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ECONOMY-VIETNAM: US, China Foster Asia's Fretful Tiger Cub

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HO CHI MINH CITY, Nov 22 (IPS) - As workers roll up the red carpet and the hoopla over the summit of the Asia Pacific Economic Cooperation (APEC), hosted by Vietnam on the weekend, reality is dawning on the real significance of this communist country joining the global trading system.

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Although the local press ran long and detailed coverage of 'APEC Week', the general public is still unsure of what is now in store for them. "I know that several heads-of-states met in Hanoi, but I am not very sure about the significance of their meetings," said Ngo Thi Vang, a 34-year-old worker in HCM City.

Vang works at a privately-owned garment company that takes on secondary contracts with state-owned garment corporations like Nha Be and Viet Tien. Like the 250,000 small and medium-size enterprises currently operating in Vietnam, Vang's company is finding it hard to ensure competitiveness as the country integrates with the international markets.

"I heard my bosses say that the future will be difficult as we have to compete with many foreign companies," Vang said. She does not know what her bosses would do to help her face that dim future.

However, Le Quoc An, chairman of the Vietnam Textile and Garment Association, feels certain that the World Trade Organisation (WTO), to which Vietnam has just acceded, and APEC would bring in new opportunities. "We could cooperate with foreign partners in many ways. We could provide them skilled labour and participate in some sections of their production or distribution," An said.

White collar workers like An who have better insight into the APEC summit followed the walkabouts of APEC leaders, especially by U.S. President George W. Bush and Chinese President Hu Jintao, with interest.

While countries like Chile, Australia, Canada, South Korea and Russia have pledged to support Vietnam's economic reforms, it is the U.S. and China that are playing a determining role in Vietnam's development and the discussion is mostly about which of the two powers would do more for this impoverished but rapidly developing country. Other countries in the 21-member grouping include Brunei, Hong Kong, Indonesia, Japan, Malaysia, Mexico, Papua New Guinea, New Zealand, Peru, the Philippines, Russia, Singapore, Taiwan and Thailand.

In Hanoi, Bush told the press: "Vietnam is a place with an enormous future. They obviously have got to work through difficulties like religious freedom, for example, but nevertheless there's certainly a new hopefulness to this country."

The great disappointment for Vietnam at the summit was that Bush could not bring with him the much hoped for permanent normal trade relations (PNTR) status since it failed to get the approval of U.S. Congress.

"President Bush has failed to offer PNTR to Vietnam. This placed him in a less favorable position than President Hu Jintao," said Nguyen Xuan A, an economic analyst in HCM City. "While President Hu Jintao pledged to do everything possible to raise two-way trade with Vietnam to 15 billion US dollars by 2010, Bush only said that Vietnam is a young tiger and that he looks forward to continuing to work on bilateral trade."

While bilateral trade between the U.S. and Vietnam reached nearly ten billion dollars, last year, both sides concur that the potential for enlarging trade and economic ties is enormous, now that Vietnam has become a full member of the WTO.

The PNTR legislation, however, is a prerequisite for U.S. companies to benefit from Vietnam's entry into the WTO. The law must be repealed before businesses can reap the full benefits of Vietnam's pledges to cut tariffs and allow more foreign investment in sectors such as energy, banking and telecom.

Yet, some U.S. companies in Vietnam have already begun making use of the new situation. Chip manufacturer Intel has raised investment to one billion dollars while telecom giant AT&T has signed a partnership deal with Vietnam's military-run

telecom company Viettel.

Vietnamese officials hope that the U.S. would become the biggest investor in Vietnam. To assure these officials and U.S. investors, Bush said he was "committed to getting PNTR out of our Congress, I believe it's going to happen".

But there are other worries such as rampant industrial unrest in Vietnam in recent months.

"The government wanted to turn APEC 2006 into an opportunity to show off Vietnam's socio-political stability and favorable business environment," Tran Van Nhan, an engineer working at an electronic assembly line in Thu Duc on the outskirts of HCM City, said critically. He pointed out that Thu Duc, Bien Hoa and Song Than industrial zones recently experienced wildcat strikes in which workers walked out demanding higher pay and better working conditions.

"With Vietnam's entry into WTO and the free market promoted by APEC, many enterprises, electronic production lines in particular, cannot survive and must shut down, thus creating a new wave of unrests in the areas," Nhan said, adding that he had been told that an independent trade union was in the making to protect workers' interests. The current official trade unions are said to be not on the side of workers.

Before WTO and APEC 2006, several 'independent' organisations, including anti-government websites and democratic 'e-papers' were begun which tried to show that Vietnam would be a more exciting place for business and investment -- provided the government also opted for political reforms.

Vietnam made some initiatives in that direction while preparing for APEC and the WTO accession. In recent months the government released 6,300 prisoners for "good behaviour" and set free four U.S. citizens of Vietnamese origin, held on charges of "terrorism".

But clearly enough had not been done for Bush to be able to offer PNTR status to Vietnam on his visit.

There is a sense that much of what is happening is dependent on rivalry between China and the U.S. for influence in the region. "While waiting for the PNTR to happen, U.S. telecom firms are seeing China Unicom, a mobile telephone company entering into partnership with Hanoi Telecom," points out the economist Xuan A.

The fact that the U.S. sees Vietnam as a strategic partner to keep China in check is underscored by the fact that last year Washington sent navy ships and Pentagon chiefs for visits, and is in discussion with Hanoi about joint military exercises.

While Beijing has been assiduously wooing countries in the region with low interest aid, most countries, including Vietnam, are not biting and are fearful that China could attract foreign direct investment away from them.

"The present situation is exactly the same as in 1984, when Japan emerged as a huge economic power with trade surplus with the U.S. amounting to 36.8 billion dollars," commented Xuan A. China's exports to the U.S. reached 202 billion dollars in 2005.

"Socialist Vietnam's 53 billion dollar economy that grows 8.4 percent annually could be a valuable buffer for the U.S. to break China's expansion," Xuan A suggested. (FIN/2006)