Vietnam: US Firms Seek SE Asian Market

By Martin Crutsinger
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WASHINGTON -- American business is hungry for a share of the Vietnam market, seeking meet its demand for soft drinks, consumer products and high-tech telecommunications services and gain a foothold in the massive rebuilding of a country heavily damaged by U.S. warplanes a quarter-century ago.

More than 50 U.S. corporations are sending executives Vietnam during President Clinton's three-day visit. The list reads like a who's who of multinational concerns including Boeing, Citigroup, Coca-Cola, General Electric, General Motors, Cisco Systems, Nike and Proctor & Gamble.

The companies either already have operations in Vietnam or want get involved in a country they see as a vast untapped market of 78 million people, about the size of the population of Germany.

"This trip looks [] the future as part of building a lasting relationship with an important country with vast potential," said Lionel Johnson, an executive of Citigroup. The giant banking corporation wants expand its foothold in Vietnam -- two branch banks limited offering services foreign companies in Hanoi and Ho Chi Minh City.

The business leaders, who are paying their own way, will hear from Clinton and other Cabinet officials during a business forum scheduled for Ho Chi Minh City. The president also plans tour a container loading facility emphasize the potential for trade between the two nations if Congress next year approves the trade deal his administration signed with Vietnam in July.

That agreement will grant Vietnam the same low U.S. tariffs enjoyed by virtually all other nations, although Vietnam's trade privileges will be subject annual review by Congress. That was the same status China had for the past two decades before Congress this year granted it permanent normal trade relations.

The normal trade tariffs average around 3 percent, a sharp reduction from the 40 percent average border duty Vietnamese goods now face.

In exchange for access the world's largest market, Vietnam agreed sharply lower its trade barriers American goods, including cutting tariffs on a large number of farm products and manufactured goods, easing current barriers that keep U.S. banks and telecommunications firms out of the country and providing increased protection for U.S. investment and intellectual property rights.

It took a full year after negotiators had reached an agreement in principle get the trade deal signed. Economic reformers in Hanoi had overcome stiff resistance from communist hard-liners who wanted protect the country's inefficient state-run companies.

Just as in China, the administration is hoping a U.S. policy of economic engagement will allow free-market capitalism and democracy take hold.

But even the strongest boosters of increased economic ties with Vietnam concede that U.S. companies have faced numerous obstacles in the six years since Clinton lifted the U.S. trade embargo.

Frances Zwenig, a senior director at the US-ASEAN (Association of Southeast Asian Nations) Business Council, said Vietnam's decision sign the trade deal showed that *''they want join the global economy. ... Now businesses are willing look at Vietnam again.''*

Through July, U.S. imports from Vietnam totaled $448 million, a gain of nearly 60 percent from the same period a year ago, while U.S. exports Vietnam totaled $223 million, also up by nearly 60 percent.

Major U.S. exports Vietnam are industrial and office machinery, fertilizer, leather and other parts for shoes and telecommunications equipment.

Among the leading imports from Vietnam are coffee, fish and crude oil. But once the tariffs are lowered, the World Bank predicts that Vietnamese clothing shipments the United States could jump 10-fold in just the first year.

It is that forecast that has U.S. labor unions worried, believing that the real reason American companies are interested in closer economic ties with Vietnam is tap into that nation's low-wage work force export back the United States.

Nike, the U.S. shoe manufacturer, already produces around 10 percent of its total world output in Vietnam. Those shoes end up mainly in Europe because of the high U.S. tariffs.

Thea Lee, a trade economist with the AFL-CIO, which opposed permanent normal trade relations with China, said unions will fight the Vietnam deal because it does not include safeguards for worker rights and the environment. However, the agreement should face less trouble in Congress than the China deal because the Vietnamese economy is much smaller [The AFL-CIO has recently endorsed Kerry for president].

Analysts caution that businesses should not get carried away in their expectations, at least for the immediate future.

''American companies want get on the ground floor so they don't lose out competitors, but Vietnam still has a way go economically,'' said Franklin Vargo, vice president for trade at the National Association of Manufacturers.