

Articles Below:

1. Madame Goose: This model entrepreneur made it by selling goose broth.
2. Too Many Already? The world's auto makers are fighting for this market. Why?
3. Pushing Mush: Two young Americans introduce Hanoi to Hallmark.
4. New banking rules and dopey foreigners preserve the novelty status of the dollar.

Private Enterprise

Madame Goose, Inc.

**This Hanoi woman got her M.B.A. peddling goose broth on the street.
Now she's rich**

Of the dozens of women hawking hot soup along Hanoi's dusty streets, how many have their own corporate logo? Dao Thi Khan's is a cartoon duck.

Today, the 41-year-old wife and mother of two presides over a 200-seat, three-story restaurant at the end of Hai Ba Trung Street specializing in goose and bamboo shoot soup, called "bun ngan."

Mrs. Khan likes to be called "Madame Goose." She sports the trappings of Hanoi's growing, truly wealthy class: Chunks of gold jewelry, a \$4,500 Spacey motorbike, a StarTac cellular telephone -- even a coveted passport. Last year she and her family traveled to Thailand during the two-week national Tet holiday, and this year plan to visit China.

The restaurant does well, in contrast to the majority of Hanoi's restaurants, and is five or ten times larger than most.

It is made from four adjacent apartments she's bought over the last few years, and is open from seven in the morning until ten at night, every day of the year except Tet. It is typically filled with customers, each of whom spends about \$2.00. Between 10 a.m. and 4 p.m., five motorcycle valets lock customers' bikes and swing them into position. Two armchair-sized cauldrons simmer at the open entrance, coal cracking beneath them. Khan can be found serving soup or perched on her gleaming motorbike, wearing her gold.

When asked to measure the growth of her business since opening, her financial statement is spare. "I once had twenty bowls, now I have 300." It was not always this way for Mrs. Khan.

Writing Samples

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While riches are being gathered by many Hanoians thanks to the capital's mix of foreign aid, cash and a clever, well-connected citizenry, actual business success remains very much a novelty. This modest shop, therefore, can be a lesson in what is required to make an honest buck in Vietnam's capitalism-weary capital, for the relatively few locals and foreigners who are seeking such a lesson.

"People often ask, what is the prayer you've made to get this good fortune?," says Khan fondly. She replies to luck-conscious locals that she just goes to the pagoda twice a month, to make offerings to her ancestors, like everyone else.

In reality, the story of Khan and her family is success that came from disappointment, integrity and perseverance. This arduous journey is the closest thing northern Vietnam has had to business school, and it is one version of a tale that is painfully familiar to other successful entrepreneurs scattered throughout Vietnam.

When Khan began selling bun ngan, in the early 1980s, entrepreneurship (along with any form of private business) was forbidden in Hanoi. At that time she lived across the street from her present restaurant with her husband's family. Every day she composed a kettle of duck soup in her smoke-covered stock-pot and sold it as she squatted on the sidewalk - on and off for ten years.

Her product, she believed in from the start. "I always knew it was bun ngan that I wanted. I just love its taste," she said.

As she acquired savings she took her business into a string of rented storefronts for several years, always on the same block. But Khan said that each time the owner observed her success, he would break the lease and open his own goose soup shop. For her, there was no legal recourse. These were the very first days of capitalism in Hanoi.

"The process extracted endless tears, sweat and even blood," said the tough-looking proprietor, sitting on her traditional wooden bed and glancing around the whitewashed, large room in which her family now lives.

In the bathtub is a modern exercise bicycle and tennis racket, more symbols of her rising economic status, along with the 27-inch Sony television. Even today, this single room transforms into part of the restaurant during lunchtime, and will continue to until she can negotiate the purchase of the three remaining apartments in this building, so far a three year effort.

After the loss of her first shop in 1991, she traveled to Saigon, which she knew to be the only place in the country to see how businesses run. She returned to Hanoi to try and apply some of her new-found lessons.

