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Mergers & Acquisitions Market in Vietnam's Transition Economy

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This paper is the first major and a thorough study on the Merger & Acquisition (M&A) activities in Vietnam's emerging market economy, covering almost entirely the M&A history after the launch of Doi Moi. The surge in these activities since mid-2000s by no means incidentally coincides with the jump in FDI and FPI inflows into the nation. M&A industry in Vietnam has its socio-cultural traits that could help explain economic happenings, with anomalies and transitional characteristics, far better than even the most complete set of empirical data. Proceeds from the sales of existing assets and firms have mainly flowed into the highly speculative industries of securities, banking, non-bank financials, portfolio investments and real estates. The impact of M&A on Vietnam's long-term prosperity is thus highly questionable. An observable high degree of volatility in the M&A processes would likely blow out the high ex ante expectations by many speculators, when ex post realizations finally arrive. The effect of the past M&A evolution in Vietnam has been indecisively positive or negative, with significant presence of rent-seeking and likelihood of causing destructive entrepreneurship. From a socio-economic and cultural view, the degree of positive impacts may result in domestic entrepreneurship which will perhaps be the single most important indicator.

1. Background

Since mid-1990s, Vietnam has been emerging as a new market economy. It has been a member of the Association of Southeast Asian Nations (ASEAN) since 1995, then the World Trade Organization (WTO) since 2007. The country is situated in Indochina Peninsula with an area of 3,30,000 square kilometres and has a population of over 86 million, according to a national census in 2009. After its victory in the American war which had led the collapse of the South Vietnam regime in 1975, the re-unified Vietnam, now with the name of the Socialist Republic of Vietnam, followed the Soviet centrally planned economic model until an extensive reform programme launched in 1986 by the ruling

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Communist Party of Vietnam at its Sixth National Congress, usually referred to as *Doi Moi*, by both Vietnamese and international communities (Vuong, 2004). The country has since embarked on a process of gradually building new regulatory framework for a market economy to operate smoothly, new institutions and installing foundations for functional markets and the so-called market mechanism. More importantly, perhaps, the country has taken bold steps in reinforcing its solid transformation to a full-blown version of a market economy.

1.1 Doi Moi – Vietnam's Extensive Economic Programme

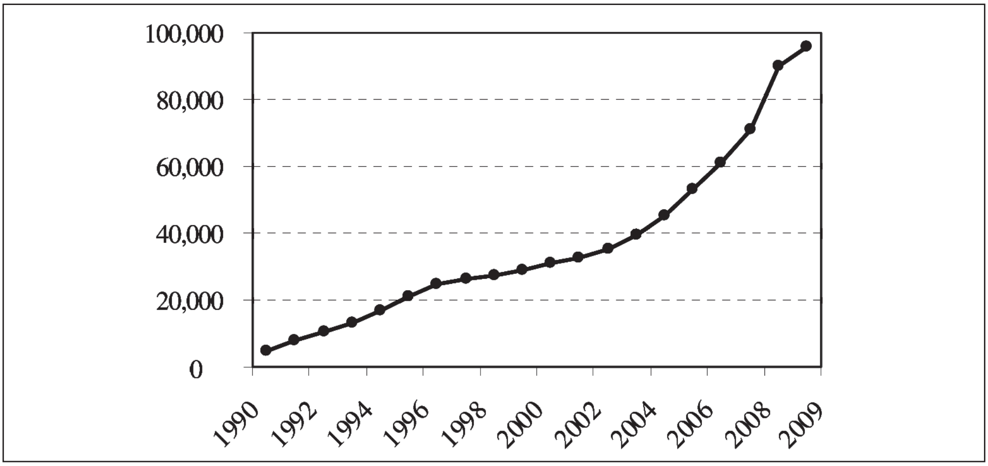
The traits of the Vietnamese centrally planned economy before *Doi Moi*, notably in the struggling period 1976-86, was characterized by the economists as one with economic inefficiencies, bureaucratism, overwhelming institutional rigidity and without functional market and market price system. Private property rights, especially productive physical assets, were not formally accepted by laws and regulations. The country had remained to be a member of the Least Developed Countries (LDCs) even a decade after *Doi Moi*. Vietnam's national economy was in severe financial strait, with backward distribution system and relying heavily on Soviet-bloc financial assistance and aids in kind. When the country was first selected to open a door to the New Economic Program (NEP) and adopted a market economic gradualism, its per capita Gross Domestic Product (GDP) stood at a low level of US$202 and the total GDP of Vietnam in dollar terms was only approximately US$11 billion (Pham & Vuong, 2009). The signal of 'fence-breaking' (or by-passing the existing cumbersome and rigid economic management regulations) and a need for an overhaul of the national economy could be traced back in the early works by Dam and Le (1981), Ton-That (1984) and Kimura (1986).

Vietnam's economic reforms brought about by *Doi Moi* (Vuong, 2004) started with a fairly radical epistemological advance of recognizing legitimate rights of private properties, the private economic sector. Simultaneously, the need of removing economic inefficiencies, rigidity and dysfunctional market and distribution systems became apparent and imperative. Market forces came in place and the economy gradually abolished the old-styled centrally planned economy, which had previously operated based on the principles of bureaucratic orders, financial and physical subsidies from the state and the Soviet vertical pricing system. At this point, a shift to a market economy has already been determined by political leaders and advocated by major economic scholars and local governmental policy-makers. In the years following *Doi Moi*, the issuance of Law on Foreign Investment in 1987 and its amendments in 1990, 1992, 1996, 2000 and 2005, together with the amendment of the Constitution of Vietnam in 1992, created more favourable conditions to attract Foreign Direct Investment (FDI) inflows into the newborn market economy of Vietnam (Riedel, 1997, Vuong, 2004(a), Pham & Vuong, 2009). The economic conditions have improved significantly due largely to a substantial economic expansion under the open-door policy (Nghiep & Quy, 1999).

Following *Doi Moi*, the Vietnamese economy has expanded substantially, as shown in Figure-1, where GDP is computed in US dollars from 1990 to 2009. The surge in real GDP led to continuous increase in per capita GDP, which induces more capital formation within the populace for future economic activities such as entrepreneurship and financial investments. The economic impact of the extensive reform in the national economy have been profound and indisputable. However, there have been emerging issues with low economic efficiency, high Incremental Capital Output Ratio (ICOR), prevalent rent-seeking, oversized state-owned industries, capital-hungry private enterprises and structural problems of allocating financial and physical assets to different sectors of the economy (Vuong, 1997(a), 1997(b), 2004(a); Riedel, 1997; Vuong & Nguyen, 2000; Pham *et al.*, 2008; Pham & Vuong, 2009; Vuong & Tran, 2009).

From the low level of approximately US$200 in 1986, it took Vietnam some 14 years to double its per capita GDP, in the year 2000. However,

Figure-1 : Vietnam's GDP (1990-2009)



Source : Compilation of data using GSO's GDP and US$ rate by Vuong 2003, 2004(b).

by the end of 2007, the fast-moving economy of Vietnam had an opportunity to double the per capita GDP in 2000, taking only half the time for the 1986-level to double (Pham & Vuong, 2009). It is expected that the figure is likely to attain US$1,200 in 2010.

1.2 FDI – A Panorama

FDI is not the only source of growth in the reforming economy of Vietnam. Nonetheless, it does serve as a major driving force of the economy and has gradually become a leading source of external financing for the Vietnamese economy after *Doi Moi*, coming in under the form of either greenfield investment or M&As. Equally important, FDI enterprises have brought in services and manufacturing technologies, connections with international markets and created much needed jobs for the economy.

FDI has, in general, been flowing continuously into the Vietnamese economy over the past two decades. At the end of October 2009, nearly 11,000 FDI projects have been licensed (and still in validity) to operate in Vietnam since 1987, with a total capital commitment worth almost US$175 billion; nearly two times Vietnam's GDP in 2008. (Details of FDI capital by industry, in both commitment and statutory contribution are provided in Appendix-A.)

The above US$175 billion FDI stock has come from 89 different countries and territories, among which ten

Table-1 : The Stock of FDI in Vietnam, by type of Investment

(figures in millions of US dollars)

	No. of Projects	Registration	Statutory Capital
100% foreign-owned	8,391	1,08,634	34,411
Joint venture	2,000	54,564	15,733
Business co-operation contract	221	4,961	4,479
Joint-stock corporation	183	4,711	1,354
BOT, BT, BTO contract	9	1,747	467
Investment holding	1	98	83
Total	**10,805**	**1,74,715**	**56,527**

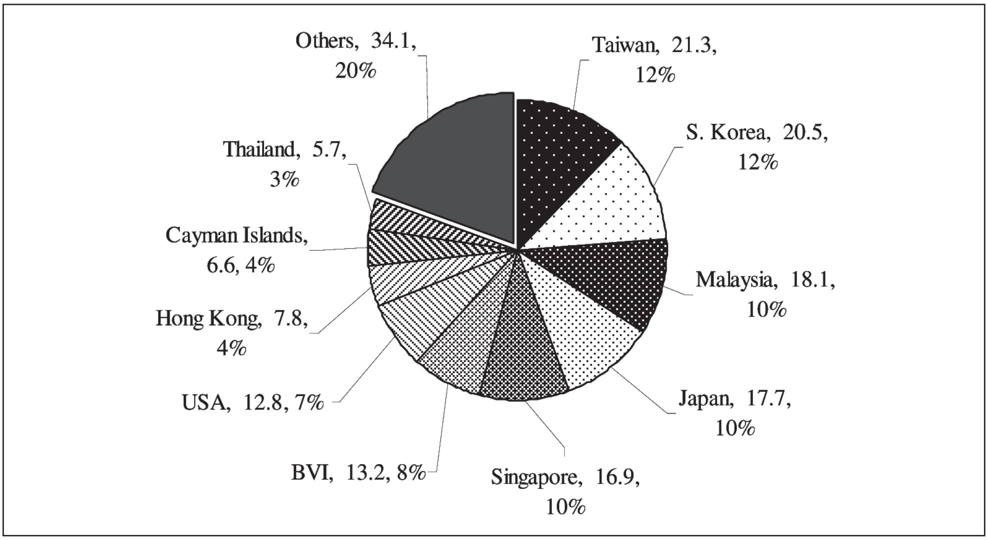
Source : GSO and Vietnam Economic Times, 2009, Registration and Statutory Capital.

most important in terms of FDI registration are shown in Figure-2. It is not difficult to observe that regional economies (ASEAN and Taiwan, Hong Kong) have by far been the most important direct investors in Vietnam, followed by major world economic players, the United States (US) and Japan. A substantial portion of FDI also comes from the familiar tax-havens, Cayman and British Virgin Islands (BVI).

With respect to FDI economic flow, Figure-3 provides us with more insights about the relative contribution of real FDI disbursement into the economy. The solid line represents FDI-to-Real GDP statistic (FDI : GDP), where both are measured in US dollars. The dash line shows growth rate of GDP (Real GDP G/R). These data run from 1990 to 2009, with 2009 data being reasonably an accurate estimate.

