

Peeking under the surface of globalization

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Intel's experience in Vietnam shows the web of connections behind the global economy.



Hoang Dinh Nam/AFP Faced with the question of how to get computers to middle-income earners, Intel played matchmaker between Taiwan chip makers and Vietnamese assemblers.

Every day, newspapers and television broadcasts are full of numbers that supposedly tell the public how the global economy is doing. Like the markings on a thousand thermometers, the numbers go up and down: stock market indexes, payroll data, interest rates, quarterly earnings, trade deficits, you name it. The problem is, none of these numbers tells you how the global economy actually works.

But what if you could go behind the scenes - freeze the global economy for a sliver of time, just long enough to get a really good look at it? Then you'd have a pretty good idea of what was connected to what and who relied on whom. You'd see how the global economy is like an enormous machine crammed with six billion interlocking cogs and wheels - one for every person inside. Unfreeze the action, and the cogs and wheels whirl away as the world's workers spring back into action.

Not everyone's wheel is the same size, but everyone's wheel matters. To use another metaphor: Think of the proverbial butterfly that beats its wings in the air over Australia and helps to cause a hurricane thousands of miles away in the Gulf of Mexico. Like the earth's own atmosphere, the economy is a closed system - everything's connected, and every individual's actions instantly affect everyone else.

Sometimes this fact is lost in the countless hours of commentary on television and radio, to say nothing of the endless articles and books, about a topic vaguely called globalization. Yet much of the resulting debate amounts to "globalization good" or "globalization bad." And that kind of name-calling doesn't do much to help you cope with the changing world.

The only empirically obvious truth is that the forces often labeled "globalization" - the integration of markets, the spread of ideas, the formalization of the world trading system, and whatever else you care to place under the umbrella - are here to stay. Wouldn't it be better - and more interesting - to take a broad sampling of facts and judge for yourself?

A nighttime drive along Nguyen Van Troi Street - Ho Chi Minh City's version of the Las Vegas strip - is a study in outrageous contrasts. The graceful colonial villas that house official offices

behind forbidding metal fences have been swamped by trendy cafés, bars, restaurants, and shops open until the wee hours. The patriotic banners hanging nearby, all in gold letters on a red background, are barely legible in the blinding light of thousands of tubes of neon.

Is this really a Communist country? Not on your life. The entrepreneurial tradition is just too deeply rooted. Dozens of private businesses dot the sidewalks. New storefronts selling everything from silk bathrobes to spa treatments are popping up all over Ho Chi Minh City. Likewise, the old Honda Dream mopeds are quickly giving way to racy new Yamaha scooters. Entire families still pile on, just like they used to, but they're not wearing plain white shirts and dark trousers anymore - now it's tight jeans, designer tops, and plenty of makeup.

Vietnam didn't get this way all by itself. Foreign companies have had a hand in the country's growing prosperity. Naturally, they didn't get involved out of charity. They're trying to find cheaper places to make their products, or new people who might buy them.

It's a mission that has often led to controversy, with accusations raging from substandard treatment of workers to wrecked indigenous cultures. But arguments against companies reaching around the world to produce or sell are being washed away, if not always answered, by the twin tides of trade and investment. The more relevant question today is whether these multinational relationships can be managed in a way that benefits both guests and hosts.

Intel, the microchip maker, would respond with an emphatic yes. The company has been operating in Vietnam since 1997, the year when several countries in the region experienced financial crises that deterred many other businesses from investing. In 2000, the United States opened trade relations with Vietnam for the first time since the two countries stopped fighting. And it was then that Intel sent Than Trong Phuc home.

Phuc left Ho Chi Minh City on the last night it was called Saigon, in one of the last helicopters to take off from the roof of the American Embassy. Soon afterward, he was adjusting to life as a newly minted California teenager. Today, three decades after he fled Vietnam, he is the living embodiment of Intel's shrewd strategy for expansion into developing countries.

It's a sweltering summer day outside, but Phuc and Le Quoc Anh, a Vietnamese-American born in Virginia, are sitting at a conference table in the cool comfort of Intel's air-conditioned offices. Phuc, a trim man with a gray-flecked mustache who runs the operation, is flipping through a slide presentation on his laptop while Anh, his jovial public relations manager, takes notes.

As each slide pops up on the projection screen, Phuc's steady gaze checks with his audience to make sure his explanation has sunk in. One slide elicits a special mention, though. "This is the Communist Party of Vietnam Web site," Phuc says brightly as the projector shows an image taken from a Web browser. "We made the headline!" And indeed, there on the screen is Intel's name, in an announcement of the deal that is supposed to bring Vietnam to the cutting edge of the digital era. "I thought the day would never come," Anh adds.

Phuc and Anh agree that if they brought this slide to their immigrant friends in the United States, they would not believe it. But cooperation with the government is the name of Intel's game in Vietnam.

