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GLOBAL REPORT

## Trying to Curb Graft in Vietnam

### Corrupt officials have been embarrassing Hanoi's Communist authorities.

By Amy Kazmin  
Financial Times

December 27, 2004

The arrests this month of Vietnamese civil servants suspected of smuggling crude oil out of the country may help solve the riddle of fuel consumption in neighboring Cambodia. Official petrol imports there, which are subject to high duties, have declined by 20% in the last decade, even as the number of passenger cars on the roads has risen by 50%.

The arrests also signal an increasingly vigorous drive to weed out a reportedly growing number of corrupt officials, who are embarrassing Hanoi's Communist authorities with their brazen demands for bribes and highly visible, opulent lifestyles.

Eight senior executives of **Vietnam Airlines'** petroleum trading subsidiary, Vinapco, were arrested on suspicion of illegally exporting oil to private traders in Cambodia.

The executives, including Vinapco's director, chief finance officer and chief trade officer, stand accused of taking as much as \$1.3 million in bribes.

Just days later, an investigation into Vietnam's trade ministry reached its climax as Mai Van Dau, the 62-year-old deputy trade minister, was arrested on charges of "abuse of power," for allegedly selling export quotas for garment manufacturers sending textiles to the U.S.

The "cash-for-quotas" racket has claimed four other senior trade ministry officials, including Dau's son.

Vietnamese government officials have long used their positions and their vast discretionary powers to make money. But with the economy expanding more than 7% a year, and popular aspirations growing, the graft appears more brazen. The number of state officials seeking handouts and the sums demanded are said to be increasing.

Officials have also been accused of using their authority to evade taxes, secure contracts for family companies and illegally sell state property, as well as engage in other forms of profiteering.

At its highest echelons, Vietnam's Communist Party now fears that public servants' increasingly visible opulence is eroding the legitimacy and effectiveness of its authoritarian, one-party rule.

"Since 1996, corruption has been public enemy No. 1, but the drive to uproot it has become much more vigorous in the last 12 months," said John Shrimpton, director of Dragon Capital, Vietnam's largest fund manager.

The clean-up effort has so far exacted its heaviest toll at Petrovietnam, the state-owned oil and gas behemoth, where the general director and his deputy were dismissed in May last year for misconduct in tendering for Vietnam's first oil refinery. Authorities subsequently uncovered rampant corruption and arrested numerous Petrovietnam employees and others, including a senior construction ministry official.

The widening anticorruption net has also ensnared powerful local officials suspected of land speculation on the island of Phu Quoc; an executive from the state-owned shipping company, Vinalines; the head of the state coffee company, Vinacafe; and the agricultural minister, who was forced to resign this year.

Skeptics have suggested that the dismissals and arrests may stem from internal party rivalries, but many foreign observers in Vietnam are convinced they are a serious attempt to deter corrupt officials.

"Greed is running amok, and the arrests seem designed as a signal to slow things down," said Frederick Burke, an attorney at Baker & McKenzie in Ho Chi Minh City.

But curbing graft in Vietnam will require Communist authorities to make far-reaching changes, including reducing officials' discretionary power and increasing the transparency of government decision-making and the accountability of public officials.

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