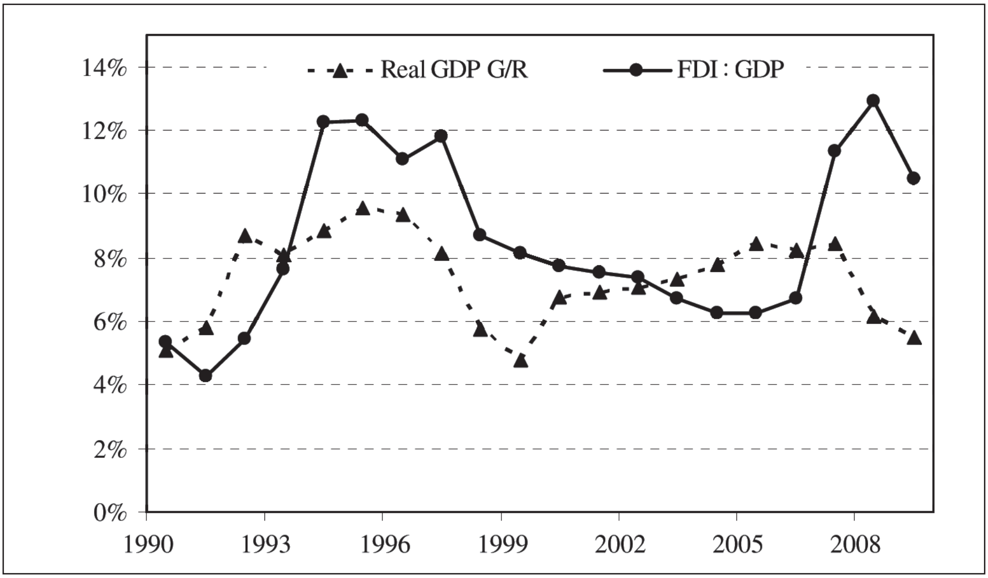
Figure-3 helps us to realize that the annual flow of FDI capital to the economy is always substantial in real dollar terms since the beginning of Vietnam's economic reform, which never falls below 4 per cent. Over the past two decades of reform, there exist only two sub-periods, 1991-93 and 2003-07, when the relative FDI-to-GDP ratio is lower than real GDP growth of the country. However, the flow of FDI capital to Vietnam exhibits a substantial volatility in some periods.

Figure-2 : Major FDI Sources



Source : Vietnam Economic Times, 2009. (Data point : Country; Cumulated FDI registration; Relative contribution in percentage)

Figure-3 : Relative FDI Capital to GDP vs. Real GDP Growth



Source : GDP, FDI at current price by GSO 2009, US$ rate by Vuong (2003, 2004).

The causes of this volatility could reflect changing economic conditions of source countries, varying degrees of satisfaction of international investors in Vietnam's business environment, competition in attracting FDI by other regional or international emerging economies, such as Greater China, ASEAN and so on.

Having discussed some background information of the Vietnamese economy and FDI, we aim to articulate the importance and profound impacts of FDI in the young market economy, despite the volatility, interruption and sudden re-direction of the flow at times. In the next sub-section, the essay turns to some thoughts on an increasing trend of FDI flows into Vietnam, the main theme of this research.

1.3 Why M&A?

We take the point of classifying FDI into greenfield investments and M&A put forward by Calderón *et al.*, (2004) by which M&A has no longer been an economic investment phenomenon, but a mainstream economic activity. In the history of the world's economy, over the past 100 years, six M&A waves took place in the 1900s, 1920s, 1960s, 1980s, 1990s and 2000s (Kim, 2009), which mostly occurred in the West, where the economies had for long been in a more advanced technological and economic conditions.

East Asian economies have participated in this M&A trend since mid-1980s following the trend of financial liberalization and investment de-regulation, happening in almost every corner of the world's market economies, after FDI greenfield investments in the regional economy had become familiar and some advanced economies of the East Asian region had attained higher level of development, led by Japan, South Korea, Taiwan and Hong Kong. The Asian financial crisis also contributed to the surge of M&A activities in the region, since this has shown some positive perspective of financing during post-crisis projects and this is what debt-ridden economies need to do the fixing (Mody & Negishi, 2000).

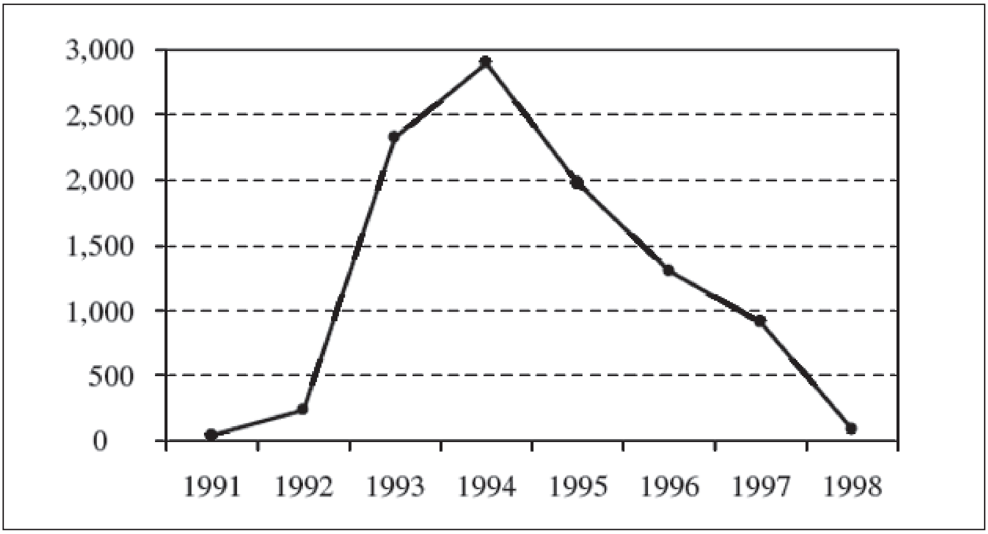
Since Vietnam embarked on the FDI game later than most regional economies, M&A only appeared recently, only at the beginning of 1990s and without clear trend in the first ten years. However, with a deepening of the financial sector and much more open economy to international investors, both greenfield and M&A activities increased significantly. From a handful of deals in the early 2000s, M&A activities recorded more than 100 successful transactions in 2007. The trend in Vietnam *per se* is consistent with the suggestion by Lall (2002) which conjectures that M&A would be an increasingly important form of FDI and soon become the single most important component.

In international economic literature, studies on M&A activity has been well-documented and voluminous, at both the global and regional scale of which keen attention has also been paid toward M&As in the developing and transition economies, including Eastern and Central Europe, Asia and Latin America (for instance, Katz *et al.*, 1997; Lall, 2002; Bertrand & Zuniga, 2006; Pop, 2006; Chand, 2009, just to name a few). While these literature works have brought light to our understandings of M&A in various economies, regions and industries of the world, it is unfortunate that there has been little discussion and virtually no significant research work devoted to M&A industry in Vietnam. Despite the strong relation between and the great importance of both M&A and greenfield FDI, we could hardly find detailed studies discussing the connection between M&As and FDI in the economy. This is probably because Vietnam market is just in its infancy and the chronic lack of reliable information and economic data deterred scholars from researching relevant academic questions and producing sound work.

In Wang and Wong (2004), we realize that both FDI and M&A require appropriate policy-making process, adequacy of human capital and full recognition of related issues. These can become a direct motivation for this research because M&A, as will be discussed later in this article, has already become a trend, increasing one, with similar effects, negative or positive, to the overall economy and the business sector's performance, in particular.

From the seller's point of view, a chronic disease in the economy is shortage of capital, both debt and equity. Even with the existence of Vietnam stock market in recent years, the situation has not changed significantly, due to low liquidity of the market and the structural issue of the Vietnamese economy remains in favour of bank credit and other types of finance than new-issued equity. The capital shortage especially for private sector firms has been apparent and well-documented in many studies such as Vuong (1997(a), 1997(b), Vuong and Nguyen (2000) and Pham and Vuong (2009), although a number of alternative financing options had been searched for, for instance, financial leasing, unsecured project lending, corporate bond and microfinance (Vuong, 2004(a)). Naturally, one would have a question of the role of M&A in this emerging market economy.

Figure-4 : Vietnam's M&A Value by Seller (1991-98)



Source : United Nations Conference on Trade and Development Report (UNCTAD), 1999.

This study is pioneering to fill out such gap, through which Vietnam's M&A data problem would be addressed at the beginning of the process. This work aims to provide for a general understanding of the context, analysis of the economic situation and to articulate insights and implications on the country's featuring M&A. In the next Section, a substantial survey of the existing literature on M&A and in part, FDI, is performed to equip us with the necessary understanding provided by contemporaneous scholars, before moving on with the analysis of the Vietnamese M&A context.

2. Related Literature of M&A

We have mentioned that the literature of M&A in the world is well-documented and very large. In what follows, some selected works are going to be reviewed so that we could gain a better understanding of how scholars have looked into the M&A industries and their related issues and what results could benefit this research undertaking.

2.1 International Studies on M&A

We start this review with a good account of details of M&A history which could be traced back to the 1890s, documented by Kim (2009). The first wave occurred in the US and Europe in the late 19 century and usually formed some type of monopoly through horizontal integration within industries. This early evolution ended in 1903-05 when stock markets crashed.

A second wave began as a response to the enforcement of anti-trust legislation which was the result of the public concern over large conglomerates and super powerhouse in the US economy. This time, firms pursued expansions through vertical integration, generating the second wave of M&A, starting in the late 1910s and ending in 1929 when the stock market crashed.

The third wave started in 1965 and ended in 1973. Due to the economic depression and the second world war, no significant activities occurred in this period. The fourth wave was set off by the so-called environmental transition, such as changes in anti-trust policy, de-regulation of financial sector, new financial innovations and markets and rapid advances in technology and applied sciences. Many hostile takeovers and on-going private transactions took place in this period, which started in 1978 and finished in 1989.

The fifth wave started in 1993 along with a new economic boom phase and halted when the bubble burst in 2000. This wave witnessed a largest ever total global value of M&A transactions worth US$15 trillion, more than five times the combined total of the 1978-89 period. Also, during this time, the Asian M&A market started emerging.

The most recent M&A boom period began in mid-2003, when the increasing M&A activities occurred in major economic regions of the US, the EU and East Asia following the economic and financial recovery. China, India and the Middle East also entered this stage as new major players. Hostile takeovers were strong in Japan and China. In Kim (2009), the fact that many companies tried to acquire other companies through M&A without much value increase indicates that M&As are pursued with a long-term growth purpose rather than for chasing short-term profits. As far as cross-border M&A is concerned, industrial environment and strategic pursuit, including alliance, represent two major driving factors. Furthermore, Öberg and Holtström (2006) add that besides the reasons to merge or acquire as strategies of the merging or acquiring parties, M&As are contextually driven with the existence of parallel M&A transaction, for instance, between the customer and the supplier firms in the economy.

A substantial amount of the world's M&A value belongs to the powerful banking houses and the work of Focarelli *et al.,* (2002) is credited for valuable insights into the banks' motivation for this trend. Banking institutions have long had motivations behind their M&A activities being strategic pursuit of diverse banking services. Notably, before the merger endeavour, the active buyer bank derived a high share of income from services. It might have wanted to offer its innovative products to the customers of the target bank which was currently not providing them to existing clients. Banking M&A deals may also be able to help banking firms to improve immediate quality of asset portfolio and, in many cases, to increase capital adequacy as risk cushion, when facing new reserve requirement. And importantly, the authors conclude that no significant evidence of an improvement in profit is found after a merger and this is different from the *ex ante* expectation set out by many executives or at least in their communication to the shareholders. The results are consistent with those found when performing tests using the US empirical data.

Within the financial economics literature, a substantial amount of studies is devoted to empirical investigation on post-M&A performance, in general and market values and abnormal cumulative returns of buyer and target firms. An early contribution is Block (1968) which through performing a parametric test aims to verify the hypothesis of significant differences in stock behaviours of merging and non-merging firms. The result is that in general, the merger effect on the stock of the acquiring companies is somewhat neutral. However, the effect on acquired firms in terms of stock behaviour is substantial and responsive. We could notice an understanding that a potential acquired firm's stock many-a-time represents a good investment, while the transaction may make the acquiring firm less attractive. Another research effort in this aspect of M&A is Shick (1972) which focuses on measuring the returns brought about following a merger transaction, using the prevailing valuation model and empirical data selected from the US chemical industry. Shick establishes that merger return formula could be built successfully based on common stock valuation model. Using this, the empirical evidence suggests that a merger could result in positive returns and the success or failure of a merger could be judged almost instantly after the transaction concludes. However, in the recent edited volume on regional M&A perspectives, Chand (2009) re-visits the value creation issue, discussing a number of numerous scenarios under which M&As can create value for the acquiring or merging companies. It does not assert that all such attempts would indeed create value in the end due to the possible complication arising in the transaction process.

