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State Owned Enterprises and Economic Reform in Vietnam

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Disclaimer: The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Introduction

The year is 2025 and Vietnam is in peril; economic growth has stagnated, inflation is approaching 40 percent and tensions rise as unemployment soars. Any hope that Vietnam might ever join the ranks of the Asian tigers has all but faded as growing uncertainty and unrest take over the country. In an effort to keep its grip on power, the communist government has declared martial law and begun a relentless crackdown on dissidents. The heavy-handed tactics have backfired, and the country is now engulfed in mass protests and general lawlessness. Regime infighting has paralyzed any hope of a united response to the economic stagnation. While Vietnam is distracted by its domestic crisis, China takes action and claims the oil reserves off the coast of Vietnam as part of its exclusive economic zone (EEZ) in the South China Sea. In response to this brazen act, India, a significant investor in the development of Vietnam's coastal oil resources, lodges a formal protest with the UN and is steering its newest carrier group towards the coast of Vietnam. China's foreign minister has stated that the presence of any Indian warships in its EEZ would require China's authorization, and any violation would be interpreted as an act of aggression. India has responded with a vow to protect its national and economic interests with military force if necessary. The two nuclear-armed nations are locked in a spiral of increasingly bellicose rhetoric and both appear prepared to escalate the conflict. Tensions that began with the economic implosion of Vietnam now threaten to engulf the entire region in war.

Could this stark vision of the future become a reality? In 2013, Vietnam's economic growth is slowing, crippled by failed economic policies and ineffective strategies of the central government. If Vietnam does not find a way to boost its economic growth, it could face a future as dire as the scenario depicted above.

In the years following the Vietnam War, the communist government embarked on an ambitious strategy of collectivization and centralized planning. The socialist economic model failed and by 1980, Vietnam experienced a 25 percent collapse in rice production in the South and struggled to feed its population.[1] As public frustration grew, the Communist Party sensed a threat to its hold on power and successfully introduced limited capitalist reforms to increase rice production. This newfound pragmatism spread cautiously into other areas of the economy, and in 1986, at the Sixth Party Congress, the Vietnamese Communist party introduced a policy of "doi moi" (renovation). Doi moi initiated limited privatization across multiple sectors of the economy, including the powerful State-Owned Enterprises (SOE).

Vietnam's SOEs are a remaining economic vestige of the socialist vision for Vietnam. These industries comprise 40 percent of Vietnam's Gross Domestic Product (GDP) and were conceived as centrally planned companies that would be agents of socialist efficiency. This influential sector of the Vietnamese economy includes a wide cross-section of businesses with the largest engaged in energy, telecommunications and heavy industry. Communist party appointees, selected for their loyalty and orthodoxy rather than their knowledge of the industry, typically lead the SOEs. Since their inception, the Vietnamese government lavished easy loans and preferred status on the SOEs, but the results have been disappointing. The majority of SOEs are not profitable and their combined debt exceeds $20 billion, 16% of Vietnam's GDP.[2] In an effort to improve performance, the government adopted a policy of limited privatization they term "equitization." Through this equitization process, the government has embarked on an effort to partially privatize SOEs while retaining a controlling ownership stake.

The Communist Party explains the obvious contradiction of a privatized industry operating with state 'guidance' under the rubric of 'capitalist reforms with socialist ideals.' This strategy makes perfect sense to the Communist Party leadership; the reforms keep the population content while the Communist Party maintains its hold on power. It is this motivation that pervades the execution and purpose of any restructuring. Reforms have been excessively slow because the party will relinquish only enough power and control to keep the economy growing.[3] For now, the people of Vietnam tolerate the situation, but the slow pace of SOE reform could ultimately stall the country's economy. In order to encourage economic growth, it is imperative Vietnam reform its state-owned enterprises.

Corruption

SOEs were conceived as highly efficient industries that benefit from centralized government control of the economy. They would provide jobs for the people and products for the nation. Unfortunately, this vision has not become a reality. Instead, the SOEs provide Communist Party members and their benefactors with unfettered access to funds and influence. In the late nineties, the SOEs "were flooded with tax breaks [and] stuffed with privileges" yet they were unable to produce significant growth in jobs or wealth for the population of Vietnam as a whole.[4] Regrettably, the SOEs' primary accomplishment was to make the party faithful prosperous. The perversion of SOEs in this manner benefits the Communist Party by keeping its members and adherents wealthy and faithful.

