

# The rise and rise of a Vietnamese corporate empire

**Vingroup makes everything from smartphones to schools. But civil activists fear its growing clout**

John Reed

Several weeks ago, I travelled east from Hanoi, through industrial estates and rice paddies, to the port of Haiphong in northern Vietnam. My driver took me over a causeway to Cat Hai Island, where something big is taking shape: the building of Vietnam's first "national car" brand, VinFast.

In what will eventually be a \$3.5bn project, Vietnam's largest private company, Vingroup, controlled by the country's richest man, Pham Nhat Vuong, has built an integrated production plant on top of piles driven into the soil and on land reclaimed from the sea. A robot-filled state-of-the-art factory was constructed in about 21 months — a turnaround so swift that, when I opened Google Maps to check our location, the app thought I was standing offshore in the Gulf of Tonkin.

If you haven't heard of Vingroup, that will probably soon change. In Vietnam, it is increasingly described as the country's answer to a South Korean chaebol, a catch-all conglomerate and standard-bearer of industry, such as Hyundai or Samsung, that not only dominates its home market but also exports products to the wider world.

Vietnam is rapidly becoming the land of Vin-everything. The group, which started as a pot-noodle business in post-Soviet Ukraine, made its name in real estate and resorts before expanding into mini-marts, schools, healthcare and, more recently, smartphones and cars.

In April, it opened a five-star hotel and viewing deck at Landmark 81, Indochina's tallest building — a prime spot from which to see how new towers (many of them Vinhomes) are transforming the skyline of Ho Chi Minh City, formerly Saigon. When Formula 1 stages its first race in Hanoi next year, Vingroup will be the exclusive sponsor.

Today, a Vietnamese man or woman of a certain class might live in a Vinhome, send their children to a Vinschool (and, from 2020, a VinUni), holiday at a Vinpearl resort and charge their VinFast electric scooter at a VinMart. Le Thi Thu Thuy, Vingroup's vice-chair, has described the company as a "cradle-to-grave" supplier of goods and services to a nation on the move.

"Because of our reputation, any product that Vingroup launches normally sells really well," Thuy, an ex-Lehman Brothers banker, told me when we met in VinFast's new office block, reached via the plant's retro-futuristic V-shaped gate.

Vingroup's rise has mirrored that of Vietnam, one of Asia's fastest-growing economies. Its founder is the richest of the country's five billionaires, according to Forbes magazine, with a net worth of \$7.6bn.

But the rest of Vietnam is coming up too: according to the market research group Nielsen, Vietnamese average wages grew by 17 per cent and personal disposable income by 29 per cent between 2014 and 2018. Wages will grow by another 30 per cent and income by another 26 per cent by 2022.

Nielsen notes there has been an "enormous rise" in affluent Vietnamese, including US dollar millionaires, whose number the group says will have grown 170 per cent to 38,600 in the decade to 2025.

Over the course of several months reporting on Vingroup, I glimpsed this transformation at close quarters. I travelled to Hanoi and Ho Chi Minh City, Vietnam's two megacities, and south to Phu Quoc, formerly a sleepy backpackers' island where Vinpearl has built thousands of hotel rooms and a safari park, complete with game animals and twice-daily Zulu dances. I talked to those who have followed the company's rise: from Vingroup executives and advisers to analysts, current and former employees and civil society activists.

It was not difficult to find admirers of Vingroup, whose logo — a V-shaped yellow bird against a red background — shares the colours of the national flag. The company has succeeded in recruiting experienced and talented Vietnamese and foreigners to staff its expanding operation, including General Motors veteran Jim DeLuca, who is VinFast's CEO.

Yet the huge expansion of the conglomerate also raises plenty of questions. Some analysts expressed concern that the company may be overextending itself as it expands further out of property, a sure money-spinner, into the risky and competitive business of carmaking.

More seriously, some Vietnamese questioned whether — as in South Korea, where chaebols such as Samsung have been involved in scandals — their national policymakers and politicians are in danger of being used by Vingroup or any of the country's other rising private companies.

