

# From noodles to the car that rocks Tesla

## Reporting from Vietnam

Guy Mettan,\* freelance journalist



Guy Mettan  
(Picture ma)

It is a story that begins with a noodle restaurant in Ukraine in 1993 and that continues today in Vietnam in the shape of the country's largest conglomerate with a turnover of \$5 billion by 2021. Meanwhile, its founder, *Pham Nhat Vuong*, (54), who had settled in Kharkov after completing

his geology studies in Moscow, became Vietnam's first billionaire with an estimated fortune of \$8 billion and an enterprise that ranks among the 50 largest in Asia. A career that is in no way inferior to that of *Bill Gates'* and *Steve Jobs'* starting in a "garage".

After selling his Ukrainian food factory for \$150 million to *Nestlé* in 2000, the entrepreneur returned to Hanoi where he began investing very classically in real estate and construction, then retail, holiday resorts, textiles, telecoms, medicine, electronics, university education and since 2018 in cars, scooters and electric buses, under the brands *VinFast* and *VinBus*.

### Mega car factories in Haiphong and North Carolina

That same year, the group invested 1.3 billion euros in the construction of a mega car factory in the industrial area of Haiphong, near the harbour, covering 335 hectares. The plants were completed two years later and, since 2020, they have begun mass production of top-of-the-range electric models, despite the Covid crisis. The design is handled by the Italian *Pininfarina*, the assembly platform by the Germans *BMW* and

*Siemens*, the 1,200 assembly robots by *ABB* and the management of operations by former executives of *General Motors*, *Ford* or *Skoda*.

This has resulted in assembly lines capable of producing one scooter every minute (480 per day) and 38 cars per hour. Robots are programmed to make models and choose colours and equipment instantly according to market



(photo wikipedia)

needs. Three quarters of all components, including the electric batteries produced in a brand new factory that has just been opened in the centre of the country, are manufactured on site. In the end: The cars we tested were stunningly designed, have responsive engines and are confusing to drive because there is no dashboard and everything is controlled by screen and holographic display.

The group invested a similar amount last year in a second mega factory, which is due to open in North Carolina in July, just a stone's throw from the heart of the *Tesla* and *General Motors* empires. A subsidiary has been opened in Frankfurt and Europe is the next target. The intention is clear: to become the world's No. 2 electric car manufacturer, with equivalent standards, but at a more affordable price and with an after-sales service superior to that of the No. 1.

More than a car, *VinFast* intends to sell an integrated service, the aim being to replace the long and tedious recharging of batteries by service stations where you simply change batteries – one charged for one discharged – in less time than it takes to fill up with petrol.

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The expectations are huge, especially for a group originating from a country where buffaloes are still seen on the country roads. But when you consider that it took less than five years to build two mega factories and a battery factory, you think that its name – VI(et)N(am)FAST – may not be out of place.

### **Generating a self-financing expansion**

This success story illustrates the profound transformations taking place in Vietnam. Will the country succeed in breaking out of the middle-income trap in which many developing countries are caught? Will it be able to move up-market like its Chinese neighbour, and generate a self-sustaining expansion that does not solely rely on the exploitation of low-cost-labour-based foreign investment and the traditional subsistence economy? If the VinGroup example is emulated, this bet could be won.

In any case, indices are on the rise. According to Fitch, Vietnam ranks fifth out of 35 Asian markets in terms of economic openness, with a score of 74.6 out of 100, well above the Asian average (46) and the global average (49.5). “The country is emerging as a manufacturing hub in the East and Southeast Asian region, supported by government-led economic liberalisation efforts, integration into global supply chains by means of trade agreements and membership in regional and international blocs”, the agency notes.

Vietnam was outperformed in Asia by Singapore, Hong Kong, Macau and Malaysia. Globally, it ranks 20<sup>th</sup> out of 201 markets. In July, *Moody's* raised its GDP growth forecast to 8.5%, the highest growth projection in the Asia-Pacific region. While India has just overtaken its former British colonial master as the world's fifth largest economy, Vietnam, along with Malaysia, Indonesia, the Philippines and Singapore, may well join the ranks of the new Asian tigers.

### **More traditional economic sectors such as tourism and fisheries**

The case of more traditional economic sectors, such as tourism and fisheries, also supports this. Vietnam is full of extraordinary and well-known tourist sites such as Halong Bay, Ninh Binh, Hue, Hoi-An, the beaches of Danang and the southern resorts. To test my hypothesis, I



*On the top of Fansipan (3150 metres), the highest mountain in Vietnam, in the northernmost part of the country.  
(photo GM)*

visited two other regions, Mount Fansipan, the highest peak in Southeast Asia in the far north, and the lowest and southernmost point, the Mekong Delta, which tends to sink into the sea.

