

Vietnam's Last Call for Bribes

By Brian J.M. Quinn

When Vietnam's national football team lost the final match of the 2005 South East Asia Games to Thailand, football fans across the country were heartbroken. Well, maybe not all of them. Upon his return to Vietnam, midfielder Quoc Vuong met with a bookie in a Ho Chi Minh City hotel and accepted \$6,300 for his role in throwing the game. Vietnam's football-crazy public was shocked when the soccer player was arrested in December. Other players on the national team—all household names—were soon implicated.

Such headlines point to a less sensational reality: corruption is pervasive in Vietnam. As the communist state continues to reform, however, there are signs that corruption might become less of a way of life. Public reaction to the widening football-betting scandal has been intense. Once reported, there was no way that the authorities could just make it all go away. Near daily revelations in the local press of the high-flying lifestyles of the government officials implicated—including late-night gambling, foreign prostitutes, nepotism, villas and fancy cars—only heightened public interest of the scandal.

One of the most prominent officials involved is Bui Tien Dung, who is director of PMU 18, a state-owned construction enterprise which specializes in building donor-financed infrastructure. Investigators revealed that Mr. Dung had bet over \$2.6 million. Later, it seems, he attempted to pay the criminal investigators around \$100,000 to bury the case.

As daily revelations from the scandal dominated the headlines, anticorruption became the top agenda item of the Communist Party's Tenth Congress in late April. Central Committee member Phan Dien noted in a press conference that "corruption is a threat to the survival of the Vietnamese Communist Party." In a rare interview, legendary General Vo Nguyen Giap commented that "the Party had become a shield for corrupt officials." There are several ways that Party members can take advantage of their position, including *chay toi*, or using one's position in the Party to evade criminal responsibility. According to the local press, 70% of public petitions submitted to Congress called for anticorruption enforcement.

The recent revelations are exposing levels of corruption that are shocking for even the most cynical observer. Of course, corruption is not a recent phenomenon in Vietnam. Over the years there has been a steady stream of high profile corruption scandals, of which the PMU 18 scandal is only the latest. In the late 1990s, the Nam Cam scandal unveiled the world of organized crime in Vietnam and sent 17 Party members to prison. Just last fall, the state oil company, PetroVietnam, was rocked by a corruption scandal which also implicated the Inspector General's office, Vietnam's watchdog agency. In 2005, the Party undertook a survey on public attitudes towards corruption. The survey

revealed that corruption was about more than just a few wayward bureaucrats. Around 60% of respondents admitted to having paid a bribe for public services. Worse, more than 30% of public servants who responded to the survey said that they would accept a bribe if offered. Clearly, rent-seeking behavior in Vietnam involves more than a few bad apples; it is apparently commonplace.

Vietnam already has a web of legal rules and regulations which attempt to address the problem of corruption. Until recently, though, the government and the Party have blanched at serious efforts to curb corruption. At the end of 2005, in response to yet another scandal which forced the resignation of the then Minister of Agriculture in 2004, the National Assembly passed Vietnam's first Anticorruption Law.

The Anticorruption Law is largely a restatement of the 1998 Anticorruption Ordinance, though it represents an improvement in one respect: disclosure. The Anticorruption Law requires civil servants above the rank of departmental deputy director (such cadres number in the thousands) to make annual financial disclosures on assets such as houses and land-use rights held by them in the name of the public, as well as precious metals and other items of value greater than \$3,300. It also requires them to disclose their overseas bank accounts and their taxable income.

The disclosure requirement is presently limited to just the public servant and excludes his or her immediate family. Shifting assets to relatives and making relatives targets of bribes may quickly become a common tactic, if it is not already. Another loophole can be found in what the National Assembly chose not to include in the final version of the law. An earlier draft of the piece of legislation included a requirement that public servants declare the source of any financial support for overseas study, tourism and medical care for public servants as well as members of their families. This disclosure requirement was dropped in the law's final version, leaving an obvious avenue for graft. A third problem is that financial disclosures are to be submitted internally. They are not to be subject to any outside review. The lack of an independent anticorruption agency which can credibly seek out and punish corrupt officials hampers any effective enforcement of the law. The new rules do little to address the structural causes of corruption, namely the presence of rent-seeking opportunities within the system.

Yet there are two shifts within Vietnamese society that provide reason for optimism. The first shift is the growing importance and changing nature of the Vietnamese media. The second shift involves the continuing reforms required for Vietnam's entry into the WTO.

If Mr. Dung was unsuccessful in bribing his way out of culpability, it is only because of the Vietnam's aggressive press corps. The persistence with which Vietnamese reporters pursued the football-betting story—in spite of threats to their physical safety—signals the growing influence of the Vietnamese press, which has always been more assertive than some give it credit for. Vietnam's news media may well be able to play a constructive role in mitigating corruption by forcing the issue into the open. If the media are able to take advantage of a “freedom of information” style provision included in the new

Anticorruption Law, and scrutinize financial disclosures, Vietnam's new media could play a critical role in helping the government get a handle on the problem of corruption.

The second important shift now occurring in Vietnam has to do with a changing relationship between the state and the people brought about by Vietnam's pending entry into the WTO and its implementation of a bilateral trade agreement with the United States. In any country, market protection creates opportunities for inefficiency. Inefficiency often exhibits itself in the form of rent-seeking behavior. The market opening reforms required as part of that effort will reduce opportunities for bureaucrats to pursue rent-seeking behavior.

The power of reform to reduce corruption can be seen most clearly in the impact of the 1999 Enterprise Law. Prior to the 1999 law, the granting of business licenses was left to the discretion of local bureaucrats. As a result, setting up a business was a lengthy and expensive process as one worked one's way through the bureaucracy. The new Enterprise Law removed significant amounts of power from the hands of local officials and made it possible for entrepreneurs to establish a business quickly and easily through a relatively simple registration process.

Meanwhile, stories of corruption and match-fixing in the Vietnamese professional football league continue to surface everyday. Vietnam's national football team, though, has started down the long, hard road of rebuilding. The entire coaching staff has been sacked. The team roster has been replaced with many unknown faces with little or no international match experience. It is not clear when, or how, Vietnam's football-loving public will again trust their team. But no doubt, there are some optimists willing wager a few dong that maybe this time things will go the right way for Vietnam.

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