In between the two M&A waves of the 1960s and the 1980s, Ijiri and Simon (1971) made an attempt in gauging effects of M&A activities on business concentration. Their empirical results from their own model for investigating whether Pareto and Gibrat's Laws hold for the research of 1960s US dataset and hypothetical relationship (equilibrium equations) lead to an important finding that the concentration measure following M&A activities remains, to a large extent unaffected. The result rejects the then widely accepted position that mergers would lead to increased concentration and, thus, reduce competition. From the other view, Werhane (1988) discusses ethical issues following M&A. Two major issues that prove to be of primary concern are : (i) the rights of employees would likely be affected; and (ii) the responsibilities of shareholders during the M&A undertaking. This view is also re-affirmed in the recent work of Chand (2009) which articulates that growth of firms can be achieved through organic growth (investment/re-investment in a new plant) or M&As (mergers, acquisitions strategic alliances) under forms of horizontal, vertical and conglomerate (i.e., firms in unrelated industries). During and after a M&A transaction, the undertakings have influences on many stakeholders, not just on share value. Thus, other stakeholders in the firm tend to have different priorities.

In a general understanding that a major portion of M&A transactions and values are undertaken by powerful

Trans-national Corporations (TNCs), Lall (2002) studies their implications on cross-border M&A in the developing countries. The work articulates a similar point as what was discussed earlier that international M&As now become "the most important forms of FDI, far outstripping investment in the new facilities (greenfield) in terms of value", citing United Nations Conference or Trade and Development (UNCTAD) and World Investment Report's statistics and estimates that around 80 per cent of FDI in developed countries have been in the form of cross-border M&A. In less developed economies, M&A already reached a record level of 40 per cent of the total FDI inflows in 1998.

This work supports the existence of significant differences between TNC entry by greenfield FDI and M&A, in terms of the impacts on host economies, most of which manifest themselves in the short-term. Lall (2002) empirically rejects the general presumption of 'superiority' of greenfield investment over M&A, while Raff *et al.,* (2006) suggests a strong interdependence between different forms of M&A.

Also in the line of research on cross-border M&A and performance of TNC, theoretical foundations of cross-border M&As are reviewed in Shimizu *et al.,* (2004) in the current context that empirical results regarding determinants of M&A are mixed. Technical aspects of M&A process such as due diligence exercises and legal verification continue to be financially and time-consuming and still need further literature for our better understanding. The literature could help practitioners learn from past lessons and derive important insights from this complex field of business, especially with cross-border M&As. As the importance of and opportunities from cross-border M&As are likely to increase further in the global economy, learning from acquisition experience could be a critical source of competitive advantage. Countries differ in their institutional contexts and, thus, in the types of corporate governance mechanism utilized. Therefore, governance problems related to M&As require more research efforts.

From an operational view, Rossi and Volpin (2003) study determinants of M&A activities using empirical data, 1992-2002, from 49 target countries, including a bit of Vietnamese data (not substantial) which exhibit the volume, the incidence of hostile takeovers, the pattern of cross-border deals, the premium and the method of payment. The work suggests that right protection on M&A and cross-border takeovers could be efficient catalysts for improving corporate governance, a much desired goal in any re-structuring process. Khimizu *et al.,* (2004) also present a similar position on corporate governance issues which should enable a more favourable and productive economic transformation.

In a wave of cross-border M&A within the developed economies of Organization for Economic Co-operation and Development (OECD), Bertrand and Zuniga (2005) extend their effort to investigate M&A transactions in conjunction with issues in Research and Development (R&D) investments in OECD member economies in 1990s. A main addressing of the study is on the question of whether there exists significant difference in likely impacts on industrial innovations between national and cross-border M&A operations.

The authors use GMM to estimate a dynamic linear model for R&D investment and control for market-related and technological determinants of R&D production. Their results show that the latest M&A wave in OECD has not resulted in a significant effect on domestic R&D activities at the industrial level. M&A only seems to have played a role in some specific groups of industries. In addition, results suggest that domestic and cross border M&A differed in their impact on R&D investment. It appears that domestic M&A activities generated positive impacts on R&D activities in low-tech industries. Interestingly, they present the insight that indicates mainly target firms seemed to benefit from M&A operations in their sample, but not buyer firms at home countries. This work is basically a counter-argument to the general public opinion that considers foreign takeovers fearful.

With respect to M&A operation in transition economies, Pop (2006) presents some results obtained from an analysis of the Romanian case, where approximately 500 privatized firms were targets of takeovers. The study focuses the effect of takeovers on the targets' performance, mostly listed firms on Romanian RASDAQ, over the 1998-2002 period. Empirical results of their multivariate regression analysis reject any evidence of significant abnormal returns of the target, based on listed stock prices.

In a more national industry-specific study using basic computations and survey data, Beena (2007) researches the performance of post-M&A pharmaceutical firms licensed to operate in the Indian emerging markets. The study uses a sample of 32 merging firms of which 20 belong to the domestic sector and 38 merged firms of which 20 are domestic. The report shows that many merging firms are engaged in multiple mergers.

Domestic merging with domestic accounted for 64 per cent of the total number of mergers, foreign with foreign constituted 26 per cent. Large-sized firms accounted for 60 per cent of the total mergers, medium-sized 38 per cent. More than 85 per cent of the mergers in Indian pharmaceutical producers were horizontal type. In this survey, Beena reports that cross-border M&A deals account for about 28 per cent and foreign-invested firms show a clear trend of acquisitions and strategic alliances, compared to domestic ones.

The result of this survey indicates that the merging firms, less than 10 per cent of all firms in this industry, their overall performance has been far better than the rest of the Indian pharmaceutical industries. The post-merger performance of the undertaking firms has also shown a general improvement compared to their own pre-merger period level.

2.2 The Regional and Vietnamese Literature in Relation to FDI and M&A

The M&A markets in Asia have become increasingly important as their share in the worldwide transactions increased from 8.5 per cent in 1995 to 17.7 per cent in 2008. The total value of the M&A transactions also increased from 13.3 per cent to 20 per cent during the period (Kummer, 2009). The figure *per se* is adequate to understand the role of M&A in the financial economics literature of the regional economy.

M&A activities are useful for re-structuring business firms, at least in the era of fast-changing economic conditions and post-crisis consolidation. The role of cross-border M&As in the Asian economic re-structuring, presented by Mody and Gegishi (2000) is relevant to our understanding. In East Asia, Korea and Thailand have been attracting large volumes of M&A activity since 1997. The recent M&A activities stem from two distinctive motivations : (i) resolving past problems; and (ii) grasping prospective opportunities. Within the developing countries, Latin America has been the largest target region of cross-border M&As, most of which have been through privatization programmes. East Asia is the fastest growing target region, growing at an annual average rate of 106 per cent. In the world, M&As have been done largely by selling private firms.

The post-crisis economies, especially the emerging ones at times, render their financial assets under-valued, together with critical exchange rate depreciation in favour of acquiring the firms' home currencies. Therefore, it is not uncommon that M&A activities surged in the post-crisis recovery phase in the emerging markets. Crisis economies also need to improve their policy frameworks in order to encourage foreign capital by liberalizing their economy, for at least a medium-term recovery process which could possibly help their domestic firms solve the debt payments and re-structuring. After the 1997-98 financial crisis in East Asia, cross-border M&A activity has largely concentrated in the most troubled sector of the crisis countries and many regional governments have taken steps to incentivize M&A for consolidating their financial systems through both private and regulatory incentives. Sales of financially distressed firms to foreign entrants will benefit the host countries, particularly, if 'fire-sale' can be prevented using competitive auctioning. Foreign acquiring firms are expected to bring in both management and financial resources which are necessary conditions for fixing target firms' inefficiencies.

Although there is little evidence to suggest that cross-border M&As have made immediate contributions to re-structuring of the troubled economies, the most significant role of cross-border M&As lies in longer-term re-structuring processes such as operational re-structuring and more productive re-allocation of physical and financial resources in the regional economies.

Ramlee and Said (2009) on trends and practices in Malaysian financial industries provide some useful insights and, more importantly, may be comparable to the recent M&A trend in Vietnam's financial sector, including noticeable cross-border transactions, such as HSBC-Techcombank as we will analyze later. The article reasons that globalization, financial de-regulations, advances in technology, cost savings and the desire for acquiring larger market shares are forces prompting commercial consolidations taking the form of M&A. Malaysian M&A activities as with most of its ASEAN neighbours are non-market driven. The 1997 crisis exposed fragilities of the Malaysian banking sector and economy and there needed a push to correct weaknesses in the banking system. The government saw the development of the banking system as vital in facilitating recovery. This is rationale for the Malaysian banking to speed up consolidation.

Subsequent relaxing of legal restrictions on foreign participation and the search for profit opportunities in the emerging economies, have led to the growing presence of foreign-owned financial institutions in domestic banking system. Those who promote consolidations by M&A method postulate that the activities help improve both the general degree of economic efficiencies and firm-level competitiveness in particular. Larger banks also want to be larger because of the belief that the government will not let large banks fail as it could lead to panic.

In the first stage, banking industry was fragmented but heavily protected and regulated. In the 1980s, banking system, comprising of many small banks, was poorly diversified geographically with inefficient management. In the second phase, the banking industry was de-regulated and interest rate ceilings and lending rates were left for the banks' determination; central bank just provided guidelines. In phase three, banks expanded their scope of activities. In the period 1999-2000, Malaysia accounted for 41 per cent of the total deals and 38 per cent of the M&A transaction value of target firms in ASEAN.

In a research of the Philippines' market for large-scaled bank M&A, Castillo (2009) claims that the M&A activities are subject to substantial regulations, despite de-regulation in financial services industry from the late 1980s. It provides context and history of the Philippines' banking systems from the 1950s to present and discuss regulations which are introduced to facilitate or prompt M&A in the banking sector. The current trend in M&A is postulated to have emerged from the mid-1990s consolidation in the financial sector, causing a wave and then followed by post-1997 monetary crisis consolidations. It concludes that banks consider M&A a method to improve their financial positions and competitiveness, although little empirical evidence has employed to reach that. Banks also use M&A as a way to fend off competition by remaining powerful financial services players in metropolitan hubs. In addition, we could not rule out a high possibility that the purposeful consolidations could trigger a wave of M&A that could result in an oligopoly structure creating problems for the Philippines economy and society. Thus, socio-economic impacts of M&A could be double-faced.

Yasumaru (2009) discusses the rationale for the Japanese Small and Medium Enterprises (SMEs) to adopt M&A in a recent period of its economic evolution. Typically, there are four major options to further develop or maintain existing businesses of SMEs : (i) *go public :* this is not an easy option due mainly to strict regulatory criteria of internal control and observance of laws which usually incur the highest costs of expenditure and time; (ii) *passing control within the company :* this choice faces a dilemma that founders' offspring normally want to pursue their own interests while they may not have the right charisma to take on the job; (iii) *liquidation of firm :* A choice that is not considered optimal in terms of retaining the firm's long-term core values and sustainable employment, conventionally lifetime commitment in Japan; and, (iv) *merger :* The society considers this a better option because by undertaking merger, small firms could have better access to both credit and equity finance, while the firms could still secure jobs for current employees.

In the first Japanese M&A boom period, 1989-90, when many Japanese firms bought American interests and real estates, thanks to the JPY appreciation and abundance of bank liquidity, *ex ante* expectations were not realized later because real estate bubble burst leading to the following down-sloping M&A trend in Japan. The second wave began in 1999, fueled by revisions of laws and tax regulations and the emerging sector of information technology and telecom. When the tech-bubble fizzled out, the M&A activity quickly vanished.

