Vietnam signs up to World Trade Organisation

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Two recent events have confirmed Vietnam's transformation into a major cheap labour platform for many of the world's largest corporations.

On November 7, the World Trade Organisation (WTO) presented its terms for admitting Vietnam as a member, after 11 years of attempts by Hanoi to join. Vietnam's National Assembly overwhelmingly endorsed the offer on November 28 and membership will take effect from December 28.

On November 18-19, Vietnam hosted for the first time the annual gathering of the leaders of the 21-member Asia-Pacific Economic Cooperation (APEC). The capital Hanoi was abuzz with corporate leaders eager to cash in on the country's large pool of low-cost labour, high educational standards and police-state repression of protests and opposition.

During the APEC summit, US President George Bush hailed the Vietnamese Communist Party for its sweeping pro-market economic policies. US Secretary of State Condoleezza Rice enthused: "It seems that commerce and economic development is just everywhere." For its part, Vietnam's Stalinist leadership welcomed Bush and Rice, who are responsible for the criminal invasion of Iraq and Afghanistan, with open arms.

More than 1,000 participants took part in APEC's "CEO Summit". "Vietnam has demonstrated to the world its capacity for quantum leaps. It's clear that the government has recognised that broad-based reform and economic liberalisation are essential to Vietnam's integration into the global economy," Craig Mundie, Microsoft's chief research and strategy officer, told the gathering.

In the same week that Vietnam's WTO membership was approved, the US-based electronics conglomerate Intel announced it was dramatically upsizing its plans for a new plant in Ho Chi Minh City (Saigon). The company will invest $US1 billion to establish the largest computer chip assembly and testing facility in the world. Intel executive Rick Howarth explained: "I think Vietnam is doing all the right things."

Intel is not alone in making this assessment. Foreign direct investment (FDI) into Vietnam this year has passed $8 billion—a figure comparable to India. In 2005, the country attracted $6.1 billion in foreign investment. Vietnam's gross domestic product of $53 billion is expected to surpass the 8.4 percent growth rate achieved in 2005, making the economy the fastest growing in APEC after China.

Exports reached $32 billion in 2005. The local media expects the figure will soar to $100 billion in the next five to seven years. Vietnam is now the fastest growing destination for US exports in Asia and two-way trade reached $7.8 billion in 2005. Some $6 billion in Vietnamese exports were sold into the US market.

There are now 70 export processing zones in Vietnam where foreign-owned and joint venture factories exploit the country's large and youthful workforce. The Tan Thuan zone near Saigon now has over 55,000 workers, compared with just 20,000 when former US President Bill Clinton visited in 2000. Zone manager Albert Ting told *Newsweek* the workforce is expected to double over the next 10 years.

The WTO was set up in 1994 to replace the General Agreement on Tariffs and Trade (GATT) and is the international mechanism for setting rules on international trade. It is a vehicle for demanding the removal of national regulations and impediments to the operations of global capital.

Hanoi had to agree to much tougher conditions than Beijing when the China was admitted to the WTO in 2000. Among the 900 pages of the WTO offer are requirements that Vietnam slash trade barriers, end subsidies, grant foreign companies the right to buy Vietnamese firms and guarantee the protection of intellectual property rights.

Under the WTO agreement, unrestricted foreign competition will be allowed in many sectors of the economy. From next April, foreign banks can set up branches without any requirement to enter partnerships with local institutions. Foreign insurance companies can sell policies to individuals for the first time. In a growing economy where less than 5 percent of the population has bank accounts or insurance, Vietnam is considered a significant potential market.

The Vietnamese retail sector, which is currently dominated by state-owned stores and small traders, will face competition from foreign-owned chains. A joint venture between US giant Wal Mart and Indian retailer Bharti Enterprises, announced on November 27, expects to have several hundred stores in Vietnam within five years. The first is due to open in August 2007.

Despite Hanoi agreeing to the WTO demands, Vietnam will be admitted as a "non-market economy" for up to 12 years. The classification makes it easier for other countries to impose "emergency" tariffs if Vietnamese exports are subsidised or alleged to be sold below cost.

Fears of low-price Vietnamese goods, particularly textiles, were behind the Bush administration's failure on November 13 to secure the two-thirds majority needed in the US House of Representatives to approve permanent normal trading relations between the two countries.

Foreign capital is demanding more concessions. Dominic Scriven of the Saigon-based Dragon Capital investment bank told *Time*: "This is one of the most pro-change places I've been in. But there is time required. The headlines will come and the headlines will go, but the battle ahead is a long one."

Investors have criticised the government's continuing support for loss-making, state-owned factories as well as the extent of regulations and official corruption. There have also been criticisms of inadequate infrastructure, such as the lack of a deep-water port, which prevents super freighters from docking.

Nevertheless foreign investment is pouring into Vietnam. Wage rates are cheaper than in China's coastal cities and some 54 percent of the population are under 30. Some large corporations see Vietnamese ventures as a hedge against potential risks to their Chinese investments, such as a sharp escalation in US-China tensions.

The US-based *Corpwatch* website noted that many firms maintain large factories in China and Vietnam so production can continue if the "political winds change". Gordon Tucker, the president of toy manufacturer Danu, said his company, which has two large factories in China, had opened a plant in Vietnam in case China lost its most favoured nation status with the US. "That's why we opened the factory in Vietnam, to spread the risk. The government of Vietnam is no worse than any other country," he said.

In fact, the repressive character of the Vietnamese regime is a major attraction. Since the 1997-1998 Asian economic crisis, the Communist Party has accelerated its pro-market reforms or *doi moi* policies which began in 1986. It has also kept a tight rein on political dissent and social unrest, which will only escalate as the regime implement the terms of the WTO entry.

Small-scale agriculture, fisheries and forestry will be hard hit by the opening up of the economy to foreign imports. Two-thirds of the population are involved in agriculture and are isolated from the urban centres of growth. Pham Chi Lan, the former vice chairwoman of the Vietnam Chamber of Commerce and Industry, warned in October that as many as nine million households will be adversely affected.

In the export zones, the government has already confronted discontent. In December 2005 and January 2006, 40,000 workers went on strike over low wage rates. The strikes took place outside the control of the government-controlled unions. The official minimum wage rate had not been increased for six years. The government was forced to raise the rate by 40 percent to $55 a month in the major cities, but kept it below the Chinese official rate of $63.

Ultimately the regime depends on its dictatorial methods to maintain its rule. The foreign investors hailing the potential of Vietnam are confident that the Communist Party will not hesitate to suppress any threatening opposition movement—as its counterpart in Beijing has done.