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A Tale of Three Cities

Insight on a Business Trip to Three Cities in Asia
[Bangkok, Thailand](#) | [Phnom Penh, Cambodia](#) | [HCMC, Vietnam](#)

By Christopher W. Runckel, President of [Runckel & Associates, Inc.](#)

In May 2002 I escorted a group of client companies on a 10-day visit to Bangkok, Thailand, Phnom Penh, Cambodia and Ho Chi Minh City, Vietnam. The visit was instructive both as to the state of the economy in the three countries, the success or challenges the three have met in promoting tourism, the differences in doing business there and how all three have responded to the Asian financial crisis, Japan's economic downturn and the overall effects of the September 11 attack in the U.S. and the U.S. led war on terrorism.

We arrived in **Bangkok, Thailand**, to find the **Don Muang airport** in the midst of expansion. In the thirty-plus years that I have lived, worked and visited Thailand, it is hard to remember a period of more than several years when the airport wasn't in some form of renovation or expansion. Although this may appear to many a negative, it actually is a positive. Thailand is the most successful tourism marketer in the region. As tourism challenges presented themselves, the country has responded, thankfully successfully in most cases. The Airport renovation and the construction of a new second Airport, which is now in process, are all examples of this. Tourism arrivals to Thailand fell in the general travel decline following the 9-11 attacks in the U.S. but now are again climbing in response to a determined tourism promotion by the **Tourism Organization of Thailand** (TOT) and local hotels and travel agents.



Bangkok, Thailand

The *J.W. Marriott Hotel* on Sukhumvit, Soi 2, is an example. When built, the hotel had a very low occupancy level its first year but now is routinely in the seventy percent occupancy level or better and is often fully booked. It now is a prime **business hotel** for those in the know. Everyone in our group was pleased with the efficient service. The

Executive Floors of the hotel are a real boon to the **business traveler**. We structured our visit to have all of our business meetings at the hotel, saving us both the aggravation of Bangkok's horrendous traffic and the loss of time involved. This allowed us to reduce the length of our stay and increase our productivity. The Executive Staff helped in following up appointments, took messages and really proved a major productivity enhancement to our team. At night, we would have eaten in the hotel restaurants as well but learned that the Steak Restaurant was booked for the next two weeks and the **Thai restaurant** is nearly as popular. This made us look further afield and no visit to Thailand would be complete without a visit to the *Seafood Restaurant* on Sukhumvit, Soi 24 and a stop at *Bourbon Street* for those craving comfort food and/or a taste of Creole cooking. Thankfully both of these are just two stops on the air-conditioned skytrain which is the way to commute in this crowded and polluted city.

In our meetings with **Thai companies**, all lamented the last three years and the effects of the **Asian Financial Crisis and the devaluation of the baht** (the Thai currency). Of the many companies we met with, it was hard to find a company not affected by the economic difficulties of the last three years. Many were just now having their restructuring plans approved by the courts or their banks. Credit until recently has been very tight. Executives were subdued in their projection for sales and certainly hungry for new projects. Thai companies noted the competition placed on them by Chinese exporters, decreases in U.S. and European orders and the general decrease in Japanese investment, which has been a mainstay of Thai economic development. Exporters were mildly optimistic but all noted that the buyer is king!

Before and after the visit, I noted again the **strengths and weaknesses** of the Thai when it comes to doing business. The first strength is that many Thais speak English. They are friendly, outgoing and good at relationship building. Their warmth and their eagerness to please a guest often strike one. On the negative side, although most Thai business people speak English, they oftentimes do not read it as well or feel comfortable in an English-only environment. Further, although they express their desire for the sale, it is interesting to note how few use e-mail and how many fail to note cellphone numbers or other means to get in touch with them. Oftentimes too, the large number of holidays celebrated in Thailand makes it hard to get answers and/or responses. All of these are negatives, which the Thai's need to address if they are to effectively compete with the Chinese and others.