Each step of the way Khan was required to break through northern Vietnamese laws and taboos set up to hinder the establishment of a private business, which even today is considered a practice that runs counter to Hanoi's ideologies that are rooted in

Communist economics, and before that centuries of colonialism and feudalism. Bribes and taxes -- which replace one another for businesses here -- are subjects met with only a coy grin. A long-term investment and establishment of a recognizable brand are considered foolhardy in this environment.

Saigon's main lesson was quality control, and this remains her primary concern, she says. To spend more time managing the restaurant and less time hustling ducks, a few years ago Khan adopted a village "in a secret location" where they feed and culture the geese she serves.

To the villagers, she says, she is the goose-master. "When they deliver the geese to my restaurant, I watch the drivers throwing them off the truck. I can tell their quality by the sound they make as they hit the pavement," Khan says. (That's one boast that Frank Purdue has never made.)

These days, Khan spends much of her time presiding over two shifts of employees, each of whom earns about \$22 plus room and board per month. Most are from the countryside, where her reputation as an employer, she says, is most prestigious. Employees become professional and stay for years, earning at least four times what they would back home. Male employees sleep on the second floor, her family on the third and females on the fourth.

Yet the next steps for Madame Goose, she fears, are beyond her reach.

She says that franchising or diversification may be too risky. She is reluctant to trust others to maintain the quality and service her logo is meant to represent. Even if others bought franchises, she would insist on managing them all, she says, and that could cause the flagship restaurant to sink.

"Unlike other countries where you have a lawyer and manager, in Vietnam people think only about money, and there are no lawyers or (professional) managers," says Khan firmly. "It's hard for me. I've worked too hard to set up this business."

In a country where one's personal reputation can be regarded as brand name, credit line and customer base rolled into one, Khan's skepticism is understandable, especially given her experience.

On the other hand, it is she who raised the subject of franchising. When this lady with the slick cartoon goose logo visits China next February, she will be most likely take one look at McDonald's and imagine the Tonkinese landscape awash in her beloved soup. END

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Autos

Too Many Already?

As they spent millions building factories in Vietnam, the world's biggest auto makers cited their long term commitment to a new market. They're starting to realize just how long

When Nguyen T. Binh at last arrived at the pagoda's gate, after speeding along a narrow highway on his Honda Dream motorbike for three hours, he turned to his companion and remarked, "that was horrible, wasn't it?"

Reflecting on his the fresh, terrifying visions that passed in front of his eyes: of 40-year old Russian tractors lurching onto the road; of bicycles balancing ox-sized loads of hay; of actual oxen hauling wooden trailers; and of rickety, five ton Chinese-made trucks passing each other, barely; his companion quickly agreed that he would not soon forget that traffic.

"What traffic?" said Binh, dusty and red-eyed. "I'm talking about the soot from those trucks!"

With roadways coming alive in a frenetic mix of vehicles and destinations, combined with a rising per capita income and a newly opened market, today's Vietnam is apparently vision of loveliness to the world's auto makers. Meet Murray Gilbert. As country manager for Ford's nearly completed \$100 million auto plant near Hanoi, the pleasure of inciting a four-wheeled revolution will be partly his. For him, every sweating cow, set of shoulders, and motorbike is a presumably another potential Ford flatbed, "Made in Vietnam."

"We're the largest truck-maker in the world. Trucks are a Vietnam need and a Ford strength, a perfect match," said Gilbert, observing that two-thirds of the vehicles bought here are commercial. That sector's growth is 18% yearly, versus six or seven per cent for cars.

Ford plans to assemble two and four-ton trucks and vans, with cars slated for the future. "In 15 years well split the market with Toyota," he declared.

For the first time this generation, Ford, one of America's biggest companies, is making the bold commitment to setting up in an Asian country for a market that is just being born.

In those luxurious moments just prior to the opening of a massive, sparkling automotive plant such as Fords, the excitement surrounding the project can be palpable. Something that works, the result of years of calculating, engineering and negotiation, all comes together, to produce buffed, handsome machines, one after the other. It is a winning moment.