The Post-merger Integration (PMI) issue is discussed in Kummer (2009), in which the author aims to articulate the importance of PMI in a successful M&A transaction. In this discussion, many M&A transactions are said to have been unsuccessful, with the typical success rate being a modest 25 per cent and in the best case scenario that probability only reaching 50 per cent. The author singles out one critical failure factor : the poor PMI result. In the region, the reasons for this failure are usually inadequate attention to strategy making for deals, while the earliest steps have substantial impact on PMI and inappropriate and ineffective due diligence process, mostly comprising of reality check and obtaining actionable insights. Not less important are cross-cultural issues, especially to cross-border M&A activities, also advocated in Shimizu *et al.* (2004)

Employing the multiple-case research method, Deng (2009) goes on giving us more insights into the reality and reasoning of more Chinese firms coming in the game of cross-border M&A as a means to access and source strategic assets, addressing their own competitive disadvantages from an institutional perspective. In this discussion, the importance of institutional constraints and prior experiences affecting M&A determination are highlighted. Chinese firms seek to acquire strategic assets which they could not have at home in order to compete in highly competitive international markets. The trend happens when many global players revise their investment strategy, in many cases using M&A to divest from their non-core activities. And this discussion is both compatible and suggestive for the case of Vietnam's M&A process.

The fact that a very large stock of FDI exists in China is also compatible to the situation of Vietnam, as presented in Figure-3. In both the situations, FDI flows also stimulate cross-border M&A transactions, inward and outward. However, in the current trend of the Chinese economy, more Chinese firms go overseas to primarily enhance a firm's critical competence rather than to exploit existing assets, while this may not hold for Vietnamese firms. Authors articulate that interactions between firms and government can have substantial influence on government policies which is in line with the suggestion by Vuong and Tran (2009(b)) for the contemporaneous socio-cultural context in Vietnam.

A final result of this research that may be highly relevant for Vietnamese enterprises is that domestic firms might not find M&A pursuits, inward or outward, very productive and financially rewarding, if the sole purpose is to seek market expansion.

Equipped with the above-discussed results and suggestions from various research works and authors in this line of financial economic literature, we now spearhead our effort to find suitable connections and research results articulated particularly for the Vietnamese emerging market economy.

The first noteworthy point is that although the authors of this article have made substantial effort in searching for academic assessment and results which are directly related to the M&A activities, the outcome has been very limited. Therefore, a substitution that enlarges the scope of our review appears to be more productive and useful. In fact, much of our review, purposefully aiming at insights and implications for the Vietnamese context of M&A activities is performed with the literature of FDI.

An additional note to our previous opening discussion on FDI in Vietnam is that Vietnam shares much of the Chinese experience in regulating the economy with a normative temptation that "the government should do more to set the rules governing FDI and M&A". This is consistent with a consideration of the rules with a very powerful state also functioning in the marketplace (Vuong & Tran, 2009(b)). It appears that this argument is further bolstered when these young market economies are faced with economic crisis, financial market meltdown or are adversely affected by international market forces and globally changing conditions (see also, Vuong & Tran, 2009(a)).

Leproux and Brooks (2004) discuss the necessity of the continuous flows of FDI to the Vietnamese transition economy. The point is also supported by Vuong (2003, 2004(a), 2007) and Pham and Vuong (2009). The capacity for the Vietnamese economy to absorb new FDI in the future depends much on how the country addresses the economic, political and institutional weaknesses.

Most economists agree that inward FDI has important impacts on the Vietnamese economy, especially in : (i) providing important financial resources; (ii) financing the rapid growth that Vietnam has experienced over 20 years; and (iii) providing market access for rising exports. Although the impact on employment has not been as expected, still the FDI sector plays an important role in introducing new ideas and processes in elevating skills and knowhow and proposing models that have been copied by domestic investors whose economic background was formed in a centrally planned economy. In addition, in Pham and Vuong (2009), the issue of general level of economic efficiency in the Vietnamese economy has been chronic with high ICOR and the state's investments overshadowing other sectors of the economy. This may cause both unfair competition in the marketplace and discouragement for the re-structuring of the state-run firms and the economy, a major and direct motivation for FDI flows in the form of M&A.

Another important attribute that the economy expects from both greenfield FDI and M&A activities is a general condition for improving human capital and its accumulation process as highlighted in the result of Wang and Wong (2004). We also realize that at some point, there exists the question "Is greenfield FDI better than M&A?" Lall (2002) and other works find the question groundless and again Wang and Wong (2004) provide a suitable answer for such consideration in Vietnam that is the answer lies in an adequate preparation and resource for human capital accumulation, not the M&A *per se*. Te Velde (2001) emphasizes a critical need for implementing an effective competition policy and this proves to be of primary concern in the case of Vietnam where the socio-cultural context favours some interest groups which could undermine the effort of building its market economy in transition (Vuong & Tran, 2009(b)).

Although there are different forms of FDI in Vietnam's economy, Raff *et al.,* (2006) find a strong interdependence among different modes, i.e., greenfield investment, acquisition of or merger with domestic companies, joint venture or any other kind of co-operation. It has been suggestive that greenfield investment decision has something to deal with export opportunities. If greenfield investment is more profitable than exporting, this reduces the price the multinational has to offer to acquire a local firm with the consequence that a TNC may prefer M&A

to greenfield investment. This result is consistent with real-world practices and considerations during M&As in Vietnam and not only limited to TNCs but it generally holds for mergers among Vietnamese firms and even in case Vietnamese firms acquire part of TNCs.

We also see the relevance of both FDI and M&A with Calderón *et al.,* (2004) which looks closely into the fact that acquisition of existing assets by M&A has grown rapidly since the 1990s. Their results provide us with an important implication on the likely effect of M&A to the politically correct speaking, 'equitization' process in Vietnam (where state-owned firms become multi-ownership through sales of shares to the management, staff, strategic business partners and the public). Using the data from 72 countries from 1987 to 2001, Calderon *et al.,* suggest that in all samples, higher M&A is typically followed by higher greenfield investment, while the reserve is true only for the countries. In general, FDI inflows usually induce domestic investments, at some time lag. However, there has been no firm evidence that domestic investments would likely cause to FDI flow. FDI inflows do not necessarily establish the cause of subsequent economic growth in the recipient economies but these investments rather respond positively to the economies with significantly improved growth rates. In the light of this, we see the consistency shown by high growth sub-periods in Vietnam inducing fast-growing inward FDI and a surge in M&A in 2006-2007.

We also note that six years after its inception in July 2000, Vietnam stock market started growing quickly in 2006, providing a new source of liquidity for business firms in Vietnam, including FDI enterprises in various industries. Now FDI, M&A and portfolio investments have become more interdependent in reality. This point is brought up also by Tolmunen and Torstila (2005) saying that firms that have a near plan for listing usually induce more M&A intents and realizations. The reality in Vietnam's emerging capital market in 2006-2009 has thus far been consistent with this argument.

The above review enables us to formulate our relevant questions on several policy and technical aspects of the M&A activities in Vietnam which lead to our next Section of organizing data for further analysis.

3. Data and Methodology

As we mentioned during the reviewing of literature, there exists virtually no substantial work directly studying M&A in Vietnam, although many authors did extend their effort to the academic studies on FDI in Vietnam. Thus, this research uses a unique and perhaps most complete, dataset organized and compiled by the authors with the assistance from research associates at DHV&P. We would briefly describe the dataset below and, then, present our methods of analysis next.

3.1 Empirical Data on the Vietnamese M&A Market

In this research, we construct a dataset using various sources of information, namely : (i) press release by firms; (ii) public media analyses where some details of M&A transaction are unveiled at times; (iii) direct interviews with reliable sources mainly senior managers at securities firms or buyer/seller firms in M&A transactions; and (iv) occasionally, separate reports by the financial sector.

The dataset comprises of 252 entries for four categories of M&A : (A) foreign firms acquiring foreign firms; (B) foreign firms acquiring Vietnamese firms; (C) Vietnamese firms acquiring foreign firms; and (D) Vietnamese firms acquiring Vietnamese firms. As such, the dataset is not limited to only cross-border or transactions among domestic firms. Almost all data entries that could be identified have been included in this set. In the course of collecting data with our serious consideration of the data integrity, careful check and a sound judgement on which to include or exclude, we have come to a reasonable assessment that this data sample of M&A transactions in Vietnam can *de facto* represent approximately 40 per cent of the total market and it is only a sample that we could gather with an adequate degree of confidence to put it in analysis.

Our dataset spans over the period from 1990 to 2009 which corresponds to Figure-3 for FDI and GDP data. This period contains two active sub-periods of 1993-95 and 2006-08. Although we could not verify the accuracy of M&A data provided by the UNCTAD 1999 report, but the reality is that there were an increasing number of transactions occurring in the 1993-95, due to consolidations of some investment funds and a wave of investments in speculating the lifting of US trade embargo against Vietnam that was later announced by President Clinton in February 1994.

Each data entry contains useful information of date, type of M&A (as described above), target and acquiring firms, industry, status of transaction, value in dollar term and equity stake of the transaction in percentage. Due to the absence of a system for tracking M&A transactions, data point may have full or only part of the attributes that we wish to collect. In this dataset, the data quality issues constantly lie in two main data fields of transaction value and/or the equity stake that is intended for in the transaction. Sometimes, the values are not unveiled or cannot be tracked. In other times, the information that is accessible turns out not accurate. To address these issues, we opt to leave the values empty in the data Table, so they are not treated in later analysis.

Some caveats with data quality : During the process of data collecting and preliminary assessment, we frequently encountered the issue of quality with public media. In many reports, portfolio investments mixed up with M&A activities. In some other cases, reporters may have inferred values of transactions using nominal price or self-estimated subjective values. Both could have led to confusing aggregate values reported by different sources. Thus, it is suggested that aggregates in the M&A market in Vietnam should be used with caution and reservation if we are to draw significant conclusions. This research is, therefore, not relying on the aggregates, but using our dataset with necessary attention to possible bias due to incompleteness of data.

3.2 Our Method of Analysis

At this point, we need to state clearly that although this dataset is to our best understanding and knowledge, the most up-to-date and complete, the lack of a relevant paradigm for the treatment of the data makes it almost impossible to identify a suitable econometric framework and specification. In the absence of a general hypothesis, it is our belief that a better method of analysis is to go for insights from basic treatment of data, subject to varying levels of completeness and judgemental values. Therefore, this study mainly employs basic statistical analysis combined with qualitative judgements towards hard-to-be-quantified issues such as regulatory framework, environmental variables, socio-cultural aspects and subjective public assessments which could lead to different behaviours in and form *ex ante* expectations for each M&A deal.

The main quantitative analysis focuses on assigning data entries into various relevant classifications, trying to capture meaningful insights from the dataset. The criteria for defining the relevance of data treatments are the analytical depth we wish to obtain to articulate most useful understanding, be it a verification of an already postulated position or a new finding. Statistical discrepancies and contradictory results, speculations, if appearing during the analysis, will also be reported for better understanding and judgement of the practical situation.

Part of the analysis will be in the form of critical reasoning which is usually useful and applicable when data are not very useful or the use of data may cause contradicting insights. A discussion with regard to policy and regulation issues will also be included.

Toward the end, the results of analysis will be discussed in comparison with other works, whenever possible, as this could help exhibit both similarities and differences between M&A market in Vietnam and in the world out there.

4. Analysis and Results

Having stated our principles of analysis above, this Section is now moving on to present facts and findings, which are obtained from our statistical considerations and suitable qualitative assessments.

