



## **VIET NAM-NEW ZEALAND TRACK II DIALOGUE**

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### **Viet Nam-New Zealand Relations: Economic Cooperation and Bilateral Relations in the Regional Context**

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2010 marks a number of significant anniversaries, each making its own statement about bilateral relations between New Zealand and Viet Nam. That it is the 35<sup>th</sup> anniversary of diplomatic relations is both a cause for celebration but also a time to be asking whether enough is being done to mutual advantage. It is also 35 years since New Zealand established formal links with ASEAN, and 15 since Viet Nam's own accession to this pivotal regional organisation – and both our countries see the ASEAN dimension as one thread in the bilateral relationship.

It is also nearly two years since our first dialogue, at the Diplomatic Academy in Hanoi. Some of you will recall that at the time I suggested in the spirit of diplomacy, we should establish a “never-ended working group”; and it is a particular pleasure for me, as one who pushed for this dialogue process, to be part of the host team here at my *alma mater* in Wellington. Suffice to say that the very fact of this second dialogue says a great deal about the level of confidence both countries have in the value to be gained from sharing insights on a wide range of international and regional issues and taking advantage of the Track II process to apply some rigorous attention to what might lie ahead.<sup>2</sup>

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<sup>1</sup> In keeping with the spirit of Track II dialogues, views expressed in this paper are personal to the author and not to be taken as representing New Zealand Government policy.

<sup>2</sup> Reference to this dialogue process is made in the 2009 Viet Nam-New Zealand Comprehensive Partnership agreement (para 5). Released in Wellington on 12 September 2009.

It is also just over two years since Viet Nam first took its seat for its first two-year term on the United Nations Security Council. New Zealand, for its part, is now campaigning actively for a term for which elections will be held in just over four years; and it no secret that we look to Viet Nam, not only for insights on its recent experience, but also for its support as a fellow Asia-Pacific partner in this endeavour.

This paper traces some of the recent bilateral developments, more with an eye to the challenges ahead than to past achievements - which are well documented;<sup>3</sup> touches briefly on some of its economic aspects, that will be covered in more detail in Professor Gary Hawke's paper in this session; and then addresses some of the regional context, where the picture is one of renewal and development.

### Bilateral Relations

Long as the diplomatic relations have been, it would be fair to say that the real push for a closer partnership is more recent, and post-dates the opening of resident embassies in respective capitals, in Hanoi in 1995 and here in Wellington in 2003. That, together with trade representation, made easier the flow of goods, the flow of services and the taking up of educational opportunities, not only with Vietnamese students in New Zealand, but also through the establishment of New Zealand education operations in Viet Nam.

The visit of State President Nguyen Minh Triet to New Zealand in 2007, the first by a Vietnamese Head of State in 32 years of diplomatic ties, put both sides on notice that the opportunities and expectations for a more significant level of engagement needed to be addressed. Trade in goods and services were on the rise, education remained a central feature, and there was other engagement through economic, defence, police, customs, security, science and technology and development cooperation. Some of this engagement was managed bilaterally, some through regional arrangements.

That notice was addressed through an agreement two years later, during the visit to Wellington by General Secretary Nong Duc Manh, for a Viet Nam-New Zealand Comprehensive Partnership, designed not only to further relations between the two countries, but also to work together more closely in regional and international contexts. The visit of the General Secretary (to Australia as well as New Zealand) was described in official Vietnamese releases as a "top diplomatic event" for 2009. While the initiative for such an agreement came from the Vietnamese side, it helpfully brought together in a single document the wide range of activity that forms part of the working relationship.

Of course, the challenge, like the devil, lies in the detail; and work continues on a more detailed list of action steps that can operationalise the aspirational wording of the agreement and set out a more detailed plan for the medium term. It will certainly

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<sup>3</sup> Including in papers from the last Dialogue. See also , "Vietnam-New Zealand Cooperation at Multilateral Forums: ASEAN, East Asian Summit and the United Nations" in *International Studies (Nghien cu'u Quoc Te)*, No 2 (73), June 2008, pp 11-18 (in Vietnamese) and p. 123 (English summary).

reinforce the underpinning aspects like education, security, defence, police and customs cooperation. Greater scope for direct investment and double taxation measures need to be advanced. It should also address the implementation of bilateral arrangements agreed as part of the negotiations for the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). It might usefully reinforce the importance of the dialogue linkages that are enjoyed at ministerial, officials', Track II and academic levels, as well as in encouraging exchanges of younger people from both countries under a working holiday scheme that was part of the AANZFTA bilateral arrangements.