The big picture, where Ford and most of the world's other most powerful automakers fit into Vietnam, is clear. In the middle 1970s, American automakers decided to pull out of Asia to focus on preserving their US market share from their new Japanese contenders. In Thailand, plants were sold to Japanese firms, most notably Toyota, which now enjoy a 90% market share in Asia.

Twenty years later one can imagine executives, tweaked by tales of 10% yearly growth,

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huddled in Detroit boardrooms around maps locating Asia. Their bonus in the hyper-competitive and nationalistic world of auto making was that their rivalries with the Japanese had been well honed in the North American market and stoked for a fresh battleground.

The notion of a unified trade zone ASEAN completed the vision of an ever-expanding market for the next 30 years or more. Cars and trucks made in one country for export to its neighbor could for the first time be unimpeded from import tariff walls such as those that currently protect Japanese ventures in Thailand and elsewhere.

For two of the Big Three automakers, a few years ago, their fingers stopped on Vietnam. The draw? First, the only regional country with no auto industry. Steady 8% or higher growth over the last decade has had opportunity-seekers pegging Vietnam's market as "Thailand 20 years ago or Taiwan 30 years ago."

Another is the country's currently protected market. Back in 1994, the Ministry of Heavy Industry (now Ministry of Industry) declared, with the help of a masterplan completed by Japanese powerhouse Mitsubishi, that "four or five" auto makers would be allowed to build joint-venture plants, with two of those slots reserved for US companies. Even if ASEAN free trade never materialized, the thinking went, there are few deals as sweet as access to the world's 12th largest population contained by a highly protected market. Suspending traditional American business instincts in favor of positioning alongside awakening Asian tigers, and with General Motors preoccupied in China with a \$1.57 billion JV, in late 1995 the Ford and Chrysler logos quickly became potent symbols of the New Vietnam.

Drawn by the setting of a not-so-far-off auto market of 180,000, their neighbors have already moved in. First here, licensed in 1991, were two companies that weren't automakers at all, as much as businesses that were quick to identify Vietnam's potential and lack of competition, Mekong Motors, which makes four-wheel drive vehicles assembled from South Korean parts, and Vietnam Motors Corporation (VMC), a Filipino JV which assembles and markets BMW 320is and 528Is, as well as South Korean Kia Pride compacts, and a broad line of Mazdas (Ford owns controlling interest in both Kia and Mazda.)

In the past two years, Mitsubishi, Mercedes, Toyota, Daewoo, Daihatsu, Honda, Nissan, Peugeot, Suzuki, Daihatsu, Isuzu, have all arrived, and will soon be producing 30 kinds of cars, trucks and buses.

Why are they here? Within the frame of Vietnam's current state-planned economy, the Ministry of Industry is aiming for 80,000 vehicles produced by the year 2,000, up from 24,900 units forecast for 1998. It knows that an industrialized country relies on the automotive sector for a tenth or more of its gross national product, including parts making.

According to the Ministry of Transport, there are currently about 400,000 autos on the roads, with about 10% replaced per year. For the last three years or so, fleet sales to government offices, state-owned enterprises, and joint ventures, as well as taxi fleets, have accounted for a substantial sector of the market, although the state has since limited their and others spending.

With much of that pork gone, market demand is becoming purer. This is causing several

of the automakers to produce trucks, buses and vans in addition to cars. The likely first buyer, one might imagine, can be found today on a motorbike. In the past three years hundreds of thousands of the \$2,000 to \$4,000 vehicles, mainly 100cc Honda Dreams have all but replaced bicycles in the largest cities. That phenomenon was first rationalized by foreign marketers as the equivalent to investing in a commodity that can be resold at the same price. But today, increasing numbers of Dream riders are darting to boutiques that sell \$150 shoes and \$100 jeans -- in other words, they're becoming consumers. It is almost possible to forget, for a moment, that spots to park those shoes or motorbikes -- are found within the crowded alleyways beside the homes of these would-be car buyers -- than where the driveway would go.

