

Vietnam commits to reducing military-owned businesses

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Vietnam's National Assembly approved an amendment to existing legislation on 8 June to limit the number of businesses owned and operated by the country's defence ministry and the People's Army of Vietnam (PAVN).

State-run media in the country said the updated legislation is intended to reduce the strong influence of military-owned businesses in national contracting decisions as well as drive down the number of enterprises – both defence and commercial – that are owned by the ministry and PAVN.

According to the reports, the ministry and PAVN currently own 88 companies and the goal under the legislation is to reduce this number to 17 in the near term before efforts to divest the military's interests in all of the firms over the next few years.

Vo Trong Viet, the chairman of the National Assembly's defence and security committee, said "Once the process is completed there will be no business units that are entirely economically driven under the defence ministry, and those remaining businesses will be subjected to the same regulations and policies as their civilian counterparts."

As of 2000, the defence ministry and PAVN operated a total of 305 businesses but by 2017 this figure had been reduced to 88 companies. These businesses are varied in scope and include defence production enterprises to communications businesses, transport, retail, construction, and energy.

The economic scope of these military-run businesses is substantial. In fiscal year 2016 PAVN enterprises earned VND345 trillion (USD15.1 billion) and registered profits of VND43 trillion. Together they employed about 180,000 people. Revenues from the PAVN businesses equalled about 7% of Vietnam's total GDP.

By far the biggest PAVN-owned company is the Viettel Military Industry and Telecoms Group, which is involved in both military and commercial telecommunications projects. The company, Vietnam's largest mobile network operator, achieved revenues in 2017 of VND250.8 trillion. Other prominent defence companies include the Defence Industry Material Company (also known as the General Army of Economic and Technology) and the Electronics, Chemical, Informatics Corporation (ELINCO).

Analysis

The Vietnam government has long wanted to reduce the PAVN's engagement in business as part of efforts to enhance and promote military professionalism. This effort, which has resulted in the reduction of PAVN-owned businesses since 2000, has been achieved through methods including mergers with existing Vietnamese firms, acquisitions undertaken by Vietnamese firms, initial public offerings, and foreign direct investment.

However, the influence and economic power of the remaining PAVN businesses is such that the restructuring programme is proving difficult to conclude and the PAVN is not keen to lose enterprises that bring in such vast sums and boost funds for activities including military procurement. Within Vietnam, there is also a degree of support for the PAVN to continue its businesses. This stems from the PAVN's important secondary role. While its priority is protecting the country's independence, the military is also viewed in Vietnam as a major contributor to national construction, socio-economic development, and poverty reduction.