Phnom Penh, Cambodia

Our second stop was **Phnom Penh, Cambodia**. One of the Thai companies we met with when commenting on doing business in Cambodia and the skills of **Cambodian industry and labor** ad-libbed that "the time difference between Thailand and Cambodia is thirty years." In reality, although there is definitely a difference in **levels of technology and training** between the two countries, there is no actual time difference and the flight time is only one hour. Arriving in Phnom Penh **Pochetong Airport**, we were struck by the new international terminal, which is modern, new and well run. **Visas are issued on arrival** - \$20 for tourist visas and \$25 for business visas. The visas were issued in a mass production

like assembly line of immigration officers and took less than five minutes from the time one handed in ones passport till the time the passport and visa were handed back. All in all a very efficient and helpful approach to encouraging both tourists and businessmen.

Cambodia is aggressively promoting **tourism** and both in Phnom Penh and in Siem Reap new hotels are coming up. Cambodian, Thai and to a lesser extent Western investments in travel infrastructure are particularly large near Angkor Wat and the Khmer temple complexes. In general, although service is still not up to Thai standards of friendliness and efficiency, the hotel and tourism sector is definitely growing and improving daily. For those of you who still are delaying your visit to Cambodia because of a fear of crime or violence, forget your fears. The central government has carried on an extensive program of weapons turn-ins and other measures. Guns are rarely seen on the streets and crime is very much down. Although travelers at night are advised not to walk alone in many areas of the city at night, these same admonitions are also true of many western cities.

Cambodia struck me as **being open and receptive for business**. Most of the businessmen we met spoke English and expressed a desire to work with us. Streets were being paved and new services inaugurated. One observer noted the government's policy on import of automobiles. Cambodia is a very poor country – one of the worlds poorest - and most Cambodians don't have the funds to buy new automobiles or motorcycles. Vietnam has a similar problem but the Vietnamese government response was to prohibit import of used vehicles and require companies to open auto plants there. Many did and many lost big money because of their ill-advised investment. Cambodia looked at Vietnam's effort and also the fact that Thailand is next door and is the regional center for automobile production for all of Southeast Asia. From its observation, it concluded that Cambodia couldn't compete with Thailand and that attempting to require automobile companies to relocate there wouldn't work. The government also concluded that prohibiting import of used automobiles and spare parts would be unfair and just encourage black marketing. The government response was thus to allow imports of used vehicles and spare parts which created a vibrant market and has led to imports, sales and to government revenue where none existed before. This non-doctrinaire and flexible approach is true of much government economic policy and is to be lauded. **Corruption** continues to be a considerable problem but is no worse than in Vietnam or Indonesia and perhaps less predatory in many ways. The government is stable with the CPP Political Party controlling most levers of power throughout the country.

In business, one is still struck by the **lack of large industry** in Cambodia. Textile factories have gone through a boom and bust expansion and are expanding again despite labor unrest caused in large part by International Labor Organization activities. Although this labor organization effort was started with good intentions, it is in many cases short sighted and naïve in its approach. Thankfully the majority of other business is **non-unionized and totally free market**. Cambodian workers look at a \$60 U.S. dollar a month salary as a good salary for unskilled work. The number of educated officials and businessmen has definitely been impacted by Cambodia's history. Oftentimes if the people you are dealing with are in their 30s or 40s chances are they are probably Russian educated. Below this, most of the educated labor pool is young recent French educated graduates or even local graduates because of the virtual elimination of the educated elder generation by Pol Pot and the Khmer Rouge. Expect to have to restructure your plans in the event you choose to do business here to bring in Thai or Filipino managers and to look to Vietnamese and other workers for some of your skilled employees. Also, figure on a much-reduced level of productivity from your Cambodian staff and more need for training. Changing a travel

reservation can often take up to thirty minutes and don't expect the idea will transfer the first time even if you do speak the language.

One surprise I received during our stay in Phnom Penh was the extent to which Vietnamese and Chinese are spoken. I had expected that Cambodian language would be dominant, followed by Thai because of Thailand's long involvement in Cambodia. Instead what I found is that the Vietnamese are everywhere and often fill secretarial, accounting and service jobs throughout the economy. These Vietnamese say there is some animosity against them by local Cambodians and oftentimes that they are harassed by the police but in general they seem able to work and this government policy again appears well reasoned as they often fill important mid level positions in many companies.