Not every company is enamored with this picture. Chryslers retraction is perhaps the most profound. In late 1995, automakers learned that none had been handpicked as one of the five to win exclusive rights to Vietnams market, but instead were each one of 15. Shortly afterward, Minister of Industry chief Tran Minh Huan told the VBJ that "We are trying for an open market. Auto makers can stop working if they are unhappy, according to our foreign investment law." It also made sense to planners that a parts industry would grow more quickly around 15 plants than just a few.

After spending 1995 and part of 96 contemplating the market, Chrysler did. Its country representative moved to Thailand, marking the evaporation of one of the largest US invested projects, at \$200 million, and probably the most sophisticated proposed auto facility. It would have featured stamping facilities that are only now starting to appear in Thailand's landscape of nearly 600,000 units in yearly sales.

For that company, smaller than GM and Ford and requiring profits of \$1000 per car rather than \$400, as with Ford, the company told the Ministry of Planning and Investment (MPI), which granted the license, there no longer the room in the pie for its finger. A would-have-been competitor to Chrysler remarked, "I don't think you can go into a country moving toward a market-oriented economy then look for a monopoly."

Yet even that assured manager will have to face his unglamorous future: a look at the total sales figures of autos assembled in Vietnam (including those that began production mid-year) tells the story.

According to industry information -- never before released to the public -- the company which sold the most cars last year was VMC: 2,059.

Behind them was Daewoo, with 1,463 sales, 958 Mekongs, and 555 Daihatsu trucks, 489 Toyotas, and 405 Mitsubishi vans. Mercedes sold a mix of vehicles totaling 383; Suzuki sold 128 light trucks, with the rest registering under 25 vehicles sold. Ka-ching. Lousy for a dealership, let alone a country.

Total vehicle registrations for 1996 were 34,200.

A stroll around any operating auto plant is characterized by parking areas more crammed than the day of the church bazaar.

For general managers who recently arrived and have found their favorite sushi restaurants or hamburger joints, they are probably about due to take a hard look at their market, some for the first time. While in most cases they did not personally decide their companies should be here, nevertheless their plants, perhaps coming on line in a matter of weeks or

months, will have capacity to assemble from 7,000 to 25,000 vehicles per year with a total capacity of 180,000. Any one of the plants could handle next year's demand. The picture is not rosy.

That's why foreign auto makers are spending their first political currency on protectionist legislation. In March, the Ministry of Industry, anxious to watch a parts industry form around these plants and according to industry members increasingly sympathetic, hosted a meeting of automakers in HCMC.

At the meeting, automakers formed a consensus that their central problems are the loose import of second-hand vehicles and quota restrictions on the kits they must import to assemble their vehicles here, known as "CKDs" and "SKDs." In addition, they proposed that imported models identical to those being produced in Vietnam be banned.

Their last concern was that with 13 plants expected to be operating by 1998, localization of 10% in five years and 30% in ten was too high under current conditions. Recently the measure of localization was determined by the MoI to be according to value, not content. "We understand the position of our foreign partners," top Ministry of Industry official Tran Minh Huan told this reporter. While "urging them to carry out localization as soon as possible," he suggested that the first deadline could be pushed back a couple of years. Huan, intent on fostering domestic plants that produce electronics, rubber, accessories, and the other parts that make up 65% of the average vehicle, was frank about his dilemma, in which the average parts-maker needs at least 60,000 units before production is viable.

"We issued too many licenses," the MoI official said he now realized. "If we had issued only four to six licenses, it could be possible. No more licenses." Wasnt this considered two years ago? "We forgot. We should have issued fewer," he said. That ministrys consulting companies, which were hired by various auto companies to produce feasibility studies on their behalf, might have disagreed at the time. Nevertheless, that question, which had been plaguing industry members for two years, was thereby unceremoniously retired. Yet the biggest immediate problem for automakers is entirely out of bounds of the Ministry of Industry.

Second-hand trucks from South Korea and Japan, and autos from Japan and the US have for the past three years served market demand exceedingly well, even after taxes of 200% applied to those legally imported.

All but 7,000 of the 34,000 vehicles registered last year were second-hand. "No country that allows second hand auto imports has an auto industry," said one assembler. Now they're all demanding protection.