State control of the SOEs, the lack of independent oversight and the artificial protection of SOEs from market forces encourage "grand corruption." Grand corruption is large-scale corruption that affects an entire economy and carries with it system-wide risk.[5] The grand corruption in Vietnam hampers economic growth because it distorts the operation of the entire financial system, reduces Foreign Direct Investment (FDI), and prevents the effective development of required infrastructure. Vietnam cannot enjoy sustained economic growth while grand corruption, enabled by SOEs, continues to subvert financial transactions. The government's lack of oversight and tacit support of corrupt activity has facilitated SOEs' acquisition of an astounding seventy-five percent of Vietnam's financial companies and commercial banks. Significant ownership of finance companies affords the SOEs unrestrained and unwise access to loans. The SOEs are "self-financing black boxes," and have the ability to grant themselves credit without the oversight that would usually accompany such loans.[6] The lack of accountability enables SOE leadership to misappropriate funds for personal gain and "set up unaccountable funding channels to finance projects with minimal economic logic."[7]

Electricity Vietnam (EVN) provides an interesting example of this pattern of behavior. In 2008, EVN owned a significant stake in two finance companies, EVN Finance and ABBank, which in turn held stakes in each other and Electricity Vietnam. This arrangement meant that EVN could "underwrite, purchase, trade, manipulate and profit" from sales and transactions within its own organizations without independent oversight. The lack of accountability made it possible for the SOE managers to siphon off money and maintain the appearance of legitimate business transactions.[8]

The large-scale distortion of financial incentives is not the only consequence of Vietnam's grand corruption problem; Foreign Direct Investment (FDI) has also suffered. Research shows that systemic corruption has a significant negative impact on FDI and the impact is cumulative, with higher levels of corruption resulting in a greater loss of FDI.[9] This is particularly unfortunate for Vietnam, whose economy is riddled with corruption but is also highly dependent on FDI for growth. Two corruption-related factors contribute to this loss of FDI. First, foreign companies find themselves in an environment where they cannot compete fairly with SOEs. Corrupt practices steer grants, subsidies and generous loans towards SOEs, which make it more difficult for international or private sector firms to compete.[10] Second, the government makes the investment environment even more insecure by protecting its cash cow SOEs even at the expense of its own credibility. The case of ABN Amro, a Dutch-owned bank operating in Vietnam, is an illustrative case in point.

In March 2006, the government brought an employee of Vietnamese state-owned Incombank up on charges for losing $5.4 million in bad currency trades with ABN Amro. "The result should have been a straightforward case of prosecuting a rogue trader;" instead, the communist regime engaged in a campaign of coercion against ABN Amro to protect its SOE.[11] The Vietnamese government arrested two ABN Amro employees and accused them of complicity in a scheme to steal money from Incombank. After much media coverage and protests by the Dutch government, the Vietnamese offered to drop the charges if ABN Amro paid back the $5.4 million. In November 2006, the state released the two employees and dropped the charges when ABN Amro yielded to their demands. The extortion had the intended effect of protecting the SOE, but came at a price to the government's credibility. The regime's willingness to subvert the rule of law "sent a chill through other foreign banks operating in Vietnam, raising concerns about the risks of dealing with state financial institutions, and other state agencies."[12] Grand corruption's effects are not restricted to FDI; it also has a detrimental effect on Vietnam's infrastructure.

