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Doing Business with Vietnam

John Crosby

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Doing Business with Vietnam

Case study presentation

JOHN CROSBY

I developed the business that I am about to describe because I thought I'd make some money out of it, but as I will explain this takes a while.

At the outset we decided on a few specific points. We wanted to establish a local business that had the capacity to handle the Vietnamese end of an import / export business which I wanted to run from Australia. Before I went out on my own a couple of years ago I spent two years working for Elders; one of my roles was to try to work out a strategic position for Elders in Asia.

Elders is a very large company. During the Elliot years it spread throughout the world before contracting to the point where it nearly disappeared. Subsequently global links were re-established. I prepared a report which advised that if Elders really wanted to be part of Asia in the long term, they should create a series of strategic alliances so that they became part of the business structure in the countries in which they were involved. I guess I'm out on my own because they didn't think it was a good idea.

I first went to Vietnam because of an opportunity to export cattle to Vietnam and to process them - to do what happens in Indonesia, the Philippines and originally in Japan. In that process we ran across a whole series of problems - banking problems, language problems, lack of understanding of international trade, lack of understanding of accountability. In fact, all of the difficulties that you run into in developing countries, and particularly those formerly managed by communist regimes. Even though Vietnam is still a communist regime, it is actually now quite capitalist in the way it deals with trade and business issues. These issues arise because there are too few people that have really had exposure to international business at the level that we might expect.

JOHN CROSBY is Manager of JR Crosby and MJ Fisher, a cattle, grain and irrigation property at Lucindale, South Australia. He is also Managing Director of C&F International Pty Ltd, an import/export business between Australia and SE Asia, principally Vietnam. The Vietnamese end of this partnership is Hao Private Enterprise. As former General Manager, Asset Development with Elders his responsibilities included the hay and feedlot businesses and development of linkages with Asia. This followed positions as a director of Elders and Chairman of the NSW Meat Authority and President of the Agribusiness Association of Australia. Prior to 1994 John held various positions within NSW Farmers and the National Farmers Federation, culminating in Senior Vice President of both organisations. It was during this period that he led the NFF team which floated Elders away from Fosters and allowed the revival of this agribusiness icon.

So we explored how we might establish the business. We dropped the concept of shipping cattle to Vietnam - for the time being anyway - because circumstances were just not ready. The cost structure wasn't right. Some other people are now doing it with valuable assistance from the Queensland Government with nutrition and feedlot management, but I believe that whilst the future of the operation is essentially sound, it will take a long while to be profitable.

C&F International is the Australian end of our operation. We export meat and fruit, particularly temperate fruits that aren't readily grown in Vietnam. They are sold in Vietnam through Hao Private Enterprise. We'd actually like to import fruit from Vietnam to Australia, but this is very difficult because of the protocols that

are necessary to avoid entry of unwanted insects and disease.

We do import outdoor furniture into Australia: the Vietnamese are the best artisans in the southern Asian area. I think it's a combination of the French and Chinese heritages; they are meticulous and justly proud of their very good products. As their cost structure is very similar to that of Indonesia, we can import higher quality furniture at about the same price as that from alternative countries. As there is about 3000 hours of work in a container of outdoor furniture, every time we import a container of this furniture we've created 3000 hours of employment. Even though our turnover is quite low, Hao employs four people: the manager, an accountant and two sales people. These are capable people in their own environment and we've provided a lot of training in international trade and on clearance procedures, not the least of which is negotiating with customs authorities.

Our most successful business has been wholesaling Australian meat into Ho Chi Minh City. It is only about a tonne a month, but it has a reputation for being a good quality product. It is not the grade sold to Japan because that would be too expensive, but is what we call 'A' beef or 'S' beef, which is cow beef or steer beef. It is very tender as long as it is treated properly in the processing and is kept for two weeks before being eaten.

We are very keen to explore ceramics as well as furniture for the reciprocal trade that we are trying to set up. I have already mentioned the skill of the Vietnamese with wood - great carving, great finish - and they're extremely good at ceramics as well. Reciprocal trade will implant us into the Vietnamese system in a much better way than if we just try to sell to them. In addition, however, Vietnam is a very difficult country (as are a lot of countries in Southern Asia) to transfer money into and out of on a regular basis, particularly if you're just transferring it out. But if you set up reciprocal trade arrangements whereby you can use the money that you earn in that country to buy local products, your profile in the country is much better and the help that you get with your overall operation is much greater.

Now just in case all that sounds terrific to those of you that want to go out and have a go, I must say that we have still to make a profit, but our figures are heading in the right direction!