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## Joining WTO May Aid Vietnam, But Worries Remain

By **PATRICK BARTA**  
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Vietnam's expected membership in the World Trade Organization will likely accelerate the Communist nation's emergence as a more important economic player in Asia.

Still, it won't solve some of the problems that continue to make life difficult for foreign investors, including weak infrastructure, endemic corruption and a sclerotic bureaucracy -- all of which could limit Vietnam's economic growth.

Vietnam's economy is expected to expand 8% or more this year -- one of the fastest rates in the world. Despite numerous disappointments in the past, many investors believe Vietnam is finally poised to emerge as Asia's next hot investment zone, with its vast pool of low-cost labor and a large consumer market of 85 million people.

Joining the WTO should help bring that day forward. U.S. and Vietnamese officials said over the weekend that they had reached an agreement that would allow Vietnam to join the 149-nation WTO as early as this year. Joining the WTO could help Vietnam boost its exports of manufactured goods and commodities such as rubber and shrimp. It also could force Vietnam to accept further economic overhauls that would allow more foreign investment and increase growth further.




Many details of Vietnam's likely WTO accession remain unclear. Some people familiar with the negotiations said they fear the Vietnamese side will continue to sidestep trade liberalization in some key sectors, such as pharmaceuticals.

Meanwhile, Vietnam faces a number of challenges that could scare off some investors and keep its economy from catching up to its rivals soon.

Although expanding rapidly, Vietnam's economy still is small compared with others in the region, such as Thailand. More critically, Vietnam lacks much of the basic infrastructure needed to support sustained strong growth, including roads, ports and adequate electricity

supplies.

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Vietnam's economy is still "an ancient Cadillac trundling down the road," says Christopher Bruton, an analyst at Dataconsult Ltd., a Bangkok consulting firm.

Mr. Bruton estimates Vietnam could require as much as \$45 billion in investment just to get to the level of infrastructure now in Thailand, which itself is planning billions of dollars of road, rail and other spending.

"It's very difficult to see how Vietnam can possibly sustain 8% or 9% growth without some kind of big input for infrastructure, and who's going to [pay for] that?" Mr. Bruton says. "There isn't enough money there."

Bureaucracy -- and Hanoi's tight control over some parts of the economy -- remains another potential stumbling block. Most large foreign investments still must be approved by central planners in Hanoi, and foreign companies typically can't distribute or service their products without joining up with Vietnamese partners. Some of those issues -- but not all -- would be addressed with WTO membership.

Vietnamese officials have made efforts to rein in excess bureaucracy over the years. As growth has picked up, the urgency to streamline government has eased, says Fred Burke, a managing partner in Vietnam at law firm Baker & McKenzie. He cites a new Vietnamese law that will require domestic companies to get some of the same government approvals as foreign investors, suggesting central planners prefer more regulation, not less.

Even with WTO membership, "nobody is popping their champagne corks yet," Mr. Burke says.

--Catherine McKinley contributed to this article.

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