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WORLD & NATION

With Vietnam's economic advance comes stark income inequality



Hanoi traffic teems with scooters, buses, compact cars -- and now the occasional Rolls-Royce. (Hoang Dinh Nam / AFP/Getty Images)

BY SCOTT DUKE HARRIS

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Reporting from Hanoi — Two blocks from the new Rolls-Royce showroom with its mind-boggling prices, two street peddlers say they don't pay attention to the luxurious rides now mixing amid hordes of motorbikes. Why should they?

Ha, nearly 80, and Hien, 53, begin their days with a 4 a.m. visit to a wholesale market. By dawn, they catch a motorbike ride downtown to offer potatoes and papayas to passersby. Ha, who lives with eight relatives, said she usually earns 50,000 dong — less than \$2.50 — a day. Hien, who walks a few miles shouldering a yoke-like *ganh*, nets about \$5.

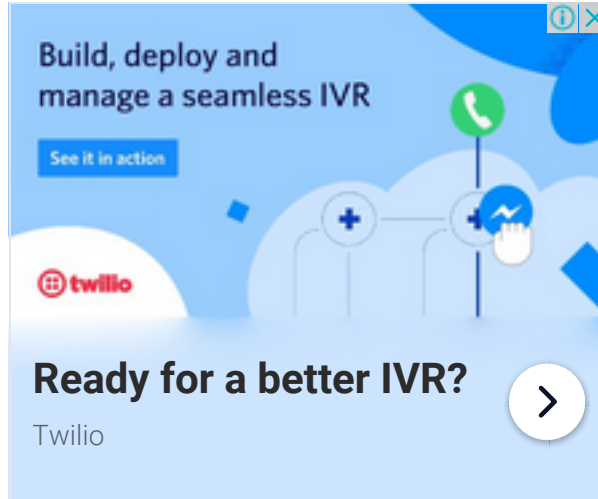
While much of its 90-million population strives toward middle-class success — with many barely scraping by — Vietnam's wealthiest citizens are increasingly flaunting their success, or excess, in an economy colored with corruption.

Bentleys and Mercedes are touted as signs of the nation's dramatic economic advance. Vietnam has indeed risen far from the devastation of "the American War," as it is known here, and the poverty that deepened under early mismanagement of the Vietnamese Communist Party.

But the new extravagance, some say, grates against the culture's humble sensibilities and the egalitarian ideals expressed by the still-revered "Uncle Ho," whose revolution created modern Vietnam.

"Ho Chi Minh tried to provide an example as a modest leader who was very close to the people," said Le Dang Doanh, a 72-year-old economist who advised two prime ministers on reforms that slowly moved Vietnam from old-school communism to what is now referred to as "market-oriented socialism."

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“You see the pictures of him getting into the rice fields, sitting on the soil and talking to the poor,” he said. “Unfortunately, these Rolls-Royce guys did not learn from his example.”

Nearly 40 years after the fall of Saigon and Vietnam’s unification, communist leaders at times scold their own.

“So many party members have gotten richer so quickly, leading a lavish life that is miles away from that of the workers,” General Secretary Nguyen Phu Trong complained in a 2012 speech, which did not appear to alter the trend.

Widening inequality is a global phenomenon, but in Vietnam, the contrast is particularly graphic. Hanoi traffic teems with motorbikes that often carry four people or improbably large loads of cargo, such as cages crammed with chickens or a stack of flat-screen TVs. Trucks, cars and motorbikes maneuver around peddlers trundling pushcarts and bicycles loaded with merchandise. Amid all this, the sight of a Rolls seems to startle foreigners more than it does the Vietnamese.

The new wealth, analysts say, typically requires political connections that enable the

exploitation of such resources as land, minerals and cheap labor. Chicanery within state-owned companies, the banking sector and government ministries, Doanh and other critics say, has prevented a more equitable distribution of prosperity.

Despite crackdowns — a wayward banker was recently sentenced to 30 years in prison — corruption is not going away. In 2014, Vietnam ranked 119th globally in Transparency International's annual survey of perceived corruption (China was 100th and Russia 136th).

The triumph of the North Vietnamese and their allies nearly 40 years ago did not lead to either the social justice that had been promised or to the wider spread of communism that Western powers feared. Under Hanoi's rule, the country's vast rice paddies failed to produce enough to feed the nation; Vietnamese imported rice for a time.

