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**ASIA WEEKLY:**  
**Postcard from Vietnam—The Changing  
Road to Development**



**For the Week Ended  
May 11, 2007**

Conducting research on the ground in emerging markets is widely assumed to be like adventure travel. There may be concerns about disease or kidnap, but the greatest actual danger is sitting in the back of a taxi or bus, hurtling down a two lane road that apparently accommodates six lanes of traffic (animals not included), where the rules of the road are guidelines at best.

Vietnam today, a country with a GDP / capita under US\$1,000, should fit that image of an emerging market, and driving between Hanoi's airport and downtown does elicit some of that sense of adventure. But globalization has transformed the pace of development in Asian emerging markets today. You can stay in a five star hotel, watch CNN, BBC and MTV, and squirrel away on your Blackberry. The absence of Starbucks might signal an early stage of economic evolution, or could just be explained by the country's established, French influenced café culture (Paris only reached the Starbucks stage of 'evolution' three years ago).<sup>1</sup>

But wealth and government regulation remain two of the most important drivers of change. The contrast to Beijing, also visited on the same recent research trip, is instructive in two areas - traffic and housing redevelopment. Over the last decade, the streets of Beijing that were once filled with bicycles and trucks are now filled with private passenger vehicles. In Vietnam, cars are still a luxury, even in Ho Chi Minh City, while public transport is under developed, so the moped remains both a primary people mover and key status symbol.

The landscape in Beijing has also been transformed as the old hutongs, or residential neighborhoods, were demolished to make way for modern multi-story housing and commercial developments. Ho Chi Minh City remains predominately a low rise city, with condo developments now sprouting on its outskirts. But it is following China down the path to greater private property rights, which should accelerate with the recent accession to WTO. However, the government appears less interested in driving the process, leaving the private market to solve a housing shortage created by growth and urbanization. The old is not being demolished wholesale to make way for the new; the old is being renovated, and much of the new is being built on green field sites to the east of the city, across the river. To some extent, it is private enterprise pushing government policy, as local entrepreneurs and foreign investors push the government to codify laws to keep pace with economic activity. All of this is encouraging, but investment in emerging markets still remains analogous to crossing their streets; if you assume everyone obeys all the signals all the time, one day you'll get run over.

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