

Vietnam: Profitable return

Michael Peel

Those displaced by the war are now being encouraged to play a prominent role in the emerging economy

Nguyen Cao Ky Duyen is a star in Communist-ruled Vietnam, but she was once a refugee from it. The long-time co-host of *Paris By Night*, a variety show devised for homesick expatriate Vietnamese in France and the US but also popular inside the country, fled Saigon as a girl just before the city's fall almost 40 years ago. Her family was more politically vulnerable than most, as the North Vietnamese army prepared to topple the southern government and its US backers: her father, Nguyen Cao Ky, was a fighter pilot and former premier of South Vietnam who escaped by flying a helicopter to a US warship. It took him almost 30 years to get back and longer still to persuade his daughter to join him.

“He said to me, ‘you should come back to Vietnam. That’s where the future is, because Vietnam is a growing country,’” recalls Ms Ky Duyen in an interview in a restaurant on a strip of glitzy developments by the Saigon river. “But I didn’t know how to get started. I didn’t have any friends. I didn’t have anyone here.”

As Vietnam prepares to mark the 40th anniversary of reunification on April 30 1975, Ms Ky Duyen counts herself among the “war baby” returnees whose stories hold a mirror to what has changed and what has not in the country. The returnees, and in some cases their sons and daughters, are having a roller-coaster ride in a frontier market of 90m people, more than 60 per cent of whom were born since the end of the war, whose Communist rulers are grappling to restore the excitement that once surrounded this emerging economy. Their stories show what can happen in an autocratic country when a diaspora once afraid of war, persecution and poverty feels the confidence to return with new ideas and an appetite to make money.

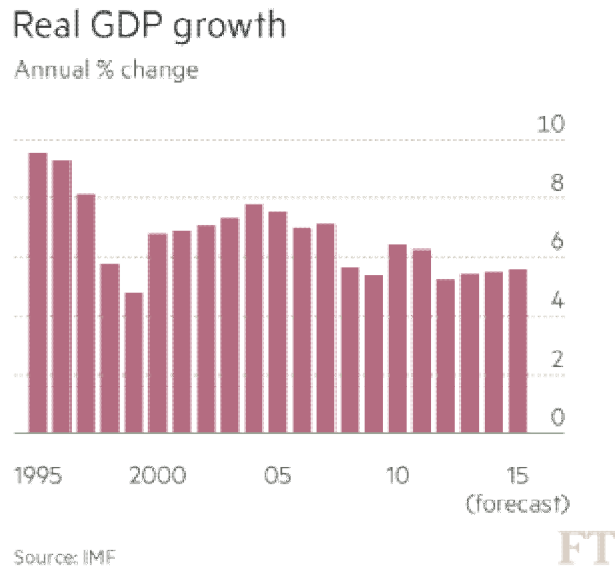
“Before I came back I was told ‘you will be prevented [from starting a business] by the government,’” says Sieng Van Tran, a technology entrepreneur who lived in the UK for more than 30 years after escaping the Mekong Delta. “But the reality is that once the government knows you’re here to do business, they leave you alone.”

This month’s commemorations will be a poignant reminder for many returnees of why their families left. The programme includes a ceremony on April 30 to mark the “liberation of Ho Chi Minh City”, as Saigon was renamed in honour of the founder of Vietnam’s Communist party and bête noire of Washington. But, in a nod to changed times, the role of the postwar diaspora, who have returned to the country because of “favourable policies”, is being promoted.

Hundreds of thousands left Vietnam in the exodus at the end of the war and during the years of post-conflict reprisals. A well-connected few were flown out with US help, while thousands of unaccompanied children were evacuated in US planes in “Operation Babylift”. Other refugees died at sea, part of a wave of “boat people” fleeing Vietnam and Cambodia’s Khmer Rouge

genocide, whose plight became a signature horror of the late 1970s. Those who survived resettled around the world, leaving the US alone with more than 1.5m residents of Vietnamese origin.

Role for the returnees



Reliable data for the numbers of overseas Vietnamese, who have returned home are hard to find. But many people inside and outside government say more are venturing back, as the estimated 4m-strong diaspora moves to a more prominent role than simply bolstering annual expatriate Vietnamese remittances, which official estimates put at \$12bn. They have been tempted by a range of incentives over the past two years, from tax breaks on importing cars to a relaxation on nationality and property ownership rules. For a country seeking a return to strong growth, amid continued worries about the structural health of the economy, the *Viet kieu* are an important tool.