Enabled in large part by SOEs, grand corruption has hindered effective infrastructure management in Vietnam and stunts the economic growth necessary to promote stability. It is vital that Vietnam develop adequate infrastructure including roads, power, and public services to facilitate commerce.[13] Research and experience show that Vietnam's grand corruption often results in the diversion of government investment away from meaningful infrastructure projects towards those supported by crooked SOE managers.[14] Despite the availability of development funds, the problems of infrastructure are widespread. "Manufacturers regularly complain that roads are falling to pieces and ports are too congested." A recent European Chamber of Commerce study reveals "one-fifth of its members [are] considering moving into other regional markets" in part because of infrastructure concerns.[15]

The impact of grand corruption is substantial and is crippling Vietnam's growth potential. Vietnam ranks a disappointing 123 out of 174 nations in 2012 for corruption (174 being the most corrupt).[16] Paolo Mauro, the Assistant Director and Division Chief for the International Monetary Fund Fiscal Affairs Department, found in his study that, for each standard deviation of improvement in a country's measured level of corruption, it realizes a four percent increase in the investment rate and over a half a percentage point increase in the growth rate.[17] In another study, researchers found that "an improvement in the control of corruption by only one standard deviation is associated with a jump in [the] global competitiveness index of almost 30 rank positions."[18] While these studies do not distinguish grand from generalized corruption, they confirm reforms that address these problems represent a significant opportunity to bolster economic growth. The scale of the corruption associated with SOEs make them a particularly attractive target for reform. Unfortunately, the corrosive effects of SOEs are not limited to encouraging grand corruption; they also negatively impact the use of capital.

Misuse Of Capital

Capital, both financial and human, is allocated most efficiently when the forces of the free market are permitted to function.[19] Capitalism encourages less efficient companies to improve or lose out to more effective competition. The losing company in this scenario adapts or goes out of business in a process of creative destruction that is the cornerstone of capitalism.[20] SOEs are 'sacred cows' and prevent the effective use of capital because they are protected from the creative destruction that improves private industry. The SOE-driven capital mechanisms that impede Vietnam's economic growth take several forms: generous and lax lending to SOEs; investment in financially questionable subsidiaries; artificial drawing of investment and development funds to SOEs; and the inefficient use of human capital.

SOEs have benefited disproportionately from injections of financial capital during Vietnam's economic development and the pursuit of doi moi. "Loose credit conditions… together with the dominance of an inefficient state sector, have resulted in inefficient investments."[21] The Vietnamese government actively directs capital towards its SOEs often with poor results. One troubling example of economically dubious support to an SOE involves the Vietnam Shipbuilding Industry Group VinaShin.

The Vietnamese government wanted to promote the rapid growth of their shipbuilding industry "by using government subsidies to build and sell ships at a lower cost than the competition."[22] The government went to great lengths to support VinaShin, forcing state-owned banks to guarantee foreign ship purchases and providing $750 million in capital obtained from government bonds to the company. The completion of VinaShin's first ship was prophetic; the ship launched amid much fanfare but sprung a leak within several hours of entering the water. VinaShin's woes did not end there, and by September of 2013, VinaShin was near bankruptcy and planned to cut over half its workforce.[23] The layoffs have not yet taken place, and the Vietnamese government recently decided to sell $626 million in government bonds to pay VinaShin's debts. The government has not learned its lesson; the state plans to cover VinaShin's debt, but rather than privatizing the company, it reaffirmed its intent to keep shipbuilding as a "main industry in Vietnam" with VinaShin under state control.[24] Government direction rather than market forces dictate where financial capital flows with little to show for the massive expenditure.

The generous loans to SOEs undercut the need for them to be profitable, and an estimated half of the enterprises are chronically loaded with bad debt and have no obvious means of repayment. This massive debt slows down growth and poses a significant systemic risk to the entire Vietnamese financial system.[25] The misuse of capital diverts funds from more efficient companies and, in effect, encourages the SOEs to waste the excess resources.

SOEs often squander their surplus capital and invest in unrelated non-core industries of questionable economic value. For example, the government directed Electricity Vietnam, an SOE, to keep electricity prices artificially low. The government used the low prices to mitigate the risk of "any kind of social unrest."[26] This predictably cut Electricity Vietnam's profits, so rather than spend what capital it had to increase its production capacity, it entered the mobile phone business. The government's control of EVN managed the short-term problem of electricity prices, but to the detriment of the longer term solution of increased production. Electricity Vietnam is not the only SOE to divert capital into unrelated subsidiaries.