In a way, it has to be. Foreign companies' access to Vietnam is still tightly controlled by the government, and the government has a profound involvement in the lives of Vietnamese. "The government's role in Vietnamese society is pervasive," Phuc says. "Their influence and their mind share is everywhere." Rather than seeing this unusual situation as a handicap, however, Intel has tried to exploit it.

From the moment Phuc arrived in Ho Chi Minh City, he set about cultivating government officials. His initial step was to understand their goals. The first, he says, is to increase the use of personal computers and the Internet. The second is to make Vietnam an exporter of high-tech items, and preferably those that don't require a lot of equipment to produce.

"In manufacturing on the hardware side, the capital cost is big," Phuc explains, adding that Taiwan already has the upper hand in that market. Instead, he says, "the government wants Vietnam to be an exporter of information technology. All you need is a brain." With a million graduates entering the work force every year, the need for these jobs couldn't be plainer.

Intel's goal is clear, too, and Phuc makes no bones about it: sell more chips. But rather than simply hanging out a shingle and waiting for customers to arrive, Phuc spends most of his time actively working to develop the market. That means coming up with an endless stream of ideas for putting people together with computers, since more demand for computers implies more chips.

And so it came to pass that Intel, with just a handful of people working out of an office in Ho Chi Minh City, became the driving force for Vietnam's entire computer industry.

Phuc divided the market into three segments, separated by income. The high end presented no challenges; they'd buy whatever computers they wanted. The low end probably couldn't afford to buy any computers, so the question was how to give them access to software and the Internet in a community setting. That's when Phuc got to know Vu Duc Dam.

Vu was vice chairman to the people's committee in Bac Ninh, an inland farming province in the north. He had studied abroad and was interested in promoting Vietnam's digital future. But what would Bac Ninh's poor farmers do with computers?

The answer, in part a product of Intel's constant brainstorming, is now on show at 200 community centers across Bac Ninh. Each one houses five personal computers and one printer. A local Web site created by the Agriculture Ministry offers daily crop prices. In addition, online maps clearly show the boundaries of land allotments, previously a frequent topic of disagreements. The system can also be used to set up distribution routes.

For farmers, it's a valuable resource. For Intel, it's 1,000 chips sold.

Though farmers sharing computers is all well and good, Intel's prime target was always the middle segment of the population, a group Phuc now estimates at about three million households with income from \$2,000 to \$6,000 annually. How could Intel encourage these people to stretch their budgets and become new customers?

Working with the government's Communist youth group, Intel developed a program under the brand Thanh Giong, the name of a legendary Vietnamese hero who magically overcame disability to beat back the enemy of his people. To beat back the enemy of illiteracy (and thus unemployment), the program would sell computers costing \$265, \$320 and \$420. Intel acted as matchmaker between suppliers in Taiwan and Vietnamese assemblers, whom it also helped with testing, debugging and quality control.

So far, the Thanh Giong systems have been selling at a rate of 3,000 a month. "Intel doesn't do this for free," Phuc says. "We don't even take a loss." though the program began in just a few provinces, now all 64 have followed the Thanh Giong lead. "And of course," Phuc adds, "we helped everyone."

Phuc's approach, which he credits in part to the ideas of Intel's chairman, Craig Bennett, has become a model for Intel divisions throughout Southeast Asia and Eastern Europe. The government is planning another Thanh Giong program to reach small businesses, which it hopes will triple in number in the next five years. The "digital Vietnam" agreement that Intel's chief executive, Paul Otellini, signed June 15 includes a stunning plan for the future: computer labs in all schools, e-government programs in all provinces, personal computers in all 900 hospitals and 260 universities, rural Internet rollouts, and even wireless Internet covering entire cities.

Intel has succeeded in Vietnam because its goal and the government's are roughly the same: more Vietnamese using more computers. Essentially, Intel gave the government a menu of options - all of which were good for Intel - and followed up on the ones the government liked.

The company has taken advantage of cheap marketing and played up to local traditions. At worst, it can be accused of encouraging people to spend their money on computers instead of other things, perhaps including necessities. The situation could hardly be better.

Intel hasn't always been able to avoid controversy, however. Like other companies, it has been blamed for being a badly behaved guest. For instance, by building a large plant in Kiryat Gat, an Israeli town that belonged to Palestinians before 1948, Intel became the target of boycotts from pro-Palestinian groups. They accused the company of helping Israel to limit Palestinian families' ability to regain their ancestral homes. There is no shortage of other stories, especially involving American businesses.

Things are changing, though. Ironically, the same corporations that activists used to castigate for using sweatshops in poor countries may now be the entities most responsible for spreading progressive labor practices. For example, Gap Inc., which was once criticized for using exploitative clothing suppliers on three continents, has more recently been praised for coming clean about its violations of labor laws, pledging to reverse them, and even solving a dispute between workers and local bosses in Cambodia.

The company only changed its ways after years of sustained pressure from activists and consumers. But the case proved that under their watchful eye, multinational companies can bring progress as well as problems. When the activists' voices and consumers' pocketbooks make visible examples out of offenders, it's much less likely that others will test the limits of acceptable behavior.

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