Additionally, I was shocked to the extent that Mandarin Chinese is spoken. During our stay, I spoke Mandarin with our driver, plus heard it spoken by numerous tour groups and business delegations. Over a drink that I was invited to share when a group of Chinese businessmen learned of my ability to speak their language, I was told that Chinese businessmen are now looking for investments in Cambodia and are traveling there frequently. My host who was from Shanghai noted that the countries limited population and agricultural base were some of its attractions and implied that the Chinese government supports this policy.



Ho Chi Minh City, Vietnam

The last stop on my visit was **Ho Chi Minh City or Saigon, Vietnam**, as it was called until 1975. I have spent over six years of my life in Vietnam. I love the people, the food and even the weather. In this the hottest time of the year in this region and with temperatures in Bangkok over 40 degrees Celsius (100 degrees Fahrenheit), the morning and evening breezes make Ho Chi Minh City a cooler and more agreeable climate.

Despite my history with Vietnam, I found the comparison to Bangkok and Phnom Penh on this trip not necessarily as flattering to Vietnam as it might be. First, arriving in Saigon's **Tan Son Nhat Airport**, it is obvious that Vietnam has not taken the time to study and learn from their Thai brothers in terms of **Tourism**. The airline terminal is old, faded and in need of upgrade or better yet replacement with a modern facility. Additionally, the immigration process is not nearly as user friendly and much more expensive than in Cambodia. The immigration officers have forgotten if they ever knew the benefits of a smile, a friendly question or a welcome to their country. **Customs** is even worse with the Customs officers often giving you a feeling like you are at best bothering them and at worst that they are eyeing you seriously as some form of customs evader. Outside the terminal, the same chaotic crowds abound. Taxi drivers are as predatory as ever and tried their best to misstate taxi fares until they found out I knew the correct fare and also spoke their language. All of this is poor welcome to what can be a very fascinating country and to a very intelligent,

hard working and pleasant people.

At the **hotel**, I handed over my passport, the manager acknowledged my room was ready but then I was made to wait. The problem, which was never explained but soon became apparent to me because I spoke the language and had lived and worked in Vietnam was that the woman who actually did the work of registering guests was away and the male manager felt that doing such work would be inappropriate. Following this delay, then I tried to change money only to be told that the Cashier who had been there earlier was now gone and I would have to await her return to change money. This division of labor between males and females in Vietnam (with women performing the vast majority) often is a major puzzler to foreigners. The rigid division of duties and reluctance to cross-train or encourage initiative is also a legacy of Vietnam's socialist past. Neither of these is something that one finds in Thai and even Cambodian hotels where anyone at the front desk will immediately jump to assist you and hurry to get you registered and to your room. Vietnam could learn much about promoting tourism from Thailand and the lessons should not only be absorbed at the national level but should also be applied at all levels in the interest of developing Vietnam's tourist industry to its fullest.

Vietnam has continued to let the **Dong** (the Vietnamese currency) depreciate against the dollar. The rate when I was there was nearly 15,000 Dong to one U.S. Dollar. This managed float makes sense as **Vietnam's currency** has long been over-valued and devaluation should help Vietnam better compete. Despite this devaluation, however, it is obvious that Vietnamese goods don't compete successfully in many sectors and a walk-through any market will show you the large volume of particularly Chinese but also Thai and other goods that have entered the country, many without payment of any duty. The local papers noted recent seizures of good from China and Cambodia and also by sea but it is obvious that such seizures are limited at best.

Over the next two days I met with Vietnamese and foreign friends in the city and discussed the **economy** and my observations. The **Vietnamese English language press** was upbeat as to the economy and the interest of the world in doing business with Vietnam. The optimistic statistics reported there just didn't seem to be in accordance to what I was learning about the economy in talking to merchants, taxi drivers and others plus my own observations. Several western observers with long experience in the country agreed with my more negative view and several knowledgeable Vietnamese supported this. They told me that despite the optimistic government reports, the economy is only narrowly advancing in the South and is most probably stalled in the North. Vietnam has probably the hardest working populace anywhere in Southeast Asia, but the government has yet to release them to realize their full potential. In looking around, yes, there are new buildings, yes, there is progress but the truth is that it is anemic at best and will not really take off until the government clearly implements policies that give free enterprise the place in this society that it deserves.

