

## Big Gaps Between China, Hong Kong, And Vietnam (*SB News-Press* – October 20, 2013)

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The hybrid Chinese economy on display in Shanghai and Beijing pales by comparison to Hong Kong's thriving private enterprise, but looks amazing compared to the socialist-blended-capitalism of Vietnam. Although the former British colony of Hong Kong was "returned" to the PRC in 1997, this semi-autonomous region has "retained" its capitalist identity – as the central planners in Beijing keep a decidedly light touch on the banking, engineering, innovation, and capital markets of this tiny peninsula. Vietnam however remains Third-World poor, chronically backward, and decades behind in technology and basic infrastructure.

Just over the border from Hong Kong are Shenzhen and (a bit further west) Guangzhou. And while manufacturing-assembly plants dominate these cities, the tenor of business is very different from the semi-autonomous Kowloon, Hong Kong Island, and Lantau. Commerce associations and conferences in Shenzhen and Guangzhou focus on the speed of manufacturing, the comparative advantage of low-cost labor, and expanding transportation infrastructure to move goods more quickly. But the business consortia and trade conventions of Hong Kong focus squarely on entrepreneurship, innovation, R+D, IT-design, and global capital partnerships. Foreign business people know the best remedy for a long stressful day in Shenzhen is a quick walk back over the border to the more modern hotels, better restaurants, and superior telecomm of Hong Kong. Entry to Hong Kong (like Singapore, Malaysia, Japan, South Korea) requires no visa for shorter-term business or tourism trips, but the PRC and Vietnam both do – with various restrictions and multi-tiered fees. Yet, my few contacts in the Beijing economic development area know fully well that freedom of

movement (and ideas) seems to be closely associated with the vibrant innovation of Hong Kong entrepreneurship – even as the PRC struggles to find ways to foster (manipulate?) fresh approaches to commercial development. Guangzhou just started a 72-hour visa-free transit policy for foreign business travelers from several countries. That incentive – like the brand new Shanghai Free Trade Zone (SFTZ) – continues the PRC’s experiments with loosening business restrictions. Each time one of these proves successful, it’s progress, albeit methodically slow. Some executives – like Si Xianmin (Chairman of *China Southern Airlines*) speak openly about entrepreneurs having to “walk ahead of change.” He comfortably quotes Peter Drucker’s “seek change, respond to change, use change as an opportunity,” and notes: “It’s better to be in business and feel pain, than not be in business at all.”

But shifting attention to northern Vietnam – especially greater Hanoi – finds a return to the stark utilitarian-unimaginative architecture and infrastructure of a Leninist-socialist state (think 1960s Moscow meets 1970s Havana). Roads, street lights, electrical wiring, sewers, buildings are all in major disrepair, and businesses are almost entirely family-run cottage industries (bakery, laundry, sundries, bike repair). It gradually improves a bit traveling south to Danang, and then to Ho Chi Minh City (referred to as “HCMC”). The roadways go from dirt, gravel, potholes – to paved with lane markers – to some modern interchanges with crosswalks, curbs, and sidewalks. But for cellphones, the super slow “E” symbol (Edge-2G dial-up speed) is the northern standard. It morphs to 3G in Danang and HCMC, but there’s no 4G-LTE. Hotel and office WiFi speeds start at circa-1995 56K up north (reminiscent of AOL trying various connection numbers), some DSL-comparable, but very little true broadband able to support an American VPN portal and stream Netflix to my MacBook. On the

finance front, multi-million Vietnamese Dong cash-only payments (at VND20,750 to \$US1) are the norm up north – it's jarring to spend VND1.214 million in paper bills on a 5-star hotel or VND865,000 on dinner-for-4. Further south, some VISA merchants show up, along with Amex, Mastercard, and PLUS/Maestro ATMs. And while a few big employers are foreign firms like Samsung, Canon, Suzuki, the overwhelming majority of the country's industry remains very low-tech, state-owned entities such as PetroLimex, VietTel, Vietnam Electricity, and Agribank. Da Nang looks nicer, and has a much better business environment, than both the capital of Hanoi, or the supposed "cosmopolitan" HCMC. Colleagues noted that Shanghai and Beijing had similarly poor financial and transportation infrastructure as recently as the late '90s and even early '00s. You might say Vietnam is all upside, but *When?* and *Where? to start* remain the questions.