VinaShin, the struggling shipbuilding company, ventured into entirely unrelated businesses including breweries and hotels.[27] The access to 'easy-money' meant that, in a single year, VinaShin set up an astonishing 150 subsidiaries, the vast majority of which were neither economically advantageous nor peripherally related to its core business. The irresponsible and economically questionable accrual of subsidiaries pervades Vietnam's SOEs and deprives the economy of growth potential.

SOEs' favored status is not lost on investors, who view them as an opportunity to make some level of profit in an economy otherwise unfavorable to market forces.[28] The perception that the Vietnamese government will not allow SOEs to fail reduces the risk in the eyes of investors. In the case of VinaShin's financial collapse, one of their backers, U.S. hedge fund Elliot Advisors, sued arguing "Vietnam's government effectively guaranteed the debt."[29] The government appears intent on bailing out the troubled ship-builder with the unfortunate consequence that investment capital will likely continue to flow towards the comparatively safe, but highly inefficient, SOEs.

SOEs also benefit from greater access to international development funds because they often have a monopoly on many of the infrastructure projects that those funds seek to support. SOEs find development funds particularly attractive because they have few strings attached and often include a "grace period when neither interest nor principal repayments are required." Predictably the results have been haphazard, with Shaun Houston, Nike's senior logistics manager for Vietnam, describing the infrastructure as "roads without bridges, bridges without roads."[30]

A comparison of state-owned and private industry productivity illustrates just how inefficient the state sector is. "State-owned enterprises absorb 56 percent of investment, but account for only 39 percent of GDP;" their counterparts in private industry, by comparison, utilize only 26 percent of investment capital and yet comprise 46 percent of Vietnam's GDP.[31]

SOEs also take a toll on the efficient allocation and use of human capital. The SOEs' status and security are a lure to workers, but once there, their innovation and productivity are stifled. SOEs are not pressured to increase efficiency or use their workforce wisely because they are not subject to market risks. Employees do not innovate nor are they incentivized to perform at their highest levels because there is no competition. An analysis of the investment needed to create jobs illustrates the poor use of human capital in the state sector. The average SOE requires eight times more capital to create a single job than a company in the private sector. Furthermore, SOEs drain 35% of state-bank credit yet account for only 3.8% of employment.[32]

This substantial misuse of human and financial capital is crippling Vietnam's growth. As they function now, SOEs, "lead to an inefficient allocation of resources and an under-utilization of the economy's growth potential."[33] Privatization will make SOEs subject to market forces and compel them to become efficient and profitable. Competition will optimize the allocation of financial and human capital across the Vietnamese economy, will unlock market forces and enable economic growth.

Way Ahead

Vietnam's path to reform has been particularly difficult. The government has committed repeatedly to privatize SOEs, yet reform has been very slow. The changes that have been implemented have not spurred market forces because the government still retains a controlling stake in 70 percent of its "equitized" SOEs.[34] Further complicating matters, the very people who must execute the reforms are also those who will have to relinquish their power and access to wealth. Slow and incremental improvement will frustrate those who support swift and comprehensive reform, but it may offer the only way forward that is palatable to the communist regime.

The Vietnamese government will face many obstacles in implementing reforms, but as economists Daniel Kaufmann and Paul Seigelbaum of the World Bank concluded in their research on the privatization of the former Soviet Eastern bloc, "…from a corruption standpoint, taking into consideration all other characteristics of the transition, privatization – with all its inadequacies – is preferable to its absence."[35] In addition to reducing grand corruption, privatization of the SOEs will enable market forces to allocate financial and human capital more efficiently. Productivity will increase as the competitive process of creative destruction forces former SOEs to grow leaner and more effective. Vietnam's prospects for growth are exceptionally good if the government can complete comprehensive market-based reforms of its SOEs.[36] There are four steps that Vietnam should follow to ensure an orderly process of privatization that optimizes the chances for economic growth.

First, SOEs must be prioritized according to their debt burden and the private sector's ability to absorb or replace the enterprise. Unfortunately, many SOEs carry significant debt and the government will not, or cannot, reveal the true financial status of their enterprises. The regime can be motivated by offers of international expertise and, through diplomatic channels, pressured to analyze and disclose the financial shortfalls of their enterprises. Privatization of SOEs with significant debt issues should be delayed until the government can devise solutions to settle the debt.