It could be too late, for a while. Despite a "temporary suspension" of second hand car imports by the Ministry of Trade imposed in May, the Saigon Times had already reported sad tales of overextended used car dealers who are down on their luck.

"Its risky to run such a business now, because its difficult to find buyers," sighed proprietor Madame Mai of HCMC.

While second hand imports were halted relatively swiftly, there's no assurance that this move is permanent. According to Vice Director of the Ministry of Trade Le Van Dao, the ban is temporary, and not imposed by his office but that of the Prime Minister, who also cut imports in response to complaints from domestic producers of cement, steel, and

paper. "I do not know when this ban will be remitted," said Dao in an interview. "It is temporary and definitely is up to the Prime Minister's office.

"The Ministry of Trade (MoT) is relied upon heavily for its contributions to the national budget and their short-term income would be hit hard by an outright ban.

Seemingly favoring second-hand imports, that ministry also placed a ceiling of 3,500 new vehicle assembly kits for the industry in the beginning of 1997, which evoked a blood-curdling scream from automakers in unison. It also led to a March 30 headline in MPI-run Vietnam Investment Review that read: "Job cuts loom for car sector" and quoted Toyota execs lamenting that they'd have to shut down their new plant without those parts. That ban was also lifted temporarily.

The Prime Minister's Office, it would seem logical, is operating according to a master plan that takes each of these factors into account, along with roadway improvements, but that office's officials vehemently declined comment.

Not that it much matters anymore to auto makers. They are in the thick of picking out competitors, markets and strategies, and politics have mostly taken a back-seat. "I don't care anymore," says a Hanoi-based general manager. "Our fight has switched focus. Before it was regulators, and now its the market. And nothing can be done now. There are too many automakers."

"We should be patient until the market grows fast enough," another industry member, Seiji Fuminashi, deputy general director of Vinastar, a JV producing Japanese Mitsubishi cars and Malaysian Protons, told The Asia Times recently. "But how can we survive up until that time?"

For the biggest fish, one strategy is waiting for the frustrated to give up. In Australia, notes Ford's Gilbert, 15 years ago, there were 15 automakers; today there are just three. Says Sean Alexander, a Vietnam-based consultant who covers the auto industry for industry consultancy Automotive Resources Asia, "each time a company leaves, the market becomes more attractive for everyone else."

At the same time, foreign JV auto assemblers here in January formed an informal association to share market information that includes finding consumer demand, approaching parts-making strategies, and observing each others distribution and service programs, which vary greatly, from Toyota's comprehensive service facilities to Fords team of service men that will roam the country, like pioneers with genuine parts.

Yet auto makers must continue to seek to find their places within the government's goals, which, at their highest level, are illustrated by Deputy Minister of Industry Nguyen Xuan Chuan's "Automotive Development Plan," as follows. "If each auto JV manufactured 100,000 units annually valued at \$25,000 by the year 2006, the total value of Vietnam's automobile output would be \$2.5 billion. Therefore, if these joint ventures reached a ratio of 35% of locally-made parts at that time as scheduled, total value of domestic automobile spare parts would reach \$700 million, equivalent to the country's current export proceeds from crude oil."

Especially if the government is determined to achieve its stated goal of becoming an industrialized nation by the year 2020, the plan is quite logical. As the auto makers continue to spend millions to build auto-plants, train workers, pay taxes, and to increase local content, they commit to roles as key players in Vietnam's bold experiment, a "state-

planned market economy.” What’s left is to convince 100,000 Vietnamese to each spend \$25,000 on a new car, year after year. END

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Consumers

Pushing Mush

Two young Americans noticed how sentimental Vietnamese are. Their Hallmark Card shop has customers weeping

"This is our 'hood, from the pho stand to the wedding dress rental shop," says John Wiles, 28, standing on one of Hanoi's most crowded boulevards at rush hour. Students, mothers and their kids, and women carrying baskets of fruit push by him. Wiles points to the road, which is thick with people moving along on motorbikes and bicycles. "Meet our customer base." He opens a door and steps back into Ky Dieu (Wonders) Card and Gift Shop.