Hanoi announced a move toward a market-based economy in 1986, but internal resistance persisted, Doanh recalled, until the collapse of the Soviet Union. Without the Soviet crutch, Vietnam turned to the United Nations for help and sought better relations with other nations, including old enemies such as China and the United States.

As in neighboring China — long both a rival and role model — the Vietnamese government has unshackled much of the economy but still readily jails dissidents. These days the hammer-and-sickle is proudly flown alongside Vietnam's gold star flag at the entrance of posh Trang Tien Plaza, where the wealthy shop at Louis Vuitton, Cartier and Burberry.

Though Westerners see “crony capitalism” and consumerism driving the new Vietnam, Quan Hoang Vuong, a U.S.-educated economist, prefers to describe the new economic arrangement as “neofeudalism.” For many generations raised before the advent of communism, he said, social hierarchies, nepotism and other forms of favoritism are accepted as “the normal order.”

A case in point: McDonald's last year opened its first franchise in Vietnam in Ho Chi Minh City. But few eyebrows had been raised when the fast-food giant entered Vietnam in a partnership with Henry Nguyen, the son-in-law of Prime Minister Nguyen Tan Dung. Henry Nguyen said he envisions more than 100 McDonald's within a decade.

A venture capitalist who was raised in the U.S., Henry Nguyen has a variety of high-profile business interests, among them an alliance with the business magazine Forbes.

Forbes Vietnam, launched in early 2014, is an aspirational showcase for the nation's upper crust. An early issue profiled the country's first billionaire, Pham Nhat Vuong, "often described as the Vietnamese Donald Trump." His wealth, estimated at \$1.5 billion, derives from his majority stake in Vingroup, owner of shopping malls, high-end housing developments and the nation's most popular theme park.

Vingroup recently trumpeted plans to open 25 more malls this year across Vietnam.

If the Vingroup executive is likened to Trump, the founder of Trung Nguyen Coffee might be Vietnam's Horatio Alger. Raised in modest circumstances in a farming hamlet in the central highlands, Dang Le Nguyen Vu started by roasting beans provided by farmers on credit and making deliveries by bicycle. Now Vietnam rivals Brazil in coffee production, and Trung Nguyen is its top brand, operating cafes here and exporting to scores of countries.

Vietnam's elite now drive in luxury and style, but the broader vehicular market offers a better gauge of Vietnam's transformation. In the 1990s, bicycles were still a primary mode of transport, and three-wheel pedicabs, called *cyclos*, were easy to hail. Rising prosperity brought a shift to small motorbikes, and taxis turned *cyclos* into a novelty for tourists.

In early 2011, Vietnam edged into "middle income" status as measured by the World Bank, and now many families are shopping for Toyota Corollas or Chevrolet Cruzes.

Industry data show that the volume of new compacts sold in Vietnam more than doubled in two years, from about 9,500 in 2012 to 21,700 in 2014. Those numbers would be much higher if not for heavy taxes that account for 60% of the cost to consumers for cars assembled in Vietnam, and much more for imports, said Gaurav Gupta, director of GM Vietnam. The taxes are imposed in part to ensure that a sudden glut of cars doesn't create urban gridlock.

Sales of luxury models have grown at a similar pace, reaching 4,700 total units in 2014. A few years ago, Mercedes and BMW dominated a small luxury market here; now there are also Rolls, Porsche, Audi, Lexus and Infiniti — with Lamborghini in the wings. This surge is all the more remarkable, Gupta said, given that a car that costs \$60,000 in the U.S. is close to \$180,000 in Vietnam.

Rolls-Royce is in a class unto itself. At the new showroom beside the lobby of a five-star hotel, the price shown for the Wraith, mid-range by Rolls' standards, was about \$979,000.

The ultimate cost could wind up hundreds of thousands higher, because buyers typically add custom features such as a nameplate with their signature rendered in solid gold, said Hoi Pham, marketing director for Roll-Royce Motor Cars Hanoi. For some buyers, Pham said, "the bling" has pushed the cost to \$2.5 million.

And what does Pham drive? "A motorcycle — like everyone else," he said with a laugh.

Harris is a special correspondent.

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