Another criterion that must be considered is the ability of the private market to replace or absorb the SOE. Private companies in most capitalist economies provide many of the goods and services that, in Vietnam, are produced by SOEs. The state sector should not be "the sole provider of a good or service unless there is a compelling reason to believe that the private sector will fail in that role."[37] The Vietnamese government should produce a prioritized list of SOEs with acceptable debt burdens and that can be readily absorbed or replaced by the private market.

Second, the prioritized SOEs must be scheduled for privatization. Liquidation offers the least corruption-prone method to 'shed' SOEs because it "reshuffles ownership links and completely severs residual state connections."[38] It is possible that the Communist Party will not embrace liquidation as a preferred method of privatization, but it should be encouraged by the international community wherever possible. Where complete liquidation is rejected by the government, sale of a controlling stake in the SOE (greater than 50 percent) should be the minimum acceptable goal. Research shows that the more rapidly a privatization process is implemented, the more likely it is to be corruption-free.[39] A delicate balance must be struck between efforts to increase the pace of reform through aggressive scheduling of privatization and maintaining the political will of the government to support those reforms. The international community should request that Vietnam provide a schedule including specific SOEs and their planned date of privatization. The World Bank, the International Monetary Fund and similar organizations should offer expertise and support. International political pressure and incentives should be applied to encourage reforms and to ensure they do not stall.

Third, the Vietnamese government must pursue a transparent "unraveling" of SOE debt and develop a program to pay or forgive the liabilities. The scale of the debt poses a serious destabilizing risk to the Vietnamese economy, and it is vital the international community offer assistance through loans, grants, debt forgiveness and expertise.[40] This aid must come with binding obligations for Vietnam to use these resources to pay off SOE debt followed by rapid privatization of those enterprises, preferably through liquidation.

Finally, those SOEs that the Vietnamese government will not or cannot privatize, must be reorganized to increase the efficacy and independence of their management. SOE leadership must be selected based on qualifications, not party ideology. Profit motive should drive the payment of managers and failure to achieve performance goals should result in removal. The SOE manager must report to an independent board of directors who will evaluate performance and provide a check on the manager's power. Wherever possible competition should be encouraged to force SOEs to perform more efficiently and maximize productivity. Where there is no competition, clearly articulated and publically available performance objectives should be developed and managers held accountable to achieve them. Ties between financial service companies and the remaining SOEs must be severed to minimize the risks associated with "black-box" financing. These actions will improve the governance and efficiency of the remaining SOEs.

Encouraging these reforms requires a thoughtful balance of support and political pressure from the international community. The U.S. can take advantage of existing trade agreements with Vietnam and offer increased economic cooperation and assistance. The Trans-Pacific Partnership, currently under negotiation, also offers a potential point of leverage to encourage and sustain reform. A combination of economic, military, informational and diplomatic pressure and encouragement can provide the impetus for Vietnam to reform its SOEs, maximize economic growth potential and increase economic stability.

Conclusion

The state-owned enterprises comprise a significant portion of the Vietnamese economy and must be reformed if Vietnam is to achieve strong economic growth. SOEs are rife with corruption, they discourage foreign investment and they retard the development of infrastructure. Generous lending practices and preferred government treatment have concentrated disproportionate financial and human capital in the SOEs with poor economic outcomes. The absence of competitive market forces permit SOEs to invest heavily in multiple subsidiary companies, many of which are neither profitable nor linked to the SOEs' core businesses. Grand corruption, combined with the arbitrary and reckless use of capital, has stunted Vietnam's economic growth and must be dealt with by a comprehensive program of SOE privatization.

Vietnam sits at a crossroads. It can choose to keep its SOEs largely unreformed and carry on down a steady path of slow economic decline. The government risks instability if it does not take action. If growth stagnates, the Vietnamese population may eventually lose patience with its leadership and demand change on their own terms.