Wiles, an American, has worked in Vietnam for several years representing one company that sells ships and another that makes them. Patrick Corcoran, 30, also American, has lived in Vietnam for the last seven years, half that time in Hanoi, most recently managing a warehousing and logistics joint venture that handles imported goods. Coincidentally, their fathers served in the same unit 30 years ago in the south, during the war. Now both plan to return to the US by Christmas, but they refused to say goodbye. Instead, along with Hanoian Luu Tuan Anh, 32, they pooled some cash and opened a Hallmark Card shop. "We're not greeting card guys, it's just something we wanted to do, so we did it," says Corcoran.

The shop is thin and clean and filled with racks of cards, with novelties against the back wall. If one could shut out the Third World din coming from a few yards away, he just might think he is in an American card shop.

Their experience of finding this (or any) location was a bit more complicated than calling a mall director. "We drove around on our motorbikes every weekend for three months," said Corcoran, who said that Hanoi has few spaces to rent. "Then we found the spot we wanted. But trying to explain the greeting card business to our landlady was next to impossible. She wanted to know how much they cost, and what they were. 'Won't work. Nobody's heard of greeting cards,' she said. If a shop fails, it would bring her bad luck. And it freaked her out to be sitting there drinking tea everyday with two foreigners speaking in Vietnamese. Then one day her Viet Kieu son showed up and, 'Mom, I know Hallmark cards. Go with it.'"

The three renovated the shop and traveled to the US to set up accounts with Hallmark and several well-known novelties companies.

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Since opening in late June, they've been spending a lot of time on market research. Like watching a shy college girl slyly open a can of cashews, only to watch a snake spring at her.

"They never focused on fun before, says Corcoran, who seems to be the novelties man. "They see the sea slippers (a slippery toy) and say, 'what is this? I can't hold onto it. We say, yeah, that's the whole point. They get it. Now we're sold out." The shop also sells 3-D puzzles, birds with whistles, and even a \$40 Hallmark bear.

But the customers, mainly students – the shop is a short walk from four universities - come mostly for the cards, which sell for between 10 and 20 thousand dong and are in English, which Corcoran says adds cache. "They like the complicated, poetic cards, and the slang ones," he said. There are some translations, and a dog-eared English to Vietnamese dictionary at the check-out counter.

"It's hilarious to see them gathered around the dictionary, suddenly saying, 'No, that's too gushy!' They're not used to strangers seeing their personal feelings, so they blush, like they're buying a condom." The store stocks 1,500 cards and many are bought for weddings, teachers' day, and opening days. Also popular, says Anh, are informal cards, especially ones with slang. According to Corcoran, "Thinkin' of 'cha' is one of our big sellers."

Drawing on their past relationships and experience, the trio also distributes cards in a number of mini-marts and drugstores in Hanoi, where they've set up racks. Corcoran said that their next step could be to start a Hallmark franchise in Vietnam.

Like it or not, for now Corcoran, Wiles, and Ahn are just three guys running a card shop. However, Corcoran points out that history has already been made. "We're the guys who brought Whoopie Cushions to Hanoi." END

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Developing Economy

Funny Money

Some foreign investors might be surprised to learn that the average Vietnamese views the cash washing around his country as one big joke. But it's true, and here's why.

Over the past few years, \$2,400 motorbikes, \$300 televisions, \$400 mobile phones, and even \$100 Ray Ban sunglasses have come to play a central role in the lives of

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Vietnam's top echelon of consumers. Foreign visitors return home telling of the "new" Hanoi, Saigon and other major cities, which appear to be bursting with commerce.

Yet in recent months negligent lending practices by state and joint-stock banks, only partly attributable to "blind greed," has led more than a few of the country's most prominent lenders and promising businesspeople quite literally to the gallows. In many cases, they have been convicted of violating legal principles that are still being drafted.

The clampdowns have reduced all banking activities and inspired the remaining high-profile businesspeople to switch off their cell phones and practically go underground. In this way, Vietnam has identified its business villains before it has found its heroes. As one Hanoi entrepreneur put it, "I am stuck in the middle of a banking crisis that has struck before there is even a banking system."

