

# [***Tycoon's death penalty in $12.5 billion fraud case highlights Vietnam's corruption crisis***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BSR-RXD1-JBSS-S00P-00000-00&context=1516831)

CNN Wire

April 13, 2024 Saturday 1:41 AM GMT

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**Length:** 1809 words

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**Dateline:** (CNN)

**Body**

(CNN) &#8212; The death sentence handed to a real estate tycoon in a $12.5 billion financial fraud case is the latest punishment meted out by Vietnam in the Southeast Asian country's sweeping "blazing furnace" anti-corruption campaign.

[*Thursday's ruling against Truong My Lan*](https://www.cnn.com/2024/04/11/business/truong-my-lan-vietnam-fraud-death-sentence/index.html), the former chairwoman of property developer Van Thinh Phat Holdings Group, follows the resignation of two presidents in just over a year, in departures linked to separate allegations of wrongdoing.

The sheer scale of Lan's misconduct has rattled the public in a country that has long projected an image of authoritarian stability, analysts say - and raised alarm among foreign investors, a key driver of Vietnam's booming economy.

Her trial, which began last month, has played out publicly in state media, a change of tack in a country where information is usually tightly controlled. Lan, who is in her late 60s, was found guilty of bribery, violating bank regulations and embezzlement, and sentenced to death, though her family has indicated she will appeal.

Investigators said she and her accomplices siphoned off more than 304 trillion dong ($12.5 billion) from Saigon Joint Stock Commercial Bank (SCB), which she effectively controlled through dozens of proxies despite rules strictly limiting large shareholding in lenders, Reuters reported.

Lan's actions resulted in damages of 677 trillion Vietnamese dong ($27 billion) to SCB, one of the largest privately owned commercial banks in the country, [*according to*](https://e.vnexpress.net/news/business/companies/van-thinh-phat-chairwoman-truong-my-lan-sentenced-to-death-in-27b-scam-4733069.html) state-owned VN Express International.

She "was the mastermind in the long-term scheme and committed elaborate and organized crimes, causing irrevocable consequences," it quoted judges of the People's Court of Ho Chi Minh City as saying.

The scale of the fraud was said to be equivalent to roughly 3% of Vietnam's economy. By comparison, Malaysia's long-running 1MDB state fund scandal that began in 2009, described as one of the world's biggest financial crimes, involved the looting of about $4.5 billion.

According to Reuters, state media reported that 84 defendants in the case received sentences ranging from probation for three years to life imprisonment. Among them are Lan's husband, Eric Chu, a Hong Kong businessman who was sentenced to nine years in jail, and her niece who received 17 years.

High-profile resignations

Over the past year, staggering levels of embezzlement and fraud have been revealed by Vietnam's ruling Communist Party (CPV) as part of its ongoing anti-corruption campaign, which began in 2016 and has resulted in the investigation of hundreds of party members.

Last month one of its top leaders was forced to resign. At a meeting on March 20, the CPV accepted the [*resignation*](https://www.cnn.com/2024/03/20/asia/vietnam-president-vo-van-thuong-resignation-intl-hnk/index.html) of President Vo Van Thuong, for "violations that left a bad mark on the reputation of the Communist Party," a phrase generally understood by analysts to allude to links with corruption.

Though widely considered ceremonial, the presidency is one of the top three positions in Vietnam's political hierarchy after the CPV's Secretary General, currently Nguyen Phu Trong.

Stepping down after only about a year in office, party veteran Thuong, who [*once pledged*](https://www.cnn.com/2023/03/02/asia/vietnam-new-president-vo-van-thuong-intl-hnk/index.html) to "resolutely continue" the fight against corruption, became the fourth member of the 18-person Politburo to resign in recent years.

He joins his ill-fated predecessor [*Nguyen Xuan Phuc,*](https://www.cnn.com/2023/01/17/asia/vietnam-president-nguyen-xuan-phuc-resign-communist-party-crackdown-intl-hnk/index.html) forced to resign in January 2023 after accusations of wrongdoing, as well as deputy prime ministers Pham Binh Minh and Vu Duc Dam, who left in the same month over their involvement in separate scandals relating to the authorities' handling of the Covid-19 pandemic.

Tight control of the media means the specifics of their cases are rarely made public. But the steady stream of departures is indicative of the CPV sending a "strong message" that no one is above party rules, said Le Hong Hiep, senior fellow at the Singapore-based ISEAS Yusof-Ishak Institute.

The government's anti-corruption campaign "enforced credibility" and showed "a genuine effort on the part of the remaining political leaders to address difficult problems," Hiep told an online seminar in April.

The drive is "about power, control and succession," said Huong Le Thu, deputy program director for Asia at the International Crisis Group.

Secretary General Trong, architect of the anti-corruption campaign, "has been serious about purity, ideology and leadership in the party and is worried about power and [the] prospect that the next generation of leaders could be driven by their own interests or other motivations that could weaken the party," she told CNN.

Part of the system

Vietnam shares some similarities with neighboring China, also a one-party system that does not tolerate dissent. But unlike China under leader Xi Jinping, who has consolidated power to a level not seen in decades, the CPV is governed by "four pillars": the secretary general, president, prime minister and house speaker.