4.1 Some Statistical Analysis

The dataset contains 252 records of M&A transactions, announced, pursued and realized by both acquiring and target firms operating in Vietnam from 1995 to 2009. The estimated total value intended for through these M&A transactions is US$4,003 million, using the verifiable and reliable statistics. However, this aggregate is below the real total value since individual values of nearly 32 per cent of the transactions that were successfully completed have not been accessible[1]. Also, there are a number of transactions in type 'C' that are taking place outside Vietnam. Therefore, we could estimate, with reasonable accuracy that the M&A market in Vietnam has a total transacted value of approximately US$10 billion in this period (1990-2009).

4.1.1 Market Share

Firstly, we derive Table-4 from the complete data sample to investigate the data more closely. It is noteworthy that the market belongs to foreign acquiring/merging firms. These firms represented by 'A' and 'C', account for 79.4 per cent of the M&A attempts, be it success, failure or pending (200/252 cases). Thus the trend for the 1990-2009 period is clearly seen as foreign firms proactively acquiring/merging with existing entities operating in Vietnam.

Now we are able to look at the success rate of M&A deals in the 1990-2009 period which were announced and traceable by different sources of information with a summary being provided by Table-2. The success rate is very high, above 80 per cent, compared to 6 per cent announced failure and nearly 14 per cent of transactions pending with unclear results. This fact needs an explanation, the job that we will perform in the upcoming discussion sub-sections.

Among different directions of M&As in the Vietnamese markets, categorized in Table-2 by 'A', 'B', 'C' and 'D',

Table-2 : Summary Statistics on Transaction Status by Type

	No. of Cases	A	B	C	D
Success	202	89	10	69	34
Failure	15	8	0	4	3
Pending results	35	11	1	18	5
Total	**252**	**109**	**11**	**91**	**41**

Table-3 shows us some useful insights obtained from the overall data sample. Firstly, the varying degree success rate can be seen clearly. When foreign firm acquires a domestic equity stake 'B', the confidence of concluding the deal is much higher, almost 91 per cent, compared to the second best rate of 83 per cent for M&A among Vietnamese firms and nearly 75 per cent for the opposite direction, that is when a Vietnamese firm acquires a foreign one 'C'.

Our sample shows that failure rate is higher when the target firm is a domestic operation, with both 'A' and 'D' being 7.3 per cent. When the target firm is a foreign entity, failure rate reduces significantly. For the transactions with unclear results classified as pending, only transactions among foreign firms exhibit a substantially higher rate, nearly 20 per cent for 'C', while the pending rate for the other three directions runs in a narrow range of 9-12 per cent.

4.1.2 Market Timing

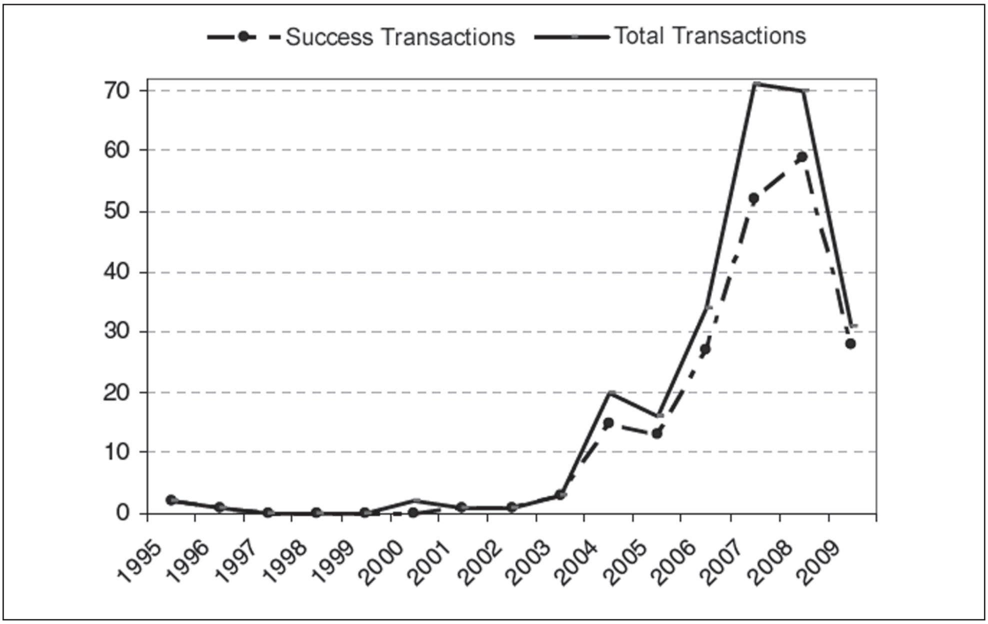
Figure-5 shows a recent trend observed from our data sample with the solid line representing a number of M&A attempts and the dash line, successful transactions.

Both the numbers of total of transactions and successful deals have been increasing substantially since 1994. M&A activities mushroomed in 2006, 2007 and 2008, with its momentum

Table-3 : Transaction Status in Direction of M&A

	A	B	C	D
Success	81.7%	90.9%	75.8%	82.9%
Failure	7.3%	0.0%	4.4%	7.3%
Pending	10.1%	9.1%	19.8%	12.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Figure-5 : Attempts vs. Successes (1995-2009)



being carried on until 2009. The pattern of both successful and unsuccessful attempts, however, exhibits a high degree of volatility through large changes in the number itself and the timing when attempts are made in the evolution of M&A activities. The correlation co-efficient for the two lines in Figure-5 is +99.6 per cent, confirming that the pair of data to be almost perfectly positively correlated.

We are now ready to 'decompose' the dash line of Figure-5 into constituent components as presented in Figure-6 where the numbers of successful M&A transactions are classified into directions of realization. It is noticeable that before the substantial drop in all directions in 2009, the M&A market in Vietnam had appeared to be 'steady as she goes', since 2004.

The steepest curve also belongs to the most active category of transaction, that is foreign firms acquiring the local firms. And the correlation co-efficient of annual data series for type 'A' transaction and the total number of successful attempts is +93.0 per cent, just a marginally lower than the correlation statistic reported in Figure-5. Although there did appear timing for many more transactions of the other M&A types to have taken place, they exhibit almost non-trended fluctuations.

Figure-6 : Successful Transactions by Type

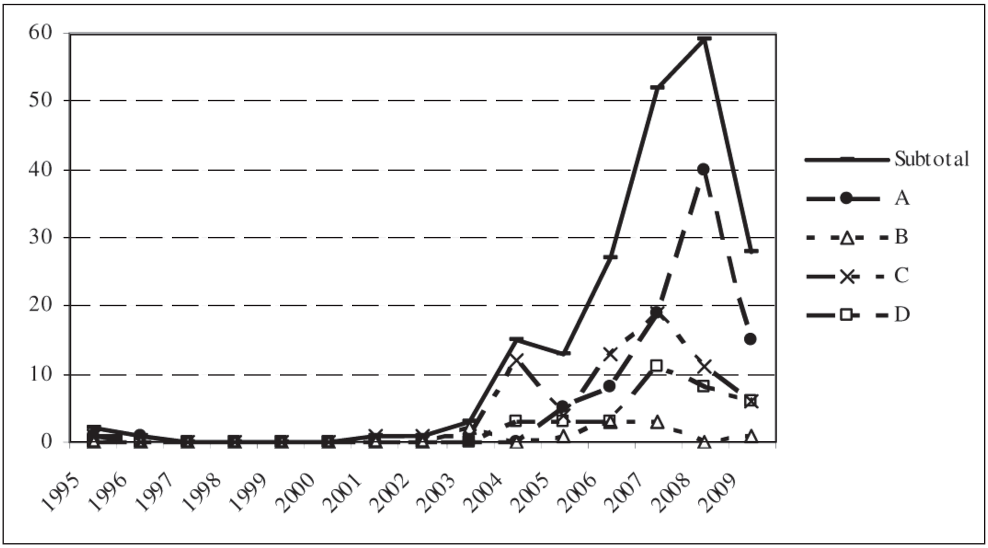


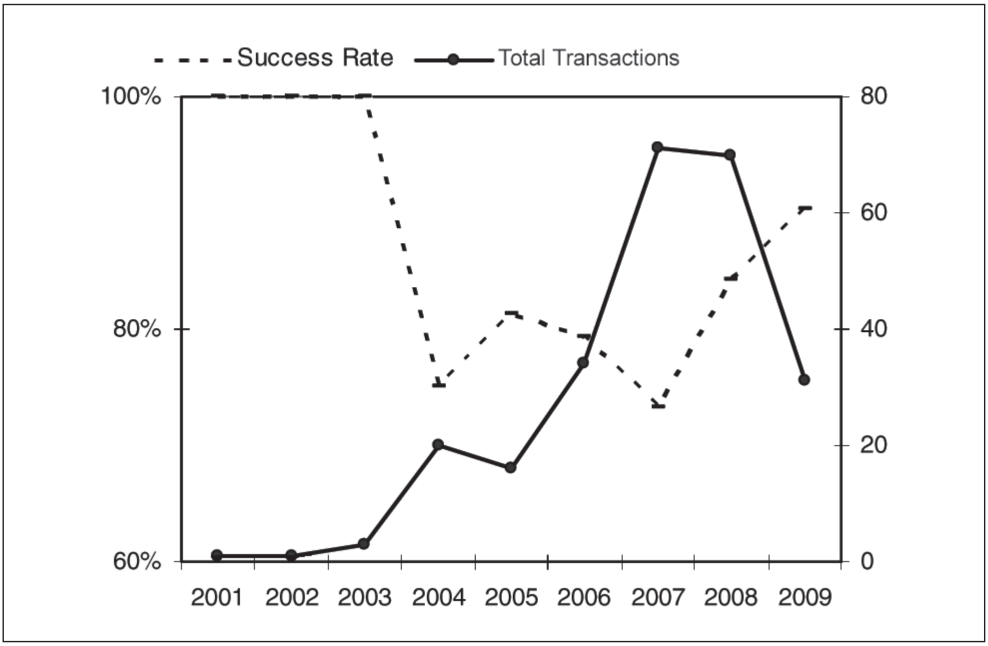
Table-4 reports a changing level of correlation for different pairs of data between total number of successful transactions and that of each category. The most stable, although not the highest, is type 'A', while the rest clearly drop in the most active period of M&A in Vietnam, i.e., from 2004 to 2009.

We should also mention another dimension of time right here—the dimension of success rate. This rate alone changes over the evolution of the market and does not correspond to the degree of activeness of the market as seen in Figure-7. This argument is supported by our computed statistics for correlation between the success rate and change in percentage of successful deals over the years included in the sample. This turns out small in magnitude, +10.02 and statistically insignificant.