The second path offers a more hopeful future for Vietnam. It will require the political will to embrace genuine reform and compel those, who may be unwilling, to change. Tensions may rise in the Party as those who understand the need for reform are confronted by colleagues unwilling to relinquish their hold on wealth and power. Furthermore, the Vietnamese government must be transparent in its handling of the SOE's endemic debt problems. Self-financing "black boxes" must be opened and debt obligations paid or written off.

The privatization process will result in sustained long term gains as FDI is encouraged, infrastructure is properly funded, and capital, both financial and human, is put to better use in the private sector. The outcome will likely be a vibrant, growing economy and a burgeoning middle class. It is a future that holds the greatest opportunity for economic stability for Vietnam as its population shares in growing financial security.

NOTES

[1] Bill Hayton, *Vietnam Rising Dragon* (New Haven: Yale University Press, 2010), 31.

[2] Frances Yoon, "Vietnam's Long Road to SOE Reform," *Asia Money*, October 17, 2012, http://www.asiamoney.com/Article/3104210/Vietnams-long-road-to-SOE-reform.html.

[3] Hayton, *Vietnam Rising Dragon*, 3-9.

[4] Adam FForde, "Vietnam: What Needs to be Done?" in *The Asia-Pacific: A Region in Transition*, ed. Jim Rolfe (Honolulu: the Asia-Pacific Center for Security Studies), 294. http://www.apcss.org/wp-content/uploads/2010/PDFs/Edited%20Volumes/RegionalFinal%20chapters/BOOKforwebsite.pdf

[5] Cheryl W. Gray and Daniel Kaufmann, "Corruption and Development," *Finance and Development*, last modified March 1998, http://web.worldbank.org/WBSITE/EXTERNAL/WBI/EXTWBIGOVANTCOR/0,,contentMDK:20725263~menuPK:1977002~pagePK:64168445~piPK:64168309~theSitePK:1740530,00.html. 7-10; *Transparency International*. "Frequently Asked Questions On Corruption," accessed 27 September 2013. http://www.transparency.org/whoweare/organisation/faqs_on_corruption. Transparency International defines grand corruption as "acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good."

[6] Hayton, *Vietnam Rising Dragon*, 19.

[7] Ibid, 18.

[8] Hayton, *Vietnam Rising Dragon*, 3-9; Ari Kokko and Frederik Sjöholm, "Some Alternative Scenarios for the Role of the State in Vietnam," *The Pacific Review*, vol. 13, no. 2 (2000): 258, http://www.viet-studies.info/kinhte/Role_State_Kokko.pdf.

[9] Paolo Mauro, "Why Worry About Corruption?", *International Monetary Fund Economic Issues*, Issue 6 (Washington, D.C.: International Monetary Fund, 1997), 6-7. Mauro's analysis is not specific to Vietnam, but provides a theoretical framework to analyze the effects of corruption; Axel Dreher and Thomas Herzfeld, "The Economic Costs of Corruption: A Survey and New Evidence," *Researchgate.net*, June 2005. http://www.researchgate.net/publication/23749289_The_Economic_Costs_of_Corruption_A_Survey_and_New_Evidence. The author does not differentiate between grand corruption and lower level corruption in conducting his analysis. Grand corruption is a significant contributor to the overall effect since it occurs at larger scales and has a greater system-wide destabilizing influence.

[10] Hayton, *Vietnam Rising Dragon*, 13-16.

[11] Ibid, 13-16. A review of ABN Amro's August 2013 report to investors reveals numerous operations throughout Asia, but does not include information indicating that it has any significant operations remaining in Vietnam.

[12] Amy Kazin and Bill Hayton, "Vietnam Lawsuit Alarms Foreign Banks," *Financial Times*, last modified August 8, 2006, http://www.ft.com/cms/s/0/1c724bf8-267a-11db-afa1-0000779e2340.html#axzz2ivfhjGFx.

[13] Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (New York: Crown Publishers, 2012), Nook edition, Chap. 2, 5, 8, 11, 15. Acemoglu and Robinson provide economic theory explaining the role of governance and inclusive institutions in creating positive economic outcomes. Their work is not specific to Vietnam, but provides an underlying theory for analysis.