In 1995, the Hanoi embassy was opened, two-way trade stood at \$NZ40 million. Of this, \$36 million was exports of dairy products, skins, wool and pulp/paper to Viet Nam, who in turn sent around \$4 million of footwear and apparel. Two-way trade last year was in the order of \$500 million. Although the growth in services trade is encouraging, the same goods items dominate. There is still a picture of a confined range of trading items (20 product lines accounting for about 90% of what New Zealand sells to Viet Nam). Viet Nam has been active with a number of trade delegations in New Zealand in recent years; and we in turn will need to give close attention to how best the trade might be diversified – and therefore grown. A ministerial-led trade mission is certainly overdue, particularly if the fine rhetoric of the Comprehensive Partnership is to be realised in practice.

From a personal perspective, I would hope to see a reinforcement of science linkages, that moved incrementally during my own time in Hanoi as Ambassador. It is clear from global developments on climate change that our two countries share many views, including on the importance of a Global Research Alliance on Agricultural Greenhouse Gases, Viet Nam being a pioneer amongst developing countries in this regard. Viet Nam's presence at the forthcoming meeting on this subject in New Zealand in April is thus particularly welcome, both because of the signal it sends about future bilateral an endeavour but also for the impetus this should provide for others regionally, and further afield.

Through the various mechanisms that exist for officials' and academic consultation, it could be hoped that an Action Plan for operationalising the Comprehensive Partnership might also look at other opportunities for engagement regionally, notably on agricultural development, food security and food safety, on disaster mitigation methods (reinforcing work that has been done already through the GNS-Science-Viet Nam Institute of Geophysics agreement), pandemics, and energy security. No doubt during the course of 2010, with the travel to Viet Nam for meetings it will host while ASEAN Chair, more of this thinking will be developed, and a practicable programme of activity developed.

### Economic Relations

With the evolution of regional economic institutions there has been a commensurate quickening of interest in the economic mechanisms best suited for ASEAN and its close partners. Professor Hawke will cover work on research connectivity in more detail, but outcomes from those studies, and the work of institutions like the Pacific Economic

Cooperation Council, will be critical to the structures that emerge. The new architecture will be important not only for the foundations for economic progress in the region, but also because of the broader contribution to closer, more benign political relations too.

AANZFTA has helpfully broken new ground, demonstrating a level of political will that has proved elusive for the larger ASEAN-EU nexus. The boost AANZFTA gives to trade and business, the enhanced provisions for services and investment, and movement of people between treaty partners, were all significant advances.

The very positive news on the regional economic front is of course Viet Nam's clearly-signalled desire to participate in negotiations for a Trans-Pacific Partnership, along with the "P4" countries of Brunei, Chile, New Zealand and Singapore, together with Australia, Peru and the United States. As the New Zealand Foreign Minister has indicated, TPP "is strategically important for the region – not least as a potential pathfinder for eventually regional economic integration; and New Zealand will be approaching those discussions with its long-term regional potential firmly in mind."<sup>4</sup>

That a developing country should consider such a partnership is a sign of admirable ambition and indicates Vietnamese intent as a regional economic player. Viet Nam's Trade Minister has indicated that Viet Nam would come willingly to negotiations, initially as an observer, but with the prospect of fully engaging, providing some recognition of its developing status was accorded. As he characterised it, "we want to buy a ticket, but would need a discount"<sup>5</sup>. The negotiations that begin in Melbourne this month will therefore be watched with considerable interest, not only by the eight participating countries.

There remain some unanswered questions: what now are the prospects for a wider Free Trade Agreement for the Asia-Pacific (FTAAP), which has been supported by APEC, PECC and others? What of APEC itself? For Viet Nam, and its acknowledgement by Australia and New Zealand as a market economy, something that other trading partners see as a bold step, how easily will it be able to live up to the expectations that came with this recognition? Are the challenges of managing the economy through the most recent global economic downturn leading to some tightening of control that puts at question the open market ideals that market economy status demands?

### Regional Context

2010 of course is significant for Viet Nam's assumption of the chair of ASEAN. That brings with it expectations about moving forward on some of the more challenging problems on its agenda, and considering how best to introduce emerging issues like climate change and food security.

Viet Nam is also heavily engaged in laying the groundwork for the next major Asia-Europe meeting (ASEM), to be held in Brussels later this year. New Zealand has very

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<sup>4</sup> Hon Murray McCully, speech to Viet Nam National University 26 January 2010

<sup>5</sup> In conversation with the author August 2009.

much welcomed the initial positive signs from Asian friends that they would support it joining this group along with Australia. The reach into Europe from our own Asia-Pacific region is a logical one, just as FTAAP and TPP discussions have been important in examining the possibilities for a stronger Asia connection with the countries of North and Latin America.