Table-4 : Sub-period Correlation Co-efficients

	2004-09	2000-09	1995-09
A	91.02	92.42	92.96
B	14.84	35.29	48.87
C	56.17	82.06	86.45
D	87.51	94.57	95.78

Figure-7 : Evolving Success Rates

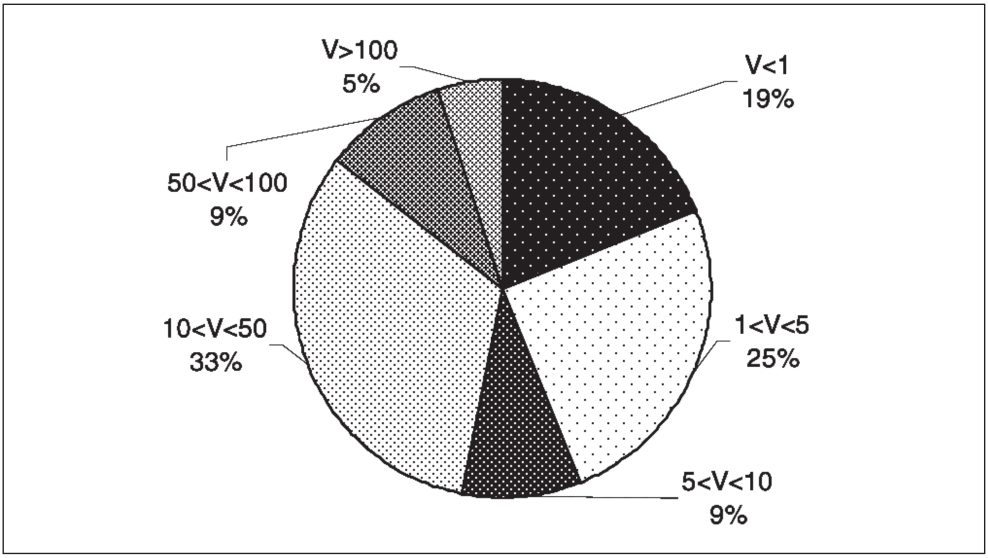


4.1.3 A Distributional Analysis

To understand the monetary values of M&A transaction in the Vietnamese market, Figure-8 provides us with some insights. It is drawn from a sub-sample of 160 data entries (out of our complete 252-point sample) which has a non-zero transaction value. Attached to each data point are two values. One is the range of transaction value we consider suitable for this distributional analysis, the other, the frequency data entry that appears in the range. (For more detailed information, see Appendix-C). Let us denote F(X|.) the frequency that an event appears in our data sample, then $F_N(X| X<5)$ means a ratio of the number of transactions with value of less than \$5 million to the total number of transactions of the sample and likewise $F_V(X| .)$ denotes the ratio but in unit of dollar value of transaction.

It can be observed directly that transaction value of US\$10 million is almost identical to the median of the data sample, below this value the number of M&A deals account for approximately 53 per cent, that is $F_N(X| X<10)$. The highest frequency of transaction value belongs to the range between US\$10 million and US\$50 million.

Figure-8 : Frequency Distribution of Transaction Value



For this value range, all transactions are recorded for the active period from 2004 to 2009 of which nearly 87 per cent took place in the three boom years, 2006-2008. In addition, for the extreme value of US$100 million to Vietnamese standards, the frequency is low, with $F_N(X| X>100)$ = 5 per cent, all occurring in the boom years 2006-2008. But due to their large value, total monetary values of seven completed transactions reach US$1,255 million, showing $F_V(X| X>100)$ = 31.4 per cent of total value computed from the sample.

Although other value ranges also witness the boom period with higher frequency from 2004, no other witnesses the same pattern.

In dollar terms, the situation is in reverse. This 160-point sample represents a total value of US$4,003 million, but the distribution of dollar value for different size range is skewed to larger-size deals. As mentioned, eight transactions with top dollar value, each larger than US$100 million, account for 31.4 per cent of total market value. However, the empirical data show that 53 per cent of the number of M&A transactions (85 out of 160), representing all transactions with individual commercial value of US$10 million each, make a total receipt of only US$252 million or a contribution in total market value of $F_V(X| X<10)$ = 5.8 per cent.

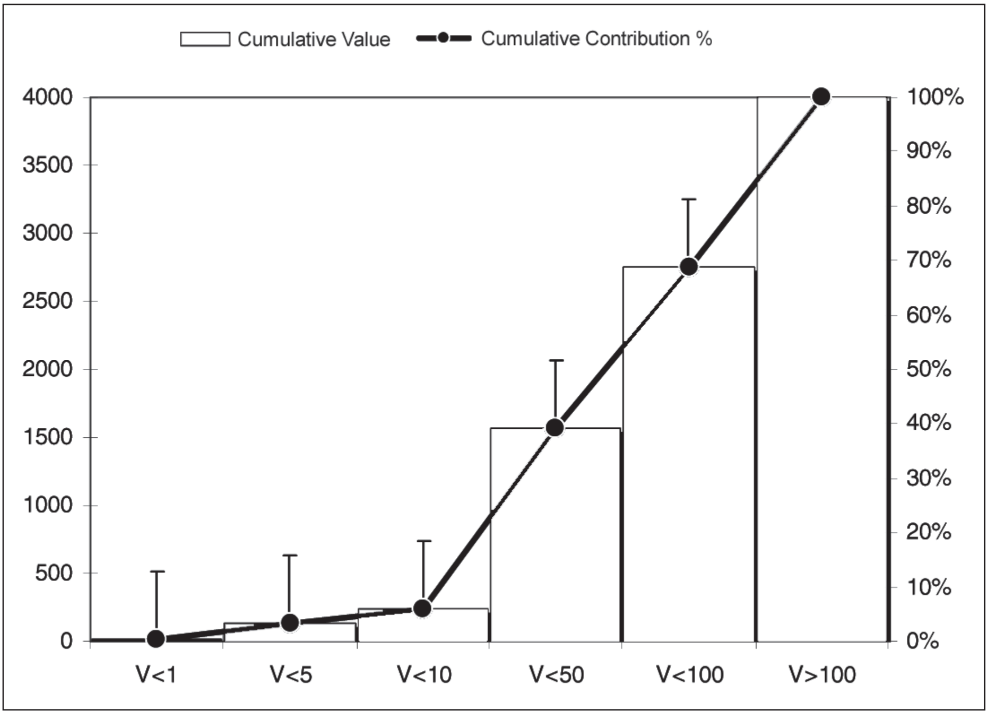
For a general view of the empirical distribution of values by threshold level of transaction size, Figure-9 provides for both cumulative value by threshold value in column, using left-hand scale (in US$ million) and cumulative frequency distribution represented by the line, using right-hand scale (in percentage).

The noteworthy point about Figure-9 is the level of value jump at the value threshold of $50 million and subsequent levels is very large. Therefore, the cumulative distribution line is comprised of two separate lines showing distinctive upward slope, with the latter piece on a much steeper rise.

4.1.4 Further Industry Insights

Studying further the data sample, some other technical aspects could also become useful for our understanding of the Vietnamese M&A market. Deals of larger value mostly fall into the industries of financial services, real property development, energy and telecom. Consider a sub-sample of upper-stratum deals which consists of 23 attempts,

Figure-9 : Empirical Cumulative Distribution in Dollar Value and Percentage



each leading to monetary exchange of US$50 million and above. 12/23 deals are M&A in banking industry, happening in the years 2007 and 2008. With banking as an example, it is observed that the majority of transactions take place in a limited number of industries which we should be able to look into more deeply now with the dataset at hand.

In the boom period from 2005-2008, the industries where most M&A deals were conducted in Vietnam are :

- Banking services
- Non-Bank financial services (including securities brokerage and insurance)
- Portfolio investments
- Business real estates and hotel business
- Construction and materials
- Steel
- Mining and mineral processing
- Home appliances
- Foods and foodstuff

In the course of economic development and building market institutions in Vietnam, the importance of a commercially viable financial sector has always been an emphasis for both policy-makers and the business community. A great deal of funds and effort has been spent on this sector and our data also unveils that trend. Among the nine industries listed above, the first three belong to financial products and services which represent both the primary public emphasis concern, in general and a critical portion of the M&A market, in particular. Vietnam's two-pronged strategy for an efficient transition towards a full-fledged economy has explicitly relied on : (i) re-forming the state-run enterprises sector; and (ii) re-vamping its nascent financial economy, currently dominated by a large number of commercial banks (56), including five state-run banking super-powerhouses. There are same stories in Malaysia (Ramlee & Said, 2009) and the Philippines (Castillo, 2009).

The economy of Vietnam already experienced a period of collapse in the late 1980s when a nation-wide chain of 'credit co-operatives' abruptly became technically or completely bankrupt, wiping out the lifetime savings of millions of people and causing an extremely high degree of financial uncertainty in the economy. Although more than 20 years have passed, the memory is still alive to a large portion of the populace and the credibility of the domestic banking sector has not been restored fully.

Table-5 : Consolidation of Financially Unviable Commercial Banks

Year	Acquiring firm	Target	Equity State
2003	OCB Bank	Tay Do Bank	100%
2003	Dong A Bank	Tu Giac Long Xuyen Bank	100%
2003	Southern Bank	Dai Nam Bank	100%
2003	Southern Bank	Chau Phu Bank	100%
2007	Vietcom Bank	Gia Dinh Bank	30%
2007	Saigon Invest	Western Bank	N/A
2009	Maritime Bank	My Xuyen Bank	5%
2009	Saigon Tourist	Kien Long Bank	N/A
2009	Tin Nghia Group	Dai A Bank	49%

The recent wave of M&A in Vietnam was expected to bring in more diversity in financial products and institutions, which is true. Competition is expected to serve as a driving force for the financial system to be growing up sound and viable. The social expectation towards the result of the economic reform path has also been part of *raison d'être* for a continuous surge of banking and financial M&A activities.

From our dataset, 54 acquisition attempts have been made in different directions, but mostly foreign acquiring firms buying established local ones or ventures. Names of many world famous TNCs appear in such deals, such as BNP Parisbas, Deutsche bank, HSBC, Manulife, Morgan Stanley, Prudential, QBE, Standards & Chartered, Société Générale, to name a few only. The success rate in these financial M&A transactions, both bank and non-bank, is high, around 91 per cent. (For more details, see Appendix-E.)

Another emerging industry for M&A is real estate. This is in line with the recent FDI statistics which unveils the fact that over the booming period, a majority of funds has been channelled to the business and residential estates ventures. This trend also induces the development of a number of related industries such as civil engineering, construction materials and real estate management services. This group of related industries has made 32 M&A transactions in the 2006-2008 or nearly 13 per cent of all M&A cases.

Table-6 : Summary of Banking and Financial M&A

	Time	Deals	Value
Securities	2007-09	11	148.2
Insurance	2001-09	9	544.2
Banking	2005-09	24	783.71
NBFI	2007-08	4	460.0
Portfolio	2004-08	6	123.9
Overall Success Rate	**90.9%**	**54**	**2,060.0**

This whole sub-section has been devoted to making use of our dataset of M&As in the Vietnamese economy. Nonetheless, it is not that this essay mainly emphasizes a 'number-crunching' task. The main reason for this lengthy discussion on insights derived from the data is only that in the absence of a systemic database for various economic activities in Vietnam, a good use of this dataset *per se* may be able to provide us with more insights and lead to further implications. These will, in turn, help us better discuss some critically important aspects of M&A industry as an emergent part of the Vietnamese economy, in general and for a better transformation of it into a more vigorous market economy.

4.2 A Socio-Cultural Epistemology

Our view of M&A activities in Vietnam is that they should be considered an economic process, not a situation or a reflection of some equilibrium-analysis framework. The role of M&A should be understood in the existence of major transformations of the economy, in the light of growing globalization, re-integration of the Vietnamese of the economy, vibrant transformation of economic functions assumed by local entrepreneurs, public investors and the state. Therefore, this part of the essay discussing a socio-cultural epistemology towards M&A in the new and fast-changing, economic setting of Vietnam should naturally be a *sine qua non*.

4.2.1 Opportunities, Risks, Profits and Exits

As reviewed in Kim (2009) the empirical data over 130 years usually record M&A waves following right after a preceding period of financial crisis and stock market collapse, no matter whether these crises and collapse are either the cause or effect of persisting economic recession.

In the case of Vietnam's emerging market economy, as discussed in 4.1.2, the period 2006-08 witnesses an abrupt surge of M&A transactions amid increasing activeness of investors and speculators in an increasingly growing domestic capital market. At that time, investments in the speculative markets became 'hot and noisy', attracting attention of perhaps the majority of the populace that has some concern in building up personal wealth[2]. These combined with M&A wave in Vietnam have been naturally a socio-cultural process and not limited to a pure economic phenomenon or a transient economic situation.

One may refer to two major reasons for the above-said fact. First, the financial markets in Vietnam have been being in its infancy. Even terminology that is used among investors and the public is both new and, at times, misleading. New economic and financial terms started being queried and searched for by the society when the increasing degree of capital market activities became apparent, showing observed anomalies (Farber *et al.,* 2006). Although early M&A operation was recorded in the Vietnamese economy in the early 1990s, still 'M&A' belongs to the bunch of new economic and financial terminologies imported into the Vietnamese economic vocabulary which appeared more frequently in the public media at the real boom time of Vietnam stock market at the end of 2006 (Pham & Vuong, 2009).