In more than two decades as a foreign correspondent, I have found Vietnam's communist government to be one of the most business-friendly I have encountered. As in China, the combination of a vibrant business environment with a non-democratic single-party state has helped to create the conditions for economic take-off. But in the absence of the normal checks and balances, such as a free press and a citizenry allowed to speak its mind, there is a risk of big companies gaining too much power — even one with Vingroup's mission "to create a better life for the Vietnamese people".

"To be successful in Vietnam, you have to nurture relationships with people in the government to protect you," Alexander Vuving, a Vietnamese-American scholar at the Asia-Pacific Center for Security Studies in Honolulu, told me. "But once you have a close relationship with the powerful in an authoritarian state, it's tempting to leverage it to silence your critics."

While reporting this article, I came across multiple stories of Vingroup customers, activists and others who say they were either contacted by police or stalked after criticising the company. Negative news reports about the company have a way of disappearing from state-controlled media websites and Facebook.

Dang Hoang Giang, who heads an NGO devoted to good governance, says Vingroup's power is dividing the public. "Part of it admires them for building high-rises, resorts and the like. The other part, to which I belong, is deeply concerned about the negative impact on the environment of some of their businesses, the non-transparent way public properties turned into their properties, and the way they try to influence the media and silence their critics."

**Before Vingroup there was** Pham Nhat Vuong, or "Vuong Vin", as some Vietnamese nickname the company's smart, restless founder. Vietnam's richest man runs a tight ship at the company; I was told that he only gives one interview a year, and that the Vietnam daily Tuoi Tre had snagged that slot in February.

Vuong was born in 1968 and grew up in Hanoi, where his father served in the air force. As a teenager in the 1980s, he was among the students privileged enough to study in eastern Europe, while postwar Vietnam's economy was still struggling under sanctions. After studying at a geological institute in Moscow, Vuong moved to Kharkiv in Ukraine.

The disintegrating Soviet bloc offered a wealth of business opportunities to anyone who was enterprising enough to seize them, and Vuong teamed up initially with Le Viet Lam, another Vietnamese student, who would go on to found the leisure conglomerate Sun Group. In 1993, the two created Technocom, a company that, using a production line from Vietnam, built Mivina, Ukraine's most popular noodle brand.

Vingroup's founder Pham Nhat Vuong – 'Vuong Vin', as some Vietnamese nickname him – is the country's richest man. He began his career in Ukraine in the 1990s, co-founding a popular noodle brand, then invested back home just as pro-market reforms were fuelling growth

A decade ago Vuong sold the company to Nestlé for an estimated \$150m, and took the money home. His timing was perfect. He cashed out just as the global financial crisis was hitting Ukraine and as Vietnam's pro-market economic reforms were fuelling growth.

His first big project was a Vinpearl resort on what was then an undeveloped island off the coastal city of Nha Trang. New Vingroup employees are sometimes told of how Vuong tackled a seemingly insurmountable engineering challenge when building a cable car across the deep bay separating the island from the mainland.

After his initial success, Vuong built Hanoi's first office tower complex, Vincom Center Ba Trieu, and several housing developments in Hanoi and Ho Chi Minh City. Many were constructed with the help of "Build-Transfer" schemes, under which cash-strapped state companies or officials offer developers land in exchange for promises to build roads or other infrastructure. In 2012, Vuong merged Vinpearl, his resorts business, into Vincom, the real-estate business, creating Vingroup.

A year later, Forbes declared him Vietnam's first billionaire. "Pham's story personifies the post-Vietnam war story of this nation, a capitalistic achievement in a country that remains, nominally, communist," the magazine gushed.

Today, his business strategy continues to dovetail with this narrative. Vingroup is, by all accounts, a demanding place to work. A strict dress code applies; workers who flout it risk having a penalty deducted from their pay (a spokesman told me the money goes to charity). In the Tuoi Tre interview, Vuong said the group's culture was built around "three values: patriotism, discipline and civility". He recommends employees read Jim C Collins' business tome *Good to Great: Why Some Companies Make the Leap... and Others Don't*.