Just a few years ago annual per capita income was measured in the currency not of rice. Gold, not dong or dollars, is the standard currency for large purchases. Money is new here.

Last year most loans, particularly short-term letters of credit, were granted freely. Today, following defaults that topped 20 percent of the total amount borrowed, including 60 percent for state-owned companies -- domestic bank lending has practically dried up entirely.

In addition, the country is seeing a wave of private and state-owned banks not honoring letters of credit, an act that violates one of the most essential rules of banking. And foreign-invested joint ventures are finding it harder to convert the domestic currency into dollars.

Could it be that the very role that money plays in Vietnam must fundamentally change, before it begin to form a sustainable economy? Or will green dollars remain a strange novelty that can be easily invoked, then exchanged, like magic, for amazing sunglasses?

In an attempt to understand the country's current fiscal problems, and domestic perceptions of money, consider the following hypothetical. Mr. Peters, a potential foreign investor considering the computer software sector, has arranged a meeting with Mr. Hung, a potential business partner. Hung is employed by a state-owned company, but he also designs software for municipalities -- Peter's target market. Over lunch at a small café in Hanoi, Peters chats with Hung and determines that he is a worthy potential partner. After all, he seems ambitious and knowledgeable, identifies himself as a businessman and currently earns only \$30 per month at the state-owned company that employs him. The bill comes and Peters pays the \$11 tab, and is excited by this new prospect.

Here is where Peters should examine the bill he just paid. For in it can be found a crystal-clear vision of the role that money plays in Vietnam, and how its value is defined.

First, a bit more about Hung. Because of his state job, he and his family are able to live in a state-owned house, for which he pays only 30,000 dong (less than \$3) per month for his "land use right," and perhaps another 40,000 dong in assorted bills and debts. His company provides daily meals. His wife's parents take care of his children, as is traditional. He typically works at his job one day per week. Assuming he stays with that job, he will also receive a pension and benefits that will allow him and his wife to live in relative comfort after retirement. And if he cannot meet his 70,000 dong monthly nut, there is generally no penalty.

Of course, as an educated, upscale urbanite, he also has expenses that require cash. That draws him into the "system" that has generated considerable fuel for temporary, but highly visible, economic growth.

In the case of lunch with Peters, he received a standard ten-percent of the tab from the café where he brought them, just as he would with a Vietnamese colleague.

He will also receive ten percent of any other charge Peters rings up during his stay in Hanoi as he looks after him, including taxis he calls for him from his friend's hotel.

If Peters and Hung do enter into a partnership, Hung will also receive standard ten percent broker's fees for most or all awarded feasibility studies, construction, and even office supply purchases -- all legitimate, according to standard domestic practice. In certain cases, Hung will demand dollars or gold, the two forms of currency needed to make any large purchase, such as private and "gray market" state-owned land-lease rights, or a Honda motorbike.

Along the way, others also turn a profit. There's the 2,000 dong given to the man who "guarded" Hung's motorbike outside the café, to the "consultants" who, if Peter's and Hung's partnership materializes, dutifully process reams of necessary paperwork (read red tape) through various agencies, from building and land-use permits to travel visas.

This cash also allows him to purchase subsidized imported gasoline, and household appliances sold at inflated price due to the many hands involved in smuggling them from the Chinese border. And many more tasty meals at that same café, which are, to him and other non-foreigners, available at 5,000 dong or less.

All this was accomplished while Hung remained at his permanent position. Most telling was that throughout, Hung considered this described method of profit as the very definition of a legitimate businessman operating within an ordered business environment.

The problem, illustrated in recent months, however inarticulately, by the State Bank, is that in the hypothetical involving Peters and Hung, absolutely nothing was produced. Further, none of the profits described entered Vietnam's banking system, or for that matter generated tax revenues. More likely, profits remained in safes or hiding spots which homes traditionally feature, and which further disarm the State Bank's potential economic management.