That evening, after meetings all day, I went to dinner at one of the many upscale **Vietnamese restaurants** that line what is today called Dong Khoi Street but pre-1975 was known as Tu Do (Freedom) Street. The food was well prepared and the service well done, the truth is though that much of Vietnamese cooking is made to be eaten with raw vegetables, lettuce, fresh herbs and the like. Many dishes also use beef, seafood and chicken. To enjoy Vietnamese cooking as it was intended, you have to be able to eat the fresh raw vegetables and the ingredients need to be fresh. Eating uncooked lettuce, spices and other vegetables in Vietnam is not a good idea if you want to keep from dysentery or intestinal parasites and cold food storage in Vietnam's open-air markets is nearly non-

existent. Because of this, the truth is that you are much more likely to get good Vietnamese food in Los Angeles, Vancouver or Northern Virginia with much fresher ingredients and with the ability to eat the dishes as they were intended than you are in Vietnam.

When I finished dinner it was nearly ten and I decided to take a walk to let my food settle and to see a little more about the city and how it was developing. One thing was obvious. The government had eased its **restrictions** on bars and such establishments and they had definitely increased in number over the same time last year. In a short fifteen minute walk, it also seemed that the government has decreased its enforcement of the law against prostitution as I was stopped time and again by young women on motorcycles who came up onto the sidewalk or cut off my path as I crossed at intersections with requests for me to utilize their services. Despite this annoying solicitation, from what I observed and from talks with other longtime residents in Vietnam, it seems street crime is an area of police vigilance and most observers said they felt there was some improvement in this area.

The next morning, I was up at five A.M. because of the time difference and the inability of my body's time clock to adapt. The roars of motorcycles below my window was finally at a stop and I decided to head out and enjoy the morning quiet, the cool breeze and the delights of a new day. I hailed a **cyclo** (three wheeled bicycle taxi) and asked him to tour me around the city for an hour at a cost of \$3 which was an over-charge by local rates but still cheap when you see the effort and learn about the tough life most the drivers have experienced. As we traveled the just awakening streets, we saw peoples of all ages exercising in the morning air by the river. Young students, many of the girls in the native dress (the ao dai) or in uniforms were heading to school and street life was active and vibrant. The cyclo driver regaled me with stories about past history and local customs and I again saw what I love about this country and this city.

On our way back to the hotel, the taxi driver suddenly jumped off his bicycle seat at an intersection and walked past the woman policewoman there and then detoured around another intersection explaining to me that the *Canh Sat* (Police) there looked at cyclo drivers as their lunch fund and would fine them five dollars for the slightest of transgressions. One of the difficulties for most westerners to understand is why the government seems to harass the cyclo drivers at every turn with restrictive laws and with harassment from corrupt police when it is the cyclo that is precisely the thing that most tourists find most fascinating and stimulating during their visits there.

Also on our way back to the hotel, we passed the CITI Building (the headquarters of Citibank in Ho Chi Minh City). My driver noted that everyone calls this CD center (slightly changing the pronunciation CITI to CD). He said that the reason was that this area was the center of Ho Chi Minh City's black market CD industry. Here you can buy a western film or a recent musical recording for little more than a dollar and a half.

This was my visit – three cities, three economies, and three cultures. Thailand is obviously far and away the economic leader of the three even though it has obviously come through a very tough last three years. Thailand also is the leader in tourism where its' lead is even greater. The other two countries were a surprise. Cambodia although small and still in the early stages of exiting from a chaotic past showed signs of promise for properly researched business projects. Vietnam, although much the largest market and with the largest population of the three countries, has tremendous potential. Still that potential has yet to be realized and a more concerted effort is needed by Vietnam's leaders to adopt sound tourism policies and to open up more fully an economy which is producing at much below its full

potential.

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Until April of 1999, Mr. Runckel was Minister-Counselor of the US Embassy in Beijing, China. Mr. Runckel lived and worked in Thailand for over six years. He was the first permanently assigned U.S. diplomat to return to Vietnam after the Vietnam War. In 1997, he was awarded the U.S. Department of States highest award for service, the Distinguished Honor Award, for his contribution to improving U.S.-Vietnam relations. Mr. Runckel is one of only two non-Ambassadors to receive this award in the 200-year history of the U.S. diplomatic service.

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