As the group expands its remit to other sectors, new products keep coming. VinFast recently launched its electric scooters, a low-emission variant of the vehicle most Vietnamese use to get around, but it is betting that millions in this country of nearly 100 million will soon buy their first cars. Production of a sedan, the first of what will be three models, began this month.

Little is known publicly about Vingroup's relations with the government. But as Vietnam's leaders seek to nudge aside entrenched state-owned enterprises, they have spoken of the private sector as the country's primary engine of growth. In 2017, when Communist party general secretary Nguyen Phu Trong (who has since then also been elected president) visited VinFast's factory site, he reportedly lauded Vingroup as a "pioneer in building a national car brand".

More recently, at the carmaker's production launch earlier this month, Vuong piloted an electric vehicle through the Haiphong plant alongside a smiling prime minister Nguyen Xuan Phuc, who urged his people to "give priority to using Vietnamese goods".

Last year the government introduced new restrictions on foreign car imports that had the effect of helping VinFast and also Thaco, Vietnam's only other significant local carmaker. Many in Vietnam believe this was an effort to protect Vingroup's fledgling car brand.

The country has also announced plans to begin taking polluting motorbikes off the road in its two megacities, a move many Vietnamese I interviewed were convinced was designed to help VinFast's electric scooters and its electric bus division, VinBus, founded last month.

When I asked vice-chair Thuy whether Vingroup played any role in the government's transport policy, she dismissed the notion: "We never lobbied the government for anything," she said.

Speaking more broadly about Vuong's vision for Vingroup, Thuy said the company had the "very heavy" mission of leading the way for Vietnam in multiple industries, with the aim of becoming either the market leader or number two in everything it did. "We have been lucky in the last few years that the government has been supportive of the private sector to take the lead," she said. "We are lucky that we have been in the right place and doing the best for the country."

**Vingroup's penetration into all** parts of Vietnamese life is about to get even deeper. Last year the company surprised the market by announcing the launch of a VinSmart smartphone division and a new unit devoted to artificial intelligence and big-data analysis. Vuong recruited far and wide to staff the new operations, headhunting skilled émigrés, who are known locally as Viet Kieu (“overseas Vietnamese”). Vu Ha Van, a Yale professor of mathematics who has spent most of his career abroad (and who in the US goes by the name Van H Vu), was picked as Vingroup's chief adviser on AI.

I spoke to Van at Times City, a Hanoi suburb developed by Vingroup that vividly illustrates the company's reach: in addition to Vinhomes condos, there is a Vinmec international hospital, a Vinschool, a Vinpearl Aquarium and a Vincom Mega Mall.

In the Vingroup office, replete with beanbag chairs and pictures of Bill Gates and Steve Jobs, Van told me how the business is researching big-data applications that will allow Vingroup to offer more services as its operations expand into phones and smart TVs, homes and cars. VinMart stores, for example, might make use of “smart cameras” to track how much time customers stay in a given section of the store.

Van also told me that the AI unit is conducting research meant to “help the scientific community and society in general”, including a plan to map Vietnam's human genome. Through a programme that should benefit the country's nascent high-tech sector, Vingroup is supporting fellowships for talented graduate students, who have no obligation to eventually work for the company.

“We think if the workforce of the whole country grows, we will benefit from it anyway,” Van told me.

However, as Vingroup and other rising companies increase their influence and roll out powerful new technologies, civil society activists say the need for proper scrutiny is essential. Critical views and tough reporting on them are conspicuously absent from Vietnam's state-controlled media, who — in addition to the censorship under which they operate — are mostly struggling financially and reluctant to alienate corporate advertisers.

The relationship between journalists and the companies they cover can also be blurred. As in China, reporters, who are mostly poorly paid, are sometimes given small cash payments by companies for attending press conferences. When I attended the launch of the Vsmart phone brand in Ho Chi Minh City in December, my press pack included an envelope with two million dong (\$85) in it (I returned it to a company official). Vingroup confirmed that it was “common practice” in Vietnam to invite reporters for lunch after a press conference, and that a “pocket expense” is offered when the company cannot organise one. (My own lunches in Hanoi, at the FT's expense, rarely cost more than \$10.)