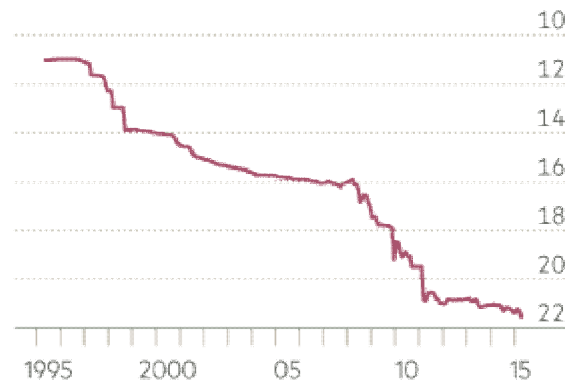
“They are a new potential investment source for Vietnam,” says Dinh Tien Dung, finance minister. “And I believe they will come back more and more.”

The wooing of the *Viet kieu* is part of a wider opening of the economy that began in the 1980s and accelerated when the US ended its trade embargo in 1994. That thaw turned Vietnam into a sought-after frontier market for investors and a crucial manufacturing link in global supply chains for the likes of Apple and Adidas. But a property bubble developed during the mid and late-2000s and the economy faltered after the global financial crisis, dragged down by bad debts and financial troubles at big state companies that accounted for 40 per cent of gross domestic product. Growth fell to its lowest levels in more than a decade, while in 2011 inflation soared to 18.7 per cent. Perhaps the greatest emblem of excess was the forced 2010 government bailout of Vietnam Shipbuilding Industry Group after it racked up debts of \$4.5bn.

Nguyen Tan Dung, prime minister, admitted to “shortcomings in the government’s management” and “economic structural weaknesses”.

Vietnamese dong

Against the dollar ('000 dong per \$)



Source: Thomson Reuters Datastream

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This means that the returnees have become an important element in kick-starting the second economic act in a country that was once growing at close to 10 per cent a year. Some officials talk cautiously about recovery now that GDP has risen more than 6 per cent for the last three quarters. Vietnam has also benefited from the relocation of factories by international companies looking for cheaper labour, as wage costs rise in China and regional rivals such as Thailand. Hanoi has invested heavily in financial incentives to attract big manufacturers such as Samsung, the Korean electronics company, and Intel, the US chipmaker.

Scepticism remains however, about the touted Vietnam revival: bad debt problems remain and a flagship plan to privatise hundreds of state companies has all but stalled. Hanoi's efforts suffered another blow last May, when officially-approved protests against China over a maritime dispute descended into riots that ransacked hundreds of foreign-owned businesses. While the trigger was anti-China sentiment, some analysts also saw the mayhem as reflecting workers' frustrations with pay and conditions.

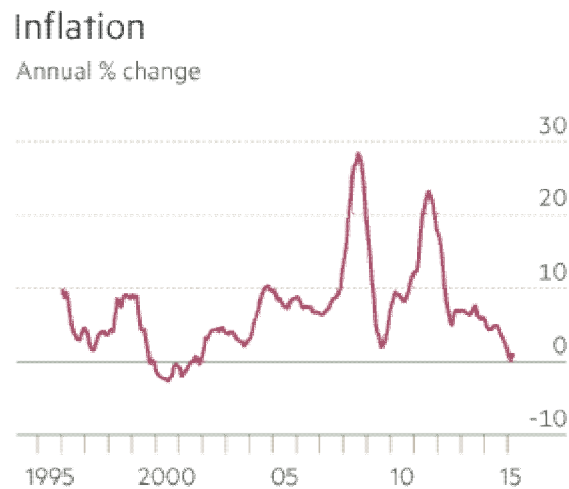
Push for prosperity

Yet, for all the wider doubts, the wealth on display in Ho Chi Minh City is testament to how members of the war babies generation are doing very well for themselves.

Tran Quoc Tuan, chief financial officer of Viet Uc Seafood, a food company with international ambitions, says he is more confident after a "really tough" couple of years when he first returned in 2009. He talks about how several of his friends who worked in Vietnam for investment funds left in 2012-13. But many of those who stayed tend to be launching start-ups, ranging from pharmacies to architectural design shops, or bringing big international brands to this large consumer market.

"The expats who came as professionals left. The ones who stayed are the entrepreneurs," he says. "Now, the economy is picking up and the expats are coming back."

Returnee Henry Nguyen, the son of an official in the South Vietnamese government, was not even two when he left Saigon with his family for an all-American childhood in Virginia. Mr Nguyen now runs IDG Ventures Vietnam, a technology-focused venture capital business, and won the franchise to open the country's first McDonald's last year. He is also married to Nguyen Thanh Phuong, a financier who is the daughter of the country's prime minister.