[14] Mauro, "Why Worry About Corruption?", 7.

[15] Hayton, *Vietnam Rising Dragon*, 13, and, *Economist Intelligence Unit,* "Vietnam Country Analysis: Infrastructure Impediments," last modified September, 6, 2013, http://country.eiu.com/article.aspx?articleid=480931032&Country=Vietnam&topic=Economy

[16] *Transparency International*, "Corruption Perceptions Index 2012 Report," last modified 2012, http://cpi.transparency.org/cpi2012/results/#myAnchor2

[17] Mauro, "Why Worry About Corruption?", 9.

[18] Daniel Kaufmann, Myths and Realities of Governance and Corruption, *Worldbank.org*, last modified September 2005, http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/2-1_Governance_and_Corruption_Kaufmann.pdf

[19] Charles Wheelan, *Naked Economics: Undressing the Dismal Science*. (New York and London: W. W. Norton & Company, 2010), Nook edition, chap. 1, 4, 10, 13. Wheelan's book is not specific to Vietnam, but it provides underlying economic theory which is applicable to the analysis.

[20] Acemoglu and Robinson, *Why Nations Fail,* Chap. 2, 5, 8, 11, 15.

[21] Sarah Chan, "Vietnam's Economic Development: Policies, Challenges and Prospects for the Future," *Vox: Researched-based Policy Analysis and Commentary from Leading Economists*, last modified October 24, 2012, http://www.voxeu.org/article/macroeconomic-stability-vietnam.

[22] Hayton, *Vietnam Rising Dragon*, 17.

[23] Folkmanis, Jason, "Vinashin Cuts Jobs as Vietnam Overhauls State Companies," *Bloomberg News*, last modified September 18, 2013, http://www.bloomberg.com/news/2013-09-18/vinashin-cuts-jobs-as-vietnam-overhauls-state-companies.html

[24] Nguyen Phuong Lihn, "Vietnam to Guarantee $626 Million Bonds to Help Tackle Vinashin Foreign Debt," *Reuters News Agency*, last modified October 10, 2013, http://www.reuters.com/article/2013/10/10/vietnam-debt-vinashin-idUSL4N0I03GO20131010.

[25] Chan, "Vietnam's Economic Development."

[26] *Economist Intelligence Unit*, "Vietnam Country Analysis."

[27] Hayton, *Vietnam Rising Dragon*, 17-18.

[28] Katariina Hakkala and Ari Kokko, "The State and the Private Sector in Vietnam," *Scandinavian Working Papers in Economics*, last modified June 1, 2007, http://swopec.hhs.se/eijswp/papers/eijswp0236.pdf.

[29] James Hookway, "VinaShin Executive Gets Prison Sentence," *The Wall Street Journal*, April 2, 2012, http://online.wsj.com/news/articles/SB10001424052702303816504577317682973934846.

[30] Michael Mackey, "Vietnam Seeks Billions for Ports Overhaul," Asia Times Online, December 9, 2009, http://www.atimes.com/atimes/Southeast_Asia/KL09Ae01.html. Nike is a one of the largest foreign investors in Vietnam.

[31] Hakkala and Kokko, "The State and the Private Sector."

[32] Ibid.

[33] Ibid.

[34] Fredrik Sjöholm, "State Owned Enterprises and Equitization in Vietnam," *Scandinavian Working Papers in Economics*, no 228, last modified August 2006. http://swopec.hhs.se/eijswp/papers/eijswp0228.pdf.

[35] Daniel Kaufmann and Paul Siegelbaum, "Privatization and Corruption in the Transition," Worldbank.org, last modified Winter 1997, http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/siegel2.pdf

[36] Sjöholm, "State Owned Enterprises."

[37] Wheelan, *Naked Economics*, chap. 1, 4, 10, 13.

[38] Kaufmann and Siegelbaum, "Privatization and Corruption."

[39] Ibid.

[40] *International Monetary Fund*, "IMF Executive Board Concludes 2013 Article IV Consultation with Vietnam: Press Release, August 9, 2013." http://www.imf.org/external/np/sec/pr/2013/pr13304.htm

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