When I first wrote about VinFast for the FT in 2018, the company contacted me minutes after my piece had appeared online and asked that a sentence about Vingroup's relationship with BMW, which is supplying engineering expertise, be deleted (Vingroup did not deny that it was a fact, and the FT declined). But in the Vietnamese cybersphere, stories that break controversial news do sometimes disappear following pressure from companies or state officials.

Debate about Vingroup's growing footprint is livelier on social networks. Vietnam is often described as a smaller replica of China, its communist neighbour. But one of many areas where the comparison falls flat is the internet: unlike China, which built an internet "great wall" to keep US social media groups out, Vietnam still allows Facebook, YouTube and Google to operate. The Vietnamese speak their minds more freely than the Chinese, though sometimes they suffer the consequences.

Under a restrictive new cyber security law, the government is trying to contain the US tech giants and the free speech they host, wary of the role social media has played in allowing citizens to organise the periodic mass protests that have broken out in the country in recent years, such as the outcry over a 2016 toxic chemical spill by a Taiwanese-owned steel plant.

**One afternoon in Hanoi,** I met Nguyen Anh Tuan, an activist who belongs to Vietnam's small but vocal dissident community. Tuan has written incisively on Facebook about the large land deals involving Vietnam's growing private companies and government officials. In a series of posts starting in late 2016, he questioned how Vingroup came to acquire a prime plot in central Hanoi as part of the privatisation of a state-owned fairground company.

Tuan questioned the price Vingroup paid, the process through which the land was acquired and a decision by the Hanoi People's Committee, the communist city government, to allow Vingroup to build high-rise towers there, despite height restrictions that apply in the capital's elegant historic city centre. (Vingroup says that it secured approval for construction up to 50 storeys at the site.)

Tuan claims that in May 2018 he was stopped at Ho Chi Minh City's airport after returning from a foreign trip and held for 15 hours by officers of A67, the terrorist affairs unit in Vietnam's powerful Ministry of Public Security, the government department that led the drafting of the new cyber security law. He says he was told by one official: "You have to delete the post on Vingroup and how they came to occupy the land lot."

Undeterred, Tuan wrote another post describing the ordeal: "If you force me to remove articles on the party or the government, that makes sense. But why do you want me to remove articles about Vingroup?" He left both posts online.

Tuan is not the only person who has asked questions about Vingroup's land deals; prime minister Phuc has publicly questioned who had given permission for the high-rise construction in Hanoi. (A review of the publicly available documents behind the Giang Vo project shows Vingroup bought 90 per cent of the fairground company, on the company's own recommendation, after a tender in which Vingroup was the sole bidder.)

"I strongly believe that the Vietnamese people deserve a better country," Tuan told me. "But to get to that objective, we need . . . a free press, we need freedom of association, and we need freedom of assembly so that people can make their voices heard."

Son Dang, an architect based in Nha Trang, says that he first noticed the extent of Vingroup's Phu Quoc safari park, which he thought appeared to have been built on national park land, while using Google Earth. He wrote a critical Facebook post that was widely shared and picked up by the BBC's Vietnamese-language service, which many in the country rely on as a source of uncensored news. "After I posted, I faced harsh criticism on my page, defending Vingroup," he told me. He says he has also faced harassment at his home, but asked that details not be published for fear of repercussions.

These apparently heavy-handed consequences for critics are not restricted to Vietnam's small dissident community. Over coffee at a smart hotel in Hanoi one morning, I met a group of wealthy business people and professionals who say they faced police interventions after criticising Vingroup. Five future tenants of the Vinhomes Skylake development told me they had paid some of Hanoi's highest prices per square metre for luxury flats that are not ready to move into. An access road and the eponymous lake — meant to be built as part of a Build-Transfer project — are not there yet.

Disgruntled real-estate investors are common around the world, but when this group complained they were surprised by the response. In January, about 250 Skylake customers met with Vingroup to ask the company to explain the delay. (The location of the meeting, they said, had to be moved twice at the request of police.) No resolution was reached, and Vingroup referred the matter to its lawyers.

