A Tale Of Two Cities In Vietnam

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In myriad ways, they are considered poles apart. Yet Hanoi and Ho Chi Minh City cannot escape comparison — or the presumption that they are trying to outdo one another. Ultimately, it is worthwhile to embrace the contrasts and appreciate that both cities possess attractive investment opportunities and, most likely, a bright future.

On a recent two-stop tour to Vietnam, President Barack Obama first visited Hanoi, where he was treated to ceremonial pomp in between intense bilateral talks with Communist Party leaders. But after Air Force One touched down in Ho Chi Minh City, he was free to roll up his sleeves and chitchat with young entrepreneurs at a co-working space — where he joked about Microsoft being “an impressive startup” — and host a town hall meeting, where he even dropped a beat for Vietnam’s most famous female rapper.

The swift segue from politics (serious business, actually) to business (subtle politics) couldn’t have done a better job of reinforcing the generally held stereotypes of Vietnam’s two largest cities: Hanoi is perceived as the conservative, ceremonial and slow-paced capital, home to the Communist Party and a thousand-year-old culture; Ho Chi Minh City — a much younger and visibly youthful city — is the fast-moving and innovative boomtown where freewheeling capitalists and millennial entrepreneurs have free reign.

Even the architecture is telling. Where Hanoi has held on to the past by retaining much of its architectural heritage (preferring to build a central business district in a newly formed suburb to the west of the city), downtown Ho Chi Minh City is marching to the future — swathes of French colonial architecture have made way for glitzy high-rises, and the city’s defining landmark is now the Bitexco Financial Tower, a 68-floor mixed-use commercial skyscraper.

Cultural contrasts further heighten the cities’ dissimilarity, even if many Vietnamese will (privately) admit that far more unites the cities than divides them. Just as you’d expect with other sibling-city rivalries — Madrid and Barcelona, Beijing and Shanghai, New York and Los Angeles — residents of both cities will mock the other city’s food, accent and general way of life. Expats and Vietnamese, going in both directions, have been known to say that they felt like they were in...
a different country after arriving in the other city for the first time.

Undoubtedly, the two cities’ histories and cultures have shaped a contrasting mindset when it comes to business. Through the ages, Hanoi has been a stronghold and home to the ruling elite — once imperial, now nominally communist, always authoritarian — where rulers and residents have made a habit of resisting foreign rule and outside influences. It is home to a hierarchical society where strong political connections tend to go a long way. For that reason, it can still feel parochial and insular to outsiders or newcomers. Even southern Vietnamese have been known to say they find it hard to read the motives of cagey northern partners, who like to take their time and may say "yes" when they mean "no."

But Ho Chi Minh City, or "Saigon," as it’s still called in conversation, has always been a city of traders and merchants (more likely tech entrepreneurs today). As a result, it is a much more fluid, multicultural and outward-looking place compared to the capital. In terms of doing business, it’s less about whom you know than in Hanoi, and companies tend to be more direct when telling you what they need. Sometimes, it feels like every young Saigonese, no matter what he or she does, has a side business. Or two. Locals are also considered generally more Westernized, making this the logical entry point for U.S. franchises, such as Starbucks and McDonalds. It is also the preferred destination for returning overseas Vietnamese-Americans.

In years past, the southern city’s explosive growth and all-round financial magnetism have certainly made turncoats of many a Hanoi purist (expats and proud Hanoians alike). Writing some years ago, the Vietnamese columnist Huu Ngoc joked that for every five Hanoians who look down their nose at Ho Chi Minh City, four will move here anyway, and they say that the people who love "Saigon" the most are people who have migrated from the capital.

Is that set to change? Perhaps. Hanoi is certainly out to rebrand itself as more of a business hub. With a preference for foreign investment in high-tech projects, it is anticipating $2 billion in foreign direct investment (FDI) this year, up from $1.4 billion in 2015. Vietnam’s Ministry of Planning and Investment also recently called for an investment of $115.5 billion, over the next five years, in a bid to transform Hanoi into a financial hub that can go "shoulder-to-shoulder with Hong Kong and Singapore."

Meanwhile, Ho Chi Minh City attracted $4.6 billion in FDI in 2015, up 47 percent from the previous year, but as of the middle of May this year, only $650 million had been registered — a 38-percent drop year-on-year.

As many view the cities’ relationship as an acrimonious rivalry, their respective growth figures are often compared as if there is a contest. The headline "Hanoi versus Ho Chi Minh City" is not an uncommon sight. Perhaps, this is not a surprise considering that the north-south division of Vietnam ended only 41 years ago. Last year, a Bloomberg report declared that "Saigon had turned the tables on Hanoi, outstripping its conqueror in investment and growth."
Even if the trauma of the war lingers for older generations, today in both cities, youth and optimism prevail — the vast majority of Vietnamese were born after the country reunified, and this "golden demographic" is only growing in talent and affluence.

Therein lies the rub: Irrespective of cultural contrasts, and historic conflicts, both of these major cities are posting strong growth figures and can be considered exciting and fast-growing, if challenging, markets for foreign investors. Both cities also offer entry into the Southeast Asia Region and a tariff-free market of more than 600 million people should the Trans-Pacific Partnership ever be ratified.

The Vietnamese government would likely rather focus on tapping the two cities’ potential synergy. Recently, speaking to the local media, Communist Party of Vietnam’s Hanoi Chief Hang Trung Hai said, "It’s better to be poor but enjoy equality and tranquility, rather than to be rich and suffer from rivalry and insecurity."

The U.S. government is also encouraging high-tech development in Hanoi and Ho Chi Minh City. The American Innovation Roadshow, a U.S.-sponsored event recently held in both cities, brought "global game changers" in the Vietnam startup community together with U.S. corporate leaders in information technology, finance and manufacturing. At the time, U.S. Ambassador to Vietnam Ted Osius said the goal was to develop a "Silicon Valley state of mind" in Vietnam — and, for the record, the talent is there to make that happen. Neil Fraser, a veteran software engineer at Google, was recently quoted as saying that Vietnam had the highest-performing computer science students he’d ever encountered.

Like siblings in all of nature, Hanoi and Ho Chi Minh City will always be measured against each other, even in categories that clearly favor one city in particular. Ultimately, both have been driving the dramatic growth that has transformed Vietnam, a country once so poor, so devastated by decades of war, U.S. economist Noam Chomsky guessed it would take 100 years or more to recover, if it ever did.

Investors looking to enter the market who are unsure of where to go should consider testing the waters in both cities. Find out what is a better fit for your company or investment in terms of the market and human resources. In both cities, it will be necessary to make careful preparations, assess markets and risks and spend time getting to know potential partners and networking. If you need an insider’s tip to win over the locals, no matter which city you are in, just tell them that their food is more delicious.

—By Giles Cooper, Duane Morris LLP

Giles Cooper is a partner and the branch director of Duane Morris’ Ho Chi Minh City office; he works out of the firm’s Hanoi office as well. Cooper practices in the area of corporate commercial law with a focus on international law in Southeast Asia, helping foreign investors in Vietnam with market entry, investment structuring, mergers and acquisitions, contract negotiation, major projects and construction, and employment law matters.