Dramatically hindered is the Bank's foreign reserve, which is said to stand at about \$1.6 billion (the precise figure is kept secret), enough to last only eight to ten weeks.

Is the system described above a page from the book on "market-oriented socialism?" After all, each employee earns a comparable salary, and cash comes from outside sources based largely on initiative. Certainly, the approach is somewhat explainable in the context of Vietnam's decades-long participation in Soviet-style socialism, where entrepreneurship was prohibited and a role in the state-owned, state-run economy meant a roof over one's head.

Today, according to official policy, it still does. While reform is a stated and debated primary goal of Vietnam's government, the "dominant role of the state-owned enterprises in the economy" remains the bedrock of dynamics here, as reinforced by last June's Communist Party Congress. Aside from money, much of the state's intellectual efforts are consumed by trying to keep this "socialist" bedrock firm.

But where does that leave banks, the institution mandated with ordering the country's use of money?

The State Bank and Ministry of Finance in early August matter-of-factly identified causes of current banking problems. It blamed lax issuance of loans and letters of credit and loose reigns on foreign exchange. To hear the government's response, one might assume that thieves have angels, and with this case they were busy indeed.

The announcement came on May 31 from the State Bank Governor, a member of the elite Politburo of the Communist Party, and one would be correct to assume that the impetus came from his colleagues at the top. Henceforth, "efficient" state companies are permitted to borrow from banks without pledging any collateral. This enables them, among other things, to borrow foreign currency, necessary for importing machinery, more motorbikes and TVs, and to repay outstanding foreign-currency loans.

It was a let-down for any Vietnamese proud of its country's ostensible movement toward a "Socialist economy with free market mechanisms," which is the sanctioned description of the country's economy. "A state-owned company's land pledged as collateral serves as a placebo," reported official VNA prior to the announcement. After all, the majority of state-owned companies have defaulted on their loans, and were by far the largest recipient of such loans.

This privilege also hit a raw nerve with foreign invested companies here, because they recently saw their right to convert non-traded local currency virtually severed. "It had always been a stock Vietnam risk, and now its reality," said a HCMC lawyer who represents a stymied consumer product joint venture.

Simultaneously, The State Bank ordered foreign companies to make all domestic purchases in dong, not dollars, yen or German marks. Carrier air-conditioners made in Saigon, for example, must be purchased by a hotel under construction in dong -- not the

currency that most shareholders in Carrier's parent, United Technologies of Connecticut, might fully appreciate. Said the attorney, "This is either bad PR or it's a crisis where they need dollars at any expense. You get the impression their hands are being forced, that they're saying, 'we need the dollars more than you do.'"

Still, some foreign bankers credit the State Bank for slowing the dangerously incompetent lending frenzy that has persisted for the last five years or so. A HCMC banker gave high marks to the State Bank for at least understanding the problems, suggesting that many solutions are ideological and beyond their reach.

Now, he said, "it's time for the central bank to step up and act like a central bank." A long-awaited Banking Law is scheduled to be issued this September (when the National Assembly next meets), and it is expected to give increased authority over macro-management of the economy to The State Bank.

Presently, Vietnamese borrowers need more money immediately, and bankers want to give it to them but cannot because of new restrictions. Foreign lenders, such as Citibank and ING-Barings, are probably enjoying an increase in the chance to lend to the larger pool of credit-worthy state firms. And the State Bank reports that to inhibit inflation, which is 10 percent this year, it is printing less money these days.

For the State Bank, the challenge will be to comprehend its role as manager of a market-oriented socialist economy, then translate that to a skeptical public, while simultaneously managing damage control. Tougher will be acting decisively, as a central bank must, while listening to the rest of Hanoi's Indian chiefs.

"Within the government there are two schools of thought," remarks an economist who has been helping to craft the new Banking Law. "One is that on the surface, the numbers look good (enough); the other is that this is a dangerous moment. It should be an interesting September."

It is likely that Peter's Hung is rooting for a victory from the socialist ideologues, which still rule this country. And even if a radical new banking law is passed, it is unlikely that the scrappy consultant will shift his account from under his bed any time soon. END

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