Second, in understanding the underlying economic motivations for M&A attempts by the Vietnamese business partners, as both seller and buyer, one should not shirk their socio-cultural traits, especially those relevant to the transformation of entrepreneurship to mature full-blown corporation, where the separation of ownership and control turns out critical. Behind the scene, one has to accept the reality that seeking profits, a major economic motivation for M&A attempts like the majority of other economic activities, carries with the act much of the herd mentality and rampant rent-seeking, in the form of taking informational, power and connection advantages (Vuong & Tran, 2009(b)).

As mentioned earlier in this essay, our dataset, although believed to be the most complete so far, is still sparse and unsuitable for doing mainstream econometric analysis on M&A market. Furthermore, in our view, a discussion on socio-economic and cultural traits of such processes would likely result in far better understanding of the market evolution in the transitional economy; we will use casestudy discussion here for further analysis.

Now, take the example of the Vietnam stock market before early March 2007 to see it more clearly. Ungrounded *ex ante* expectations set by an increasing number of new-arriving speculators had pressurized the Ho Chi Minh City bourse's price composite VN-Index. Eventually, this index was pushed up to its pinnacle of 1,171 points in March 12, 2007, showing a 'spectacular' market value gain of +175.9 per cent over one year (VN-Index at 424.5 on March 13, 2006) and a geometric annual capital gain of 198.5 per cent for the 2005-2007 period (VN-Index at 237 on March 11, 2005). Acting on lack of information, under pressure of unspecified source of rumours and with very high *ex ante* expectations, the Vietnamese speculators, including corporate, quickly spent money on any stock they could buy (not an easy job due to vanishing liquidity in high speculation). The 'foreign factor' is meaningful in this context. An injection of approximately US$6 billion FPI funds into the Vietnamese's nascent capital markets, in 2006-07 alone, had not been neutralized appropriately, first causing a decent type of inflation, for capital assets. The existence of herd behaviour combined with a price-fueled increasing funds flow triggered a real asset bubble, making an upward spiral in price formation process of the Vietnamese capital markets.

This overexcitement represents super-abnormal profit opportunities causing many domestic firms, both entrepreneurial and well-established, to find ways of exploiting them. 'M&A' transaction, together with a fake branding by using the term 'strategic alliance' with a foreign firm's name, turned out truly fashionable in this context (and still fashionable today) since that purposeful act could stir up further the speculative mentality and sky-rocket naïve speculators' expectations. In a case of Thien Viet Securities, even an unsuccessful fake M&A transaction with Goldman Sachs did not prevent the market from investing stock of this newborn firm, with a thin equity base and without professional track record. Its market price was spurred up to its peak of US$4.38 from US$0.63, four weeks after the first rumour travelling out of their office, representing a monthly profitability of 600 per cent. When the fake M&A was disclosed in part in the mass media, this stock value evaporated in a price free fall down to US$0.6 over two weeks.

In another case, the short-lived marriage between Vietnam's leading technology firm FPT and the US-based Texas Pacific Group (TPG) is evidence that even well-established firms with most highly-regarded entrepreneur-corporate leaders are not exempt from this super-abnormal profit seeking. In October 2006, TPG and Intel Capital became strategic partners holding US$36.5 million equity in FPT in exchange of 1.2 million shares of common stock (market price at US$10.625 then), as announced in a joint communiqué. This 'strategic partner' turned out a very short-term price arbitrageur, strikingly not even with an adequate lock-up term, when they sold them off. Needless to say, the world tech-giant name of Intel helped excite the speculators in favour of FPT stock, believing in a genuine M&A success story, which could bring the already-mighty leading IT firm FPT to a new level, perhaps world-class. When FPT share made its debut on the stock market on December 13, 2006, its share was valued at US$25, representing a huge annualized return of 811.8 per cent. In a seemingly unstoppable price increase, its share attained a new record, still Vienam's stock price record thus far, of US$41.56 on February 27, 2007. A lucky arbitrageur could enjoy a 265 per cent annualized profit, counting from its listing date only. However, aftermath of the divorce was also huge. Stockholders saw FPT common stock being valued at US$2.22, losing 92 per cent of value exactly two years after the peak time in February 2007.

In the wave of M&A booms in 2006-08, especially into banking, financial and securities industries, it is observable that these are business fields with own features of profits, risks and exit methods. Capital adequacy, international experience and persuasive performance records altogether do not suffice writing a success story. In-market human capital, relationship and connection, social capital are also needed to get it up and running, as typical socio-cultural traits in Vietnam and also several other East Asian contexts (Vuong & Tran, 2009(b)). Furthermore, the mimicking act performed by the investing public, including corporate entities, towards stocks following M&A transactions, certainly is not the 'creative imitation strategy' as termed by Drucker, (1986, p. 220).

Some additional statistics should support the above argument. In late 2009, the National Assembly unveiled and discussed data on state-run firms' performance during the M&A boom time, which could help reach some further implications. According to their discussion, 47 most powerful state-owned conglomerates and large corporations raced in 2006-08 to have invested in banking and financial sector; in reality all five sub-categories are presented in Table-8. They invested a large portion of the state budget, *de jure*, to seek to establish corporate fortune, *de facto*. Total new capital expenditures made by these large firms constantly reached new heights of US$400 million

(VN$ 6,400 billion), US$993 million (VN$ 16,200 billion), and US$1,275 million (VN$21.164 billion), in 2006, 2007 and 2008, respectively[3]. 'Big shots' in the race are well-known oligopolistic firms such as Electricity of Vietnam (EVN), PetroVietnam (PVN), Vietnam Rubber Co., Vinashin (shipbuilding), to name just a few. These State-owned Enterprises (SOEs) entered various M&A games in both roles of acquirer (when taking over existing firms) and target (when selling stocks). EVN is the special case, which draws much attention and criticism by economists, National Assembly deputies and the public, because while betting over US$125 million on highly uncertain new games, while as in its major role assigned by the government it caused big trouble for both society and itself by shirking the responsibility of building 13 more power plants, invoking the excuse of a US$22.5 billion short of long-term capital. Yet, the performance of these conglomerates in new ventures turned out very dismal, with a majority of them resulting in big losses. Their *ex post* commercial payoffs were a complete contrast to very high *ex ante* expectation set forth when channelling billions of US dollars into these ventures at the beginning of the game. The first lesson of extreme volatility in the M&A industry was taught harshly, but at the expense of tax-payers, causing a great deal of resentment. The seemingly profit-reaping opportunities were turned into realized risks, with little alternative to exit.

The surge of M&A activities has been shown quite volatile and dependent on various externalities to the Vietnamese economy itself. Opportunities as seen by acquiring firms could be market expansion, comparative advantages of lower labour costs, less costly access to natural and social resources. On the other hand, acquired ones may perceive opportunities differently, such as in modern manufacturing and management technologies, diversified asset portfolio, capital gain using partners' reputation or not uncommonly simply much larger proceeds from sales of existing assets, tangible or intangible. This complex reality of the so-called opportunities should posit varying levels of concern for profits, risks associated with different M&A processes in various industries, together with a possibility of realizing potentials as set out by *ex ante* expectations of participating partners in M&A games. In much of the M&A essence in the boom time we have just seen, the heart for successful realizations, which we could single out : PMI, has almost been absent from the picture. And this fact contributes to the increased risks of post-merger failure as well as to increasing view of M&A as a tool for rent-seekers.

In reality, our view is that opportunities M&A processes may exhibit should be viewed more than simply situational profits and as aligned with uncertain level of risks and returns. These opportunities should lie in the process of transforming firms into ones that could grasp exception opportunities in change :

> "*A change in industry structure offers exceptional opportunities, highly visible and quite predictable to outsiders. But the insiders perceive these same changes primarily as threats. The outsiders who innovate can thus become a major factor in an important industry or area quite fast and at a relatively low risk*".
>
> (Drucker, 1986, pp. 81)

But in reality, Vietnam's emerging economy has been different. A large number of M&A attempts were committed by domestic firms to make immediate exit with substantial upfront financial payoffs, including paid-in capital surplus and to get out of economic uncertainties amid the awakening storms of highly uncertain economic globalization.

4.2.2 The State, Society and Implications for Economic Policy

As we have seen before, the problem in M&A pursuit taken on by state-run conglomerates has had deep roots in the agency problem, where the right of controlling state assets is in the hand of non-owner senior managers. But much of this part of discussion is devoted to entrepreneurship as a pillar of the national economy of Vietnam, towards the answer for a question "How and in what conditions, M&A could be useful for the development of local entrepreneurship?"

As put forward in Vuong (2007), the thriving economy of Vietnam over the past two decades has depended much on the nationwide entrepreneurship processes. Entrepreneurship, as complex processes, has been critically important for both prosperity and sustainability of the economy in the long-run. But the Vietnamese entrepreneurial characteristics also exhibit own issues which could even potentially lead to more widespread destructive entrepreneurship in its future path. Now we could predict that M&A may represent a shift in economic function of many local entrepreneurs, including corporate entrepreneurs as managers. By participating in an M&A transaction, they proactively seek to add a new role of capitalist to their originally assumed entrepreneurial one, while their original role assumes no capital at the beginning of the course of actions.

> "*A pure entrepreneur owns no capital. Institutions that facilitate the separation of ownership and control give rise to capitalists who are not entrepreneurs*

> *and to entrepreneurs who are not capitalists. […] It is the capitalists who lose their money in the event of business failure. Entrepreneurs only bear the risk to the extent that they may also act as their own capitalists, as they often do when they invest their own personal funds at the seed financing stage of commercial ventures. […] Consequently, one should not expect entrepreneurs to exhibit special risk-taking propensities. […] Profit is a reward for superior perception or alertness; it is not a reward for risk taking or uncertainty bearing*".

Harper, 2003, pp. 9, 10

There are decent discussions in the masterpiece of the Austrian school by Mises (1966) and the seminal essay by Kirzner (1973) which are very useful to our understanding and perceptions with respect to the original role of entrepreneur in the market economy.

Now, the relevant question one should immediately pose to such important and vibrant transformation, taking in part in the form of M&A divestiture of previously local entrepreneurs wholly-owned corporate working assets is : "What if the original role of an entrepreneur, genuine or quasi, is a pure rent-seeking?" The answer lies much in our epistemological development in the understanding of the whole national economy, not as in the current situation, but as a whole path of economic evolution, consisting of revolutions, stable or turbulent times, reforms and also a new-emergent globalizing process.

One answer could possibly be : They should realize most of the rents (significantly above average returns) now rather than later, in an economic postulation that says :

> "*The most important point is that analytically, the purely entrepreneurial role does not overlap that of the capitalist, even though, in a world in which almost all production processes are more or less time-consuming, entrepreneurial profit opportunities typically require capital*".

Kirzner, 1973, pp. 49

This Austrian view is very useful to our understanding of M&A in the particular context of the Vietnamese transition economy due to the critical role of entrepreneurs and contribution by a nation-wide wave of entrepreneurial start-ups in the current period of thorough economic reforms (Vuong, 2007, pp.15-19; Vuong & Tran, 2009(b)).