Governments in both countries have spent the past decade or so pursuing anti-corruption campaigns. In both cases, the accusations of wrongdoing are also suspected by critics to be a tool for political purges.

"Corruption is endemic in Vietnam and part of the system," Zachary Abuza, a professor in Southeast Asian ***politics*** and security issues at the National War College in Washington told CNN.

"The Vietnamese Communist Party wants to show that their anti-corruption drive is working. But they cannot hide the fact that they willfully ignored and allowed massive bribery to take place.

"In Vietnam, the state controls so much - the economy, access to capital and land as well as the press.

"People are pissed off about what's been happening in what is supposed to be a classless society."

The gap between the lifestyles of the average Vietnamese and those of the party's top brass is a touchy subject.

Last year, [*a street food vendor was sentenced to five-and-a-half years in prison*](https://www.cnn.com/2023/05/25/asia/vietnam-salt-bae-noodle-vendor-jailed-intl/index.html) for spreading anti-state propaganda, after gaining online fame with videos imitating celebrity chef Salt Bae.

The videos were allegedly making reference to an infamous incident in late 2021, when a party delegation led by Public Security Minister To Lam was caught on camera enjoying a lavish meal of gold-encrusted steak at a London restaurant owned by the Turkish chef.

Stable investment destination?

The CPV has ruled Vietnam, a country of nearly 100 million people, since winning the Vietnam War in 1975, and prides itself on an image of longevity, national unity and party loyalty.

In recent decades Vietnam has been hailed as an economic success story. Once one of the world's poorest nations, today it has a prosperous economy with a burgeoning middle class and a growth rate rivaling China's. In fact, the International Monetary Fund expects Vietnam's economy to grow by 5.8% this year, compared to 4.6% for China.

Companies from Apple ([*AAPL*](https://www.cnn.com/markets/stocks/aapl)) to Intel ([*INTC*](https://money.cnn.com/quote/quote.html?symb=intc)) have already pushed deeper into Vietnam to diversify their supply chains, maxing out many Vietnamese factories and helping fuel an economic expansion that defies a [*global slowdown*](https://www.cnn.com/2023/06/01/economy/global-economy-outlook-recession/index.html).

"Vietnam is an incredibly successful economy in many ways - a darling of foreign investors, a great place to do business, and in some ways also a great alternative to China," Abuza said.

"But the rapid growth and complexity of its economy has clearly outpaced the CPV's regulatory capacity."

Analysts and investors told CNN the recent spate of corruption scandals has had a "surprisingly deep" negative impact on the image of Vietnam, which has lured many foreign manufacturers from China in recent years.

"Overall, Vietnam has seen good economic performance but it's clear that the recent news has shaken investor confidence," said one Bangkok-based wealth adviser with a leading global investment firm, who declined to be named due to sensitivities surrounding the issue.

"Stock performance has dipped and overseas investors are fearful of putting their money into Vietnamese companies when cases of corruption and mismanagement have been coming out," the investor said.

Abuza said the purged leaders were also the pro-business faces of the country.

"They were (considered) competent, they were trusted and they understood the economy and business concerns and were still purged, so foreign investors have every reason to be concerned," he added.

Government spending in the country has slowed for similar reasons, according to a report from the ISEAS-Yusof Ishak Institute, citing "public officials becoming anxious about being investigated and shirking their responsibilities."

'No one is safe'

Current leaders insist the recent resignations will have "little impact" on the party or the country's image.

Last month, Vietnamese Foreign Minister Bui Thanh Soh said the political changes were a sign of the anti-corruption campaign's effectiveness and should be instead welcomed by foreign investors and the international community.

"The president's resignation will not affect our foreign policy as well as economic development," Soh [*told an audience*](https://www.brookings.edu/events/us-vietnam-relations-a-conversation-with-vietnams-foreign-minister-bui-thanh-son/) at the Brookings Institution, a non-profit public policy organization based in Washington.

"If you look at the situation in Vietnam, we have collective leadership. We have collective foreign policy. We have collective-decided economic development," he said. "If one or two figures in the leadership resigned, it does not change this situation."

Thuong and the other fallen leaders have not been seen in public or heard from since their resignations, and state media has not reported on them. Their fate remains unclear, given the highly secretive nature of Vietnam's political system.

All eyes will be on the country's next leaders, who could "even decide to continue an even stronger fight against corruption," Abuza said.

Vo Thi Anh Xuan, a leading woman politician who has served as vice president since 2021, has stepped in as acting president, and a full-time successor is yet to be appointed.

But Vietnamese political experts said a permanent appointment would not end the instability. Top leader Trong, who will soon turn 80, is likely to stay in post until the next congress in 2026.

Former president Thuong's resignation was unlikely to be the last and political infighting would likely persist until 2026, Le Hong Hiep, from the ISEAS-Yusof Ishak Institute, said in a previous report. "In the meantime, investors and Vietnam's partners will have to live with the country's new political realities," he said.

Huong, of Crisis Group, said initially "people thought the anti-corruption campaign was only within the party echelons but it is increasingly going beyond."

"Recent and growing arrests and cases include the corporate world, with obvious links to the party, and prove that it is a much bigger thing," she said.

"The feeling is that no one is safe."

By Heather Chen, CNN

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**Load-Date:** April 12, 2024

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