

## Vietnam's Neighbors Fear Membership in WTO Will Woo Away Markets, Investment

By Roger Wilkison  
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*With Vietnam being admitted into the World Trade Organization, some of its neighbors in Southeast Asia are fearful that the region's newest economic tiger will capture export markets and foreign investment that might otherwise flow their way. Vietnam's W.T.O. entry is serving as a wake-up call for its regional competitors.*



Workers sew T-shirts at Tan Chau garment company in Ho Chi Minh City

AP Photo  
Five years ago, Southeast Asian nations - many of them still recovering from the 1997 regional economic crisis - were shaken by China's entry into the W.T.O. Now, it is Vietnam's turn to cause jitters among its neighbors.

Vietnam registered 8.4 percent growth last year - second only to China among Asian countries. And like China and many of its partners in the Association of Southeast Asian Nations, Vietnam has used a combination of low cost labor, foreign direct investment and export-oriented industry to fuel that growth.

Somphob Manarangsan, a professor of economics at Bangkok's Thammasat University, says Vietnam's W.T.O. membership is going to be felt in the region.

"After entering the W.T.O., Vietnam is going to be much more competitive, have a much more competitive advantage than other ASEAN countries, particularly Thailand," he said.

Somphob says two of Thailand's main export industries will be severely affected by Vietnamese competition: electronics and food processing. And he says Indonesia will be similarly affected by Vietnamese competition in the footwear and garment industries.

Why will Vietnam enjoy such a strong competitive advantage? Somphob says it is because the Vietnamese have invested far more in education, in science and in technology than most other ASEAN countries. He foresees that, within five years, Vietnam will also become competitive in information technology and biotechnology.

Because Vietnam's minimum wage is only one third of Thailand's, Somphob says his country has to move into service-based industries where it is likely to enjoy an upper hand for a long time, such as tourism and entertainment. But he also argues that Thailand must improve its own educational system in order to compete effectively in high-value manufactured products, an area in which it could eventually face competition from Vietnam as well as China and India.

Singapore, the leading service economy in Southeast Asia, has continued to concentrate on high-value manufactured products like semiconductors. But even Singapore is taking advantage of Vietnam's hard-working, low-cost labor force. It is the newest W.T.O. member's second biggest source of foreign investment, after Taiwan.



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Members of a Vietnamese business delegation, speaking in Portland 30 years after their nation's reunification, never mentioned the war with the United States. Neither did a Portland State University audience on Monday, the eve of Vietnam's entry into the World Trade Organization.

Both sides were far too busy discussing trade, investment and educational exchange.

Vietnam -- with Asia's second-fastest-growing economy, trailing only China -- is suddenly the talk of global trade. Twelve years after the United States dropped its trade embargo of Vietnam, the nation of 84 million is following other Asian nations as an economic dynamo with surging exports and investment.

President Bush plans to visit Hanoi for an Asia Pacific economic summit meeting Nov. 18-19. Congress is about to consider granting permanent normal trade relations to the former U.S. adversary. And economic analysts are beginning to describe Vietnam as the next China, although on a far smaller scale.

"They've actually moved much faster than China did," said Christopher Runckel, Portland-based chairman of the U.S.-Vietnam Chamber of Commerce, "in terms of opening up their economy and making it easier for investors."

Thirty-one years after the frantic U.S. evacuation from Saigon, the war is history in Vietnam, where most people aren't old enough to remember it. In the United States these days, Vietnam comes up most often in comparison to U.S. involvement in Iraq.

Three decades from now, Iraq would do well to match the economic position of Vietnam, which is expected to gain approval today to become the World Trade Organization's 150th member. Membership will boost Vietnam's access to foreign markets and require it to cut tariffs and subsidies.

For Oregon, Vietnam is a growing business partner. Vietnamese workers make almost one-third of Nike footwear. Much of the state's exports to Vietnam, which have almost doubled in four years to a record \$49 million, consist of the Oregon-made air soles installed in those shoes.

OIA Global Logistics, the Portland company that arranges shipments of those inflated bags, has a joint venture, TriMax JV Co. Ltd., that cuts logistical costs for Vietnam's state-run garment and textile companies. "We help the government of Vietnam compete globally through consolidating their purchases for logistics," said Dan McMorris, marketing and sales director for OIA, a Yoshida Group company.

Intel, Oregon's largest private employer, is building a \$300 million semiconductor assembly-and-test factory

in Ho Chi Minh City. The plant -- expected to employ 1,200 workers after opening in 2008 -- will cut up wafers such as those made in Oregon, packing chips for sale.

"The willingness to do business and make it work is a key factor" in locating such plants, said Bill Calder, Intel spokesman, "and we found that in Vietnam."

Even after the era of harsh re-education camps that punished former South Vietnamese officials, Hanoi often saved plum jobs for northern loyalists. But the trade delegation that visited Portland on Monday was led by officials native to the southern Binh Duong area they represent.

Tran Van Lieu, who heads the Binh Duong Industrial Park Authority, outlined two modern commercial zones just north of Ho Chi Minh City, one with housing, shopping and other amenities. Vo Son Dien, Becamex IDC Corp. advisory and marketing director, said his company could enter partnerships with foreign investors. Runckel, the chamber chairman and a former U.S. diplomat who works as an international consultant, equated Binh Duong province to Shanghai. Both economic hubs have produced national political leaders.

Portland State University, which hosted the delegation's appearance, is involved in research and training projects in Vietnam. PSU President Daniel Bernstine noted Vietnam's torrid 8.4 percent economic growth.

"Vietnam," Bernstine said, "is set for the world stage."

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