After the meeting, some of those present received text messages from unknown numbers threatening "the safety and security of our families", they told me. The group held two protests in March, which they said were attended by police and "men who look like gangsters in some Hollywood violent series". They showed me pictures of young men, some of whom were wearing face masks or brandishing umbrellas (on a rainless day) and glaring at the camera. One of the tenants was scratched in a scuffle with one of the men.

State-controlled media has reported on the Skylake dispute, but in some cases the articles vanished from the internet after being published. After I interviewed the property owners in late April, two of them received calls and visits from the police warning them not to speak to journalists or to post on Facebook (one call came in while I was conducting the interview, warning the person against speaking to a foreigner).

The group emailed me afterwards, taking their names off the record but urging me to tell their story. Though it is impossible to draw a direct line between Vingroup and the police interventions or the masked men, the disgruntled Skylake owners believe they are linked. When I asked Vingroup about the encounters with police and other men I heard about from people who had criticised the company, Vingroup said the information was "incorrect" and "obviously based on unreliable sources or groundless rumours".

Asked about the dispute with the Skylake customers, Vingroup confirmed public works were due to be carried out by the Hanoi People's Committee "[in] which we cannot interfere", and that this had been stated in the sales and purchase agreement with its customers and explained to them, "but some refused to understand".

It is one sign of Vingroup's outsize clout that several Vietnamese I interviewed, including four equity analysts who cover the company, declined to be quoted by name because they were worried about displeasing it. Vingroup itself monitors social media, engaging in what Vietnamese call "social listening" and, in some cases, intervening, even in small-scale issues. Do Thanh Huyen, a Hanoi professional, told me she was contacted by a Vingroup official after she posted a complaint on Facebook about a cement mixer at a Vinhomes development that was blocking the pavement and diverting pedestrians into a busy road. The official said Vingroup was addressing the issue and asked her to take it down, but she refused. She told me: "I said, 'No, that's what I saw. I want you guys to consider public space.'"

She went on: "It's not about cars, it's not about electronic motorbikes, AI or universities; it's about how they try to control society. We need to learn the lessons from the chaebols."

Vingroup confirmed that it engages in social-media listening with the aim of taking "prompt action" to protect its customers' interests. "Normally, the people who voiced their complaints on social media . . . published a revised note, or removed their complaints voluntarily," the company told me.

**Debate around Vingroup** comes at an important time for Vietnam's communist leaders. South Korea's chaebols were the bedrock of that country's economic miracle but they have also repeatedly rattled the financial system and figured in several scandals, including one that, last year, resulted in the jailing of its former president Park Geun-hye.

One Korean expert said there was a risk that Vietnam's emerging companies, led by Vingroup, could also become "too big to fail", with consequences for the economy and society.

"If Vingroup or others take a significant proportion of Vietnam's production or employment, the government will have no choice but to rely on them when setting up economic policy," Woochan Kim, a Korea University business professor, told me by phone from Seoul. "Corporate governance will be very hard, and local media will depend very heavily on advertising from Vingroup and others, so they are not going to uncover any scandals."

Whether Vietnam's communist leadership is having similar discussions right now is impossible to know. Internal debates rarely become public. But party leader Trong's signature policy has been a rolling corruption crackdown that has seen several ex-officials and business people jailed. In April, police arrested Pham Nhat Vu, Vuong's brother, on suspicion of bribery in a telecoms scandal. While the arrest had no known link to Vingroup, many took it as an indication of waning official tolerance of wrongdoing by some of the country's most powerful people.

With Vietnam's economy booming and its real-estate business — the cash cow for its newer and riskier enterprises — still flush, Vingroup is riding high and getting bigger. But companies' trajectories are rarely linear, including in Vietnam, where even the biggest of them may be reliant to a certain extent at least on the support of the men at the top.



“Right now I think, everything else being equal, Vingroup is one of the best-managed private companies in Vietnam,” said Alexander Vuving. However, he added: “As the success of any private company in the country depends on their relationship with the politicians, their fate hinges heavily on internal politicking within the ruling elite.”

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