorcycle where they have largely replaced the bicycles of a decade ago. Vietnam will experience serious problems when people try to switch from the extremely fuel-efficient motorcycles to cars. The taxes on cars are one factor that might slow the transition. We were advised that plans to build metro systems in Saigon and Hanoi are progressing very slowly having gone little further than cutting ribbons to inaugurate projects.

We were also told of Vietnamese plans to build nuclear reactors for power generation though the recent Japanese experience might put a dampener on these.

THE VIETNAM WAR

For many Australians, particularly those of the Vietnam war generation, the war is the main element in their thinking of Vietnam. Vietnam on the other hand was in a state of war for nearly 50 years - with Japan in World War II, the colonial war with France until its defeat at Dien Bien Phu in 1954, with South Vietnam, America and its allies from the early 1960s until 1975, with Cambodia and then with China. The Vietnam war (known by the Vietnamese as the American war) had profound implications for those who lived through it, however its effects were less on display than many of us might have expected.

We came across little evidence of the war other than a few commemorative monuments and the display at the War Remnants Museum in HCMC (previously the Museum of Chinese and American War Crimes). It is relevant that approximately 65% of the current population of Vietnam were not born when the war ended in 1975. It is not uncommon to meet Vietnamese who have no idea that Australia was involved. Certainly we heard of no bitterness towards Australia as a result of our engagement and, as noted above, the Consul-General in HCMC was preparing at the time of our visit for the ANZAC commemoration at the Long Tan Cross with the cooperation of the Vietnamese authorities.

Senior members of the Vietnamese government and armed forces who were directly involved in the war may have lingering reservations over moves for closer relations with the United States or closer

military engagement with western countries. Ho Chi Minh, as the architect of Vietnam's military triumph and political reunification has a genuinely revered place in Vietnam's history.

THE TOURISM EXPERIENCE

Whereas tourists were a novelty and their itineraries were highly circumscribed at the beginning of the 1990s, tourist numbers have skyrocketed since and there are now close to 5 million annually (including increasing numbers of Australians) and tourism is a major income earner.

Our group found the experience of travel in Vietnam extremely enjoyable and interesting and, thanks to the strong Australian dollar and a weakening Vietnamese dong, extremely good value. Our accommodation for the most part, surpassed expectations. The Metropole Hotel in Hanoi, La Residence in Hue and the Ana Mandara in Da Lat were world class.

We were extremely well served by the local tourist infrastructure in each of the places we visited and found the Vietnamese friendly and helpful.

Hanoi is a beautiful city with much of the elegant French core largely intact. It has excellent museums and is a relatively easy city to get around in. We paid a visit to the Ho Chi Minh Mausoleum – perhaps the most visited site in Vietnam. We also found the new neighbourhoods on the fringes of the city extremely interesting. The area is bristling with skyscrapers housing government offices, apartments, businesses and hotels where, less than a decade ago, there were villages and rice paddies (and indeed where some still remain wedged in between the new buildings). We were told that much of this was financed by Korean, Japanese and Chinese investors.

Halong Bay, which we visited on a day trip from Hanoi, is spectacularly beautiful and we were blessed by sunny weather, which showed it to great advantage.

Hue, the centre of the Nguyen dynasty from the early 19th century until 1945 is an architectural treasure trove. We visited the imperial citadel, which suffered from fire at the end of the Second World War, and the effects of the Tet offensive in 1968 and is undergoing significant restoration with the assistance and guidance of UNESCO. We also visited the Perfumed Pagoda and the two most impressive imperial tombs.

The drive from Hue to Hoi An was via Da Nang the third city of Vietnam and a major port which was the site of a large American base during the Vietnam War. There was much infrastructure construction in Da Nang and tourist infrastructure in particular along the beachfront en route to Hoi An – golf courses, luxury condominiums and hotels.

Hoi An is a largely restored trading port which had flourished from the 17th -19th centuries rivalling Macau until its decline caused by silting of the river. It is small and charming and has become something of a tourist hub.

We next visited Da Lat in the Central Highlands North east of HCMC. Founded as a sanitarium town and hill station by the French, it is now a thriving agricultural centre exporting coffee (Vietnam is the second largest exporter of coffee in the world), fruit and vegetables and flowers for the Vietnamese and international markets. A large Dutch firm has recently begun direct export of flowers from Da Lat to Amsterdam. Its cool climate makes it a welcome change from the hotter coastal cities.

In addition to our briefings in HCMC (which is still widely referred to as Saigon) we visited a number of landmarks – the Reunification Palace (the Presidential Palace under the former South Vietnamese government which was the site of the handover of power to the North Vietnamese forces), the War Remnants Museum and the new campus of RMIT University. The War Remnants Museum is a poignant reminder of the Vietnam War. Of course, victors write history and build museums so it is not surprising that the coverage shows the atrocities of only one side yet it is hard to visit the museum without being profoundly moved.

We took a trip to the Mekong Delta on the penultimate day of our visit. It was an interesting opportunity to see the region, which is one of the rice bowls of Asia. The Delta produces three rice crops per annum. There are some problems of salinity appearing at the river mouth and long-standing concerns that plans by other riparian states to build dams will have detrimental effects on river flows and diminish downstream productivity.

CONCLUSION

Overall the trip was an extremely rewarding and enriching experience. Vietnam in recent years has emerged as one of the tiger economies. In tandem with that, it is becoming better known as more and more people visit for business and tourism.

This is not to deny the existence of a number of challenges which it must confront if it is to continue on its rapid trajectory. Amongst these are increasing income disparities – between north and south and between the cities and rural areas; the need to develop its infrastructure; corruption; deficiencies in education and training and continuing to meet the changing aspirations of its people.

Notwithstanding these, with its resources, its industrious people and its geographic location close to the Chinese powerhouse, Vietnam appears set to develop its full potential.