

# View from Vietnam

## Challenges and opportunities for foreign investors

“Everyone worked for the state when I was a child, but that’s all changed now,” says Nguyen Hoai-Anh, CEO of Amigo Investment Holdings, which is rolling out an electronic payment system across Vietnam’s postal network in conjunction with state owned VN Post. Hoai-Anh has seen Vietnam go through remarkable changes following the “Doi Moi” economic reforms of 1986. The private sector has emerged in its own right and in partnership with the government across a range of sectors and western brands including BMW, Starbucks, Dior and Gucci have set up shop, seeking to tap into the surge in middle income consumers which have flowed from a growth rate averaging above 6% since 2008.

### Privatisation and the slow pace of reform

However, as the country emerges from the global financial crisis, the pace of reform is painfully slow and the government’s commitment to implementing Doi Moi 2.0 is being questioned. The IMF, amongst others, says that for Vietnam to realise its true potential the state owned enterprises (SOEs), which form the backbone of the economy and constitute over 40% of GDP, need to be fundamentally reformed.

A privatisation agenda, termed locally as “equitisation,” is underway and the process has recently seen some of the key state banks including Vietcombank and Vietinbank sell stakes of between 15% and 20% to the Japanese megabanks.

However, the country’s key assets and the largest SOEs, including Vietnam Electricity (EVN) and PetroVietnam (PVN) remain in state hands. In addition, majority stakes in all SOEs (including those which have been subject to equitisation) continue to be held by the Government.

Whilst there is concern over progress, this is tempered by some of the most successful and active participants in the market who view Vietnam as a long game. As the reform agenda progresses, Clifford Chance is on the ground assisting our global strategic clients in realising their



ambitions. “Clifford Chance has been fundamental to the delivery of our long term strategy” says Tom Nguyen, Head of Legal for Standard Chartered Bank in Vietnam and the Mekong region. We have worked with Standard Chartered Bank on some of the country’s largest syndicated financing deals including PVN, BIDV and Vietinbank. Tom adds that “building strong relationships and trust are the key to success in Vietnam.” It is within this context that the role of committed private sector participants is seen as crucial to the reform and development of SOEs and in turn the wider economy.

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## Outlook

Vietnam clearly faces some real challenges: SOEs are inefficient, corruption levels are high and bad debt – amongst the highest in the Asia-Pacific region – is holding back growth from the heights achieved before the financial crisis. However, Vietnam is still attractive to foreign investors. According to the ratings agency Fitch, foreign direct investment is up by 36% year-on-year and those with a commitment to the country remain optimistic about the future, perhaps sharing Hoai-Anh’s view that “there appears to be an inevitable momentum to the economy irrespective of government policy.”



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