Source: Thomson Reuters Datastream

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He says he was regarded "more with curiosity" than suspicion when he first returned in 2001, surviving a rocky start to become one of the country's highest-profile business people. "I grew up speaking very little Vietnamese," says Mr Nguyen, a Harvard graduate who was part of a consortium that last year announced it would set up a new Major League Soccer team in Los Angeles. "Much to my regret, and even shame, when I first got back to Vietnam it made it very difficult, because my language skills were almost non-existent."

His story shows how the return of the *Viet kieu* is a tale of culture and politics as well as profits. Communist rule in Vietnam still faces no significant open challenge: the government jails dissenters and the party is the only one standing in elections. There are disagreements within the party, not least over whether to tilt more towards China or the west. But the most significant changes will happen at next year's five-yearly party congress, not through the ballot box.

One returnee from Europe is gleeful about the business opportunities "you can do anything in Vietnam" but also worried about the perceived arbitrariness of the state. Graft is still a significant problem in a country that ranked 119 out of 175 countries in Transparency International's perceptions of corruption index last year. "That's the thing that worries me, they have got a file on everyone," he says. No matter how clean you are, if they want you out "you're out."

Lingering tension

A second political barrier for some *Viet kieu* is lingering war-era animus. The north-south divide, with its sense of victor and vanquished, no longer exists officially but more than one person notes how business people from Hanoi, the former capital of North Vietnam, often succeed in Ho Chi Minh City, but rarely the other way round. A returnee from the US now working in finance

observes how many prominent positions in big private Vietnamese companies are held by relatives and friends of government officials.

“I wouldn’t say they don’t have the skills to be successful,” he says. “But obviously the connection helps.”

Viet Tan, a political group whose main leaders are based outside Vietnam, campaigns vocally against the government in Hanoi. It says the country “has the potential of becoming an economic tiger,” but the Vietnamese people “find themselves restrained by a backward dictatorship.”

Pham Binh Minh, Vietnam’s deputy prime minister and foreign minister, insists that “there’s no prejudice against those who left.” The government is trying to encourage even more *Viet kieu* to come back, through programmes including summer camps for children of the diaspora. Asked what the authorities will do about those whom he says still “retain the hatred” for the Communist party, he says: “It’s our policy to welcome them back home.”

Paris by Night’s Ms Ky Duyen acknowledges that her celebrity status has helped ease her re-entry. She is also returning only gradually, still spending big chunks of time in the US. And she has first-hand reminders of tensions that remain: her show has irritated Hanoi in the past and is circulated in Vietnam mainly via bootlegged DVDs.

But, 40 years after those chaotic last days in Saigon, a sense of a big chance for those fortunate enough to be able to take it is drawing Ms Ky Duyen’s centre of gravity back towards her former home. While the US is already “set and settled,” Vietnam is “hungry for everything,” she says. “I started coming back more and more often. I look around at the market here, the growth, and I think, wow, there is a lot of potential.”

Regional challenges: Hanoi takes ambivalent stance on China and US

Hanoi’s triumph over Washington is one of the climactic 1970s events that looms largest in the western consciousness. But the newly unified country’s short 1979 border war with China is perhaps as important to understanding the geopolitical position of the southeast Asian country today.

Vietnam sits in a tough neighbourhood, managing tricky relationships with the superpowers of east and west as they tussle with each other for maritime security supremacy in the South and East China seas. If Hanoi’s territorial battles with Beijing seem to have brought it closer to Washington, then that is more by default. While some Mekong region states, such as Cambodia, enjoy both a close relationship with Beijing and patronage from it, Vietnam’s position is much more ambivalent. Cultural and political affinities between the two Communist-ruled states and Hanoi’s trade dependence on Beijing are offset by a resentment in Vietnam over its neighbour’s perceived aggression.

Those tensions boiled over last year, after China moved an oil rig into waters off the disputed Paracel Islands in the South China Sea. Hanoi despatched a flotilla of vessels that clashed with their Chinese counterparts, while people took to the streets in both Hanoi and Ho Chi Minh city in officially-sanctioned protests against Beijing’s actions. The demonstrations ran out of control, as mobs attacked hundreds of foreign-owned businesses – many of them from other countries, principally Taiwan.

While the dispute died down when China removed the rig in July, it threatens to flare again over

Beijing's policy of building up reefs in disputed seas into permanent islands. Vietnam has called on world powers to add to criticism of the strategy already voiced by the US, among others. But Hanoi has also been at pains not to appear as if it is cosy up to the US - and the continued balancing act between Washington and Beijing is likely to be a big underlying theme of the Vietnam Communist party's five-yearly selection of its top leaders next year.