### **Far north, the mountain resort of Sa Pa**

The roof of Indochina is located on the border between China and Laos, near the mountain resort of Sa Pa. Since 2016, it has been equipped with a three-line cable car built by the Austrian-Swiss consortium *Doppelmayr-Garaventa*. It has two entries in the *Guinness Book of Records*, as it is both the longest (6.3 km) and the steepest for this type of transport (reaching 3143 meters, the altitude of the *Dents du Midi* mountains in Switzerland). Despite its prohibitive price, the ride, now extended by a funicular that leads to the top and allows you to enjoy the panorama before taking a walk between a giant Buddha, monasteries and Buddhist pagodas, is popular among local customers. This illustrates the existence of an active middle class with some resources. In addition, it takes four to five hours to drive from Hanoi to Sa Pa, which also requires time and money.

### Far south, Can Tho, the metropolis of the Mekong delta

The atmosphere is quite different in Can Tho, the metropolis of the Mekong delta, south of Ho Chi Minh City. On the evening of our arrival, the river was flooded and the taxi had to apply all the tricks to get us to the hotel with dry feet. A flood that had not occurred for eleven years, according to the director of the Dragon Institute, responsible for carrying out research into the delta's development, climate change and the impact of the Mekong's exploitation. He attributes the flood to a rare combination of heavy rainfall and exceptional tides.

The delta is Vietnam's breadbasket for rice, fruit and vegetables, and is important for the fisheries and aquaculture. However, it suffers from a variety of problems due to climate change and overexploitation of the river's waters. The seasonal autumn floods disappeared in 2011, due to Himalayan snowmelt. In addition, Chinese dams in the upper reaches of the river have impounded the river's water, while sand has been overexploited, both legally as well as illegally, along the river's course and in the delta. This has resulted in a reduced flow, a drastic reduction in sediment and thus a gradual declining of cultivable land, erosion of the river banks and increasing salination as a result of the inland advance of sea water. There have been peaks in salination, notably in 2015/16 and 2019/20. The problem of the delta is therefore twofold, caused as it is by both upstream and downstream waters.

*Dr Van Tri* is not deterred by this. In cooperation with his scientific counterparts around the world, he is in charge of the monitoring and



*Flooding in Can Tho, the largest city in the Mekong Delta region in the lowermost south of the country.*  
(photo GM)



*VinFaadr factory building in Haiphong. (photo GM)*

provides recommendations to the local authorities facing economic and ecological problems, as well as to the national authorities in charge of coordination with the upstream countries, Cambodia, Laos and China in particular. The problem is very complex, and also very political. It affects tens of millions of people and cannot be solved by a single country.

But he is also optimistic. Climate change and rising sea levels may also encourage new types of aquaculture, such as shrimp farming, of which Vietnam is one of the world's leading producers. In Hanoi, at the headquarters of the Association of Fisheries and Aquaculture Enterprises, this trend is confirmed. Fishing and seafood products provide 4 to 5% of GDP, 9 to 10% of export earnings (9 billion dollars) and 4 million jobs. As deep-sea fishing is stagnating due to declining stocks and difficulties with neighbouring China over navigation in the East Sea, as the Vietnamese call the China Sea, the country wants to focus on the development of aquaculture (shrimps and pangasius in particular). With its 3260 kilometers of coastline, it has plenty to offer.

### Advancing by pragmatism and ingenuity

"Independence without interference" and "getting along and trading with everyone" could be the two mottos of contemporary Vietnam. With 100 million inhabitants and after the ravages of a thirty-year decolonisation war that defeated two of the world's major powers, the impoverished country has remained very wary of its sovereignty and jealously guards its independence. It is wary of China and is careful not to awaken or provoke the sleeping dragon. It is concerned that the war in Ukraine is diverting world atten-

tion from Chinese activities in the region, while the Strait of Malacca has seen a 600% growth in maritime traffic since last year. But there is also no question of giving in to the insistent sirens of yesterday's old enemy, the United States, which would gladly have a counter stroke alliance against China. Vietnam is closely following the Ukrainian crisis, avoiding repeating the same mistakes and once again serving as a battleground between empires. It remains attached to Russia, without which it could not have won its wars, but does not ap-

preciate armed interventions in neighbouring countries.

In both politics and economics, Vietnam will not let up on anything. It knows that it is walking on a razor's edge and that its room for maneuvers is narrow. But with its industrial pragmatism and proverbial ingenuity, which has been seen at work in both war and peace, and which is unbounded in its crafts and cuisine, Vietnam has shown that it can walk on the sharpest razor's edges.

*(Translation "Swiss Standpoint")*