All this of course has to be a dynamic process. Organisations are created for a specific need; and time, along with geo-political shifts, can alter that. There has been considerable discussion about APEC and its relevance given other trading arrangements that have been arrived at since it was established. This isn't the place to discuss this in detail; and indeed there are some compelling reasons for its work to continue. But that doesn't lessen the need for constant attention to regional architecture and how best to ensure political as well as economic institutions work best for their members.

On the security side, in past decades we have seen the rise and fall of SEATO. There has also been New Zealand's decision to pull away from ANZUS, because of the development of particular domestic policies that did not find favour with one of the other members. But it was fascinating to see how ANZUS was being described even 10 years before New Zealand withdrew. When Bryce Harland, New Zealand's first ambassador to the then Democratic Republic of Viet Nam, called on Prime Minister Pham Van Dong in October 1975, there was a discussion that suggested Viet Nam's move to join the Non-Aligned Movement was a step towards reducing its own past dependence on China and the Soviet Union. After Harland had mentioned that countries in the South Pacific wanted to prevent the area becoming an area of rivalry for the super powers, Prime Minister Dong said he wanted to ask why New Zealand participated in organisations like ANZUS.

In his response, Harland noted the history of concern about Japan, and the realisation that future protection would have to come from the United States – hence the quest for a security guarantee. But that had been in 1950 and now (in 1975) security was not New Zealand's most pressing problem: New Zealand, he reported to Prime Minister Dong:

maintained the ANZUS Alliance because this reflected the close community of interest which in fact existed among the three member countries. It regarded ANZUS as a symbol of this broadly-based community, rather than as a military alliance<sup>6</sup>

That comment is but one illustration that even the institutions regarded as cornerstones as regional arrangements are susceptible to modification of purpose. It is a debate that has been had around SEATO (discarded), EAS (relatively new and taking on new areas of activity such as a finance ministers' process), APEC (will it survive in its current form?), the P4 possibly expanding into a stronger group of eight or more (TPP), and ASEM (a new departure for Australia and New Zealand – though admittedly one to which entry had previously been sought and blocked).

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<sup>6</sup> Report on meeting with Prime Minister Pham Van Dong, 15 October 1975, attached to letter from Harland to Secretary of Foreign Affairs, Frank Corner, 21 October 1975

ASEAN itself is dynamic; and the adoption of new Charter arrangements, and the establishment of ASEAN's Intergovernmental Commission on Human Rights, are important developments. They are responses to change in the region, and the way others seek to interact with it; while failure comes only when such organisations remain static and therefore lose relevance. The challenge however for countries like New Zealand is that of interaction with (and in) the institutions most likely to produce the best outcomes for regional peace and prosperity.

Viet Nam's capacity to exercise leadership regionally will be under scrutiny in this, its ASEAN, year. It has taken on the role of Chair immediately after two years on the United Nations Security Council. While still early days in assessing what difference non-permanent membership made for Viet Nam, both in terms of its impact on its diplomatic strengthening but also on the country as a whole, comments from its current Permanent Representative to the United Nations, Ambassador Le Luong Minh, were informative.

Minh asserted that not only had Viet Nam been able to make a particular contribution, through pressing for a more transparent system of working – although the efforts to present a more analytical Security Council annual report were stymied by others – but the experience had also strengthened its capacity to play its role as a regional leader, including its chairing of ASEAN this year. Minh instanced several examples, including on sanctions on Zimbabwe and on protection of women in armed conflict where Viet Nam had brought about a resolution under its presidency.<sup>7</sup>

### Conclusion

New Zealand continues to have every reason to pursue a broader range of interactions with Viet Nam, as well as making greater effort to lift the level of economic engagement. Viet Nam has signalled an intention to play a stronger role in ASEAN and the region, through selectively pursuing regional initiatives – political, security, economic – and through its more active participation in international organisations. Whether this will be seen through its chairing of ASEAN is a matter for review at a future Dialogue meeting; but there is some reason to assume it will. Under the alphabetical rotational arrangements in place, it is also expected to field a candidate to be the next Secretary-General of ASEAN. The challenge will be to pick up and advance some of the new challenges, acting as the broker for ASEAN and the wider region and drawing on the experiences of a more active international presence in for a like the UN and the WTO. New Zealand's challenge will be in devoting the resource to capitalise on this Vietnamese leadership.

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<sup>7</sup> Meeting with Permanent Representative Ambassador Le Luong Minh, New York 18 March 2010.