

Where Money Buys Diplomacy

At Hanoi Summit, U.S. Firms

Are Sponsors as Well as Investors

By YOCHI J. DREAZEN and JAMES HOOKWAY

HANOI, Vietnam -- Visitors arriving for Asia-Pacific Economic Cooperation's summit here were greeted by something unusual when they stepped off of their airplanes: a wall-size airport billboard listing the large corporations, from Microsoft Corp. to Citigroup Inc., that helped underwrite the events for as much as a quarter-million dollars each.

Multicolored APEC banners featuring the names and logos of sponsors like AT&T Inc. and FedEx Corp. hung from lampposts and trees across Hanoi during the summit, underscoring that the high-profile gathering of dignitaries such as President Bush and Chinese President Hu Jintao focused as much on business as it did on global politics.

Indeed, U.S. companies signed with Vietnamese firms deals valued at as much as \$2 billion during the summit, and trade officials from Vietnam and the U.S. say other deals are likely to be announced this week. That was a steep increase from the estimated \$500 million in new foreign investment during last year's APEC event in Busan, South Korea.

The new investments came during a large gathering of foreign business leaders, who held a shadow summit of their own in Hanoi. More than 1,200 business executives from around the world flooded the city during the event to look for opportunities to invest in one of the region's fastest-growing economies, expand existing operations here or network with Vietnamese policy makers.

The gathering of business leaders, formally called the APEC CEO Summit, is different from the APEC gathering of political leaders, an event that has a much larger budget and is funded almost entirely with government money. Samsung Vina Co., a Samsung Corp. affiliate in Vietnam, is one of the only corporate sponsors of the political event, donating dozens of large flat-screen television monitors and about \$300,000.

But the two events melded together. Mr. Hu and U.S. Secretary of State Condoleezza Rice, in town for the government session, delivered keynote addresses to the business summit, in the cavernous auditorium of Hanoi's National Convention Center. The event's corporate sponsors manned promotional booths in the facility's central hallway.

The business gathering included prominent figures such as HSBC Holdings PLC's Asian banking-unit Chief Executive Michael Smith; American International Group Inc. Vice Chairman Jacob Frenkel; and Microsoft research chief Craig Mundie.

Think of it as corporate diplomacy, with high stakes for Vietnam and many of the world's largest corporations. Such an overt combination of business and politics would be unusual in most parts

of the world, but it is par for the course in Asia, which has held such dual-purpose events before. Yet even by Asian standards, the size and scope of the business gathering here appear to have taken the practice to new heights.

Nguyen Van Thao, deputy secretary-general of the Vietnam Chamber of Commerce and Industry, says that organizers signed up five "major sponsors" -- Microsoft, General Motors Corp., AIG, Citigroup and FedEx -- that paid \$250,000 each. A second set of six "associate sponsors" -- DHL International, HSBC, AT&T, Qualcomm Inc., Visa International Ltd. and China Petroleum & Chemical Corp., also known as Sinopec -- paid \$125,000 each. A handful of Vietnamese firms paid \$100,000 apiece to serve as "local sponsors," while media companies such as Time Warner Inc. and Asia Inc., a Singapore-based business magazine, gave "in-kind" donations to the event.

Big business is willing to kick in that kind of money because it is counting on Vietnam's emergence as a major consumer of Western products like automobiles and computer software, and scrambling to make sure that it is in position to profit. For many large companies, sponsoring the summit -- an arrangement more commonly seen at sporting events like the Olympics -- was a way of placing a bet on Vietnam's future.

"Vietnam is one of our target growth countries, and other companies are seeing the same things we see," says Catherine Weir, the Citigroup executive heading the firm's operations in Southeast Asia.

Ms. Weir says Citigroup came to the summit with several concrete goals. Citigroup has long had a corporate presence in Vietnam, but she says the company is hoping to expand operations in the country by helping Vietnamese firms issue securities and float their shares on overseas stock markets. Citigroup, which recently purchased a stake in one of Vietnam's largest banks, is also hoping to begin issuing credit cards and operating automated teller machines in the country, she says.

The meetings were just as important to Vietnam, whose government saw the gathering as a unique chance to raise the country's profile and attract much-needed foreign investment.

Vietnam, the fastest-growing Asian economy after China, is looking to build on the momentum sparked by its recent entry into the World Trade Organization. The Asian Development Bank estimates Vietnam's economy will grow by 7.8% this year, and the country is an increasingly attractive destination for foreign investment. But with widespread poverty and a young and fast-growing population, Vietnam's communist rulers hope that increased trade with the U.S., European Union and others can ensure the country's overall prosperity continues to rise.

The business gathering was a not-for-profit event, which meant the money raised through the corporate sponsorships and registration fees went toward the operational expenses of the summit rather than to the Vietnamese government or to Vietnamese businesses, Mr. Thao says. All told, organizers raised enough money to cover all of the costs of the event, which he estimates at \$3 million.

Write to Yochi J. Dreazen at yochi.dreazen@wsj.com¹ and James Hookway at james.hookway@awsj.com²