To a large extent, M&A would then become an economic process in which acquiring firms (foreign TNCs, outside entrepreneurs or domestic firms/entrepreneurs) seek to control resources, depending on the type of resources, its prices and the possibility of profits derived from such ownerships. However, in its essence, M&A is different from pure portfolio investment in the sense that partners expect to undergo a period of Post-merger Integration (PMI) and profits should come from business operation after some period of time in production and service provision, as put in the following :

> "*The capitalist role, needed to make entrepreneurial profits possible in this case of time-consuming production, is filled by resources owners who find the interest payment sufficiently attractive so they are willing to sell resources under an agreement which promises them revenue only at some later date*".
>
> Kirzner, 1973, pp. 48

A case of acquisition of Da Lan Toothpaste has been well-known among Vietnamese. At the beginning of the M&A process, the society considered the case a fairy tale, by which the entrepreneur—Mr. Trinh Thanh Nhon—sold off his firm, with substantial market share in the FMCG industry, on its pinnacle occupying 95 per cent market in the North and 70 per cent in Central Vietnam, to an American TNC, P&G, for the then colossal amount of money, US$3 million in 1995. After nearly 15 years, the former owner-entrepreneur of the once-famous Da Lan Toothpaste viewed the 'fairy tale' as a big mistake and with deep regret.

By involving many different stakeholders in a transaction, such as target firm's stakeholders, the government, stockholders and bondholders and so on, an M&A process could also be considered a catalyzing process for further transformation, such as the equitization and re-structuring of the dominant financial sector. It is in part because M&A itself, together with FDI process, has apparently been symbolic of a faster globalization in the Vietnamese economy. Good or bad? The answer clearly cannot be too simplistic, but in principle could be focused on nature of the answer for 'who achieves what'. It is, thus, not incidental that the surge of M&A started taking place in 2005. It was by nature a speculation of Vietnam's inevitable deeper integration into the world economy and the conjecture of Vietnam becoming full-member to WTO in early 2007 (Vuong, 2007, pp. 25, 26).

In terms of physical assets, we could consider the use of land, especially high-valued land for retailing, residential and commercial real estates in cosmopolitan cities. Recent statistics show that SOEs, mainly state conglomerates, have been entitled to control 3,000 million square meters (sq.m). They *de facto* own large areas of high-valued land, 51 million sq.m., in Hanoi and 6.3 million sq.m. in Ho Chi Minh City. However, the interesting finding is that 2.94 million sq.m. in Hanoi (at least) and 3.7 million sq.m. in Ho Chi Minh City are used for wrong purpose or left unused at all. Given the fact that land price in Vietnam has, in general, increased by 500 per cent, compared to five years ago, the right of controlling these resources exactly means owning financial payoffs without taking extra risks. This also helps explain the urge of speculation into real estates projects, reflecting a rent-seeking in the form of M&A transaction, based on the current system of asset allocation. As agreed in our contemporary literature, economic freedom, a major pursuit of entrepreneurs, is also a pre-requisite for innovations and risky entrepreneurial undertaking. But this freedom is conditional on the arm's-length basis, not supported by the favouritism as seen. In the context of M&A as discussed, both price discovery and market-enabled asset re-allocation almost stop working, yielding precedence to decision by non-market forces[4].

The early legal and regulatory framework addressing issues in M&A market involving firms operating in Vietnam was passed on in 2003, by circulars bearing Nos. 73/2003/TT-BTC and 121/2003/TT-BTC by the Vietnam Ministry of Finance. The initial aims of these sub-law legal documents were to facilitate the transformation of many ailing state-run firms, a major goal during the reform era in the economy. Further, legal works that continue to elaborate on solutions for consummating the administration and facilitation of M&A processes are amended Law on Investment 2005 by the National Assembly and the Decision No. 88/2009/QD-TTg by the Prime Minister of the government. The latest Prime Minister's decision was promulgated as part of the commitment of Vietnam as a full-member to the WTO.

Now in terms of our epistemological advances, all regulatory framework could do is to facilitate or conclude a 'situational' M&A transaction. The current system does not articulate M&A as a process that could help reinforce longer-term economic development of the economy, such as thriving entrepreneurship. It is also to the society's disadvantage that failures could not be learned as lessons, although they are the largest source of knowledge, which the human beings constantly lack in their evolution. We have once mentioned the PMI, singled out as heart of a successful M&A process and we now extend the question to 'Is M&A failure always bad?' The truth is : that it could be the best thing the market can do, since the absence of PMI also means no real M&A process, while situational success, in the sense of a done deal, could eventually turn out disastrous for the majority of us. There exists a gap in cultural assessment which likely leads to different perceptions valuing a situational success real or unreal, exactly the same as the economic puzzle of the Soviet economy's temporary out-performance in the 1940s as analyzed in Schumpeter, 1950.

We borrow herewith the view of Drucker to show which light should be shed on the interaction between M&A and future fate of entrepreneurship in the emerging market economy of Vietnam, also to conclude this discussion :

> "*It thus takes special effort for the existing business to become entrepreneurial and innovative. The "normal" reaction is to allocate productive resources to the existing business, to the daily crisis and to getting a little more out of what we already have. The temptation in the existing business is to feed yesterday and to starve tomorrow*".
>
> Drucker, 1986, pp. 149

5. Final Remarks

In this paper, we have discussed various aspects of M&A market in Vietnam's newborn market economy. The market has been booming since the middle of 2000s, although M&A transactions appeared much earlier. The surge in these activities by no means incidentally coincides with the large jumps in FDI and FPI inflows into the Vietnamese economy. In fact, they have been interacted and closely and positively correlated. As relevant to the previous results in the boom time, M&A transactions account for an increasing portion of FDI annual flow. The increasing activeness of M&A transaction is definitely inevitable.

The M&A games have become more familiar with the society and not uncommonly a main choice for corporate powers as well as entrepreneurs, to make immediate exit with high financial payoffs, without bearing further business risks or economic uncertainty. M&A industry in Vietnam has its socio-cultural traits that could help explain economic happenings, with anomalies and transitional characteristics, far better than even the most complete set of empirical data.

Proceeds from sales of existing assets and firms have mainly flowed into the highly speculative industries of securities, banking, non-bank financials, four portfolio investments and real estates. Some other bulk of money flowed into industries that are based on national advantages of natural resources and comparatively low labour costs. Since these are not considered in our view which is very close to the Austrian school, even close to economic efficiencies nor economic sustainability, the impacts of M&A on Vietnam's long-term prosperity are highly questionable.

We also conjecture that the high degree of volatility in the M&A processes would likely blow out the high expectations by many speculators. The effect of the past M&A evolution in Vietnam has been indecisively positive or negative. From a socio-economic and cultural point of view, the degree of positive impacts, it may result in for domestic entrepreneurship will perhaps be the single most important indicator.

Notes

1. The exact ratio is 64/201 successful M&A transactions.
2. More detailed analysis and insights can be obtained from Vuong, 2003, 2004(a), 2004(b).
3. Hong Anh, (2009) National Assembly discusses P&L story of state-owned conglomerates, *VNExpress Online,* November 9.
4. Friedman & Friedman, (1980) discuss this topic at length with many applicable insights for the case of M&A in Vietnam.

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Appendices

Appendix-A

Total FDI projects and capital by industry (cumulative data as of October 20, 2009)

Industry	Number of Projects	Committed FDI Capital*	Statutory Capital
Processing and manufacturing	6,709	88,450	29,428
Real estates and related services	312	38,391	9,644
Hotel, hospitality and restaurant	253	14,907	2,411
Construction	484	9,141	3,257
Information and telecom services	539	4,653	2,900
Arts and entertainment	119	3,679	1,046
Mining	64	3,078	2,385
Agriculture, fishery and aquaculture	479	3,001	1,466
Transport and warehousing	284	2,242	843
Production, distribution of power, water, gas and air-conditioning	48	2,143	668
Finance, Banking and insurance	72	1,182	1,084
Retail, wholesale and repair services	283	1,169	526
Health care and social aids	62	953	234
Other services	76	625	140
Professional, scientific and technological activities	789	593	270
Training and education	125	269	105
Administrative and support services	89	180	81
Water distribution and waste treatment	18	59	37
Total	**10,805**	**174,715**	**56,527**

Source : General Statistics office of Vietnam. Data as of October 20, 2009; cumulated over period 1987-2009.

* FDI capital figures in US$ million, including capital increases by existing FDI enterprises.

Appendix-B

Breakdowns of successful M&A Transactions (1995-2009)
by direction of acquisition

Year Ending	Subtotal	A	B	C	D
12/31/1995	2	1	0	1	0
12/31/1996	1	1	0	0	0
12/31/1997	0	0	0	0	0
12/31/1998	0	0	0	0	0
12/31/1999	0	0	0	0	0
12/31/2000	0	0	0	0	0
12/31/2001	1	0	0	1	0
12/31/2002	1	0	0	1	0
12/31/2003	3	0	2	1	0
12/31/2004	15	0	0	12	3
12/31/2005	13	5	1	4	3
12/31/2006	26	8	2	13	3
12/31/2007	51	18	3	19	11
12/31/2008	59	40	0	11	8
12/31/2009	28	15	1	6	6
Sub-total	**201**	**91**	**9**	**69**	**34**

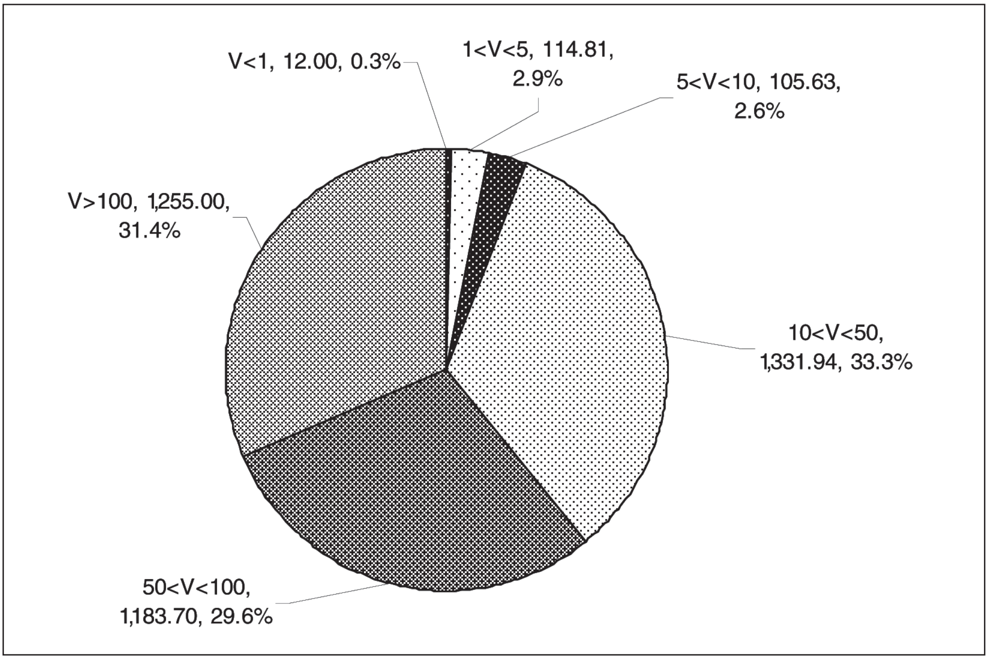
Appendix-C

Frequency Distribution of Transaction Value (supplementary to Figure-8). In this supplementary Table of data summary, both dollar value for each range of value and cumulative value are provided.

	V<1	1<V<5	5<V<10	10<V<50	50<V<100	V>100
1995	0	1	0	0	0	0
1996	0	0	1	0	0	0
1997	0	0	0	0	0	0
1998	0	0	0	0	0	0
1999	0	0	0	0	0	0
2000	0	0	0	0	0	0
2001	0	0	0	0	0	0
2002	0	0	0	0	0	0
2003	0	0	1	0	0	0
2004	6	7	1	2	0	0
2005	2	5	1	5	0	0
2006	6	3	1	8	0	1
2007	9	10	4	13	8	3
2008	5	10	4	24	7	3
2009	2	4	2	0	0	1
Sub-total	**30**	**40**	**15**	**52**	**15**	**8**
dollar value *US$ million*	**12.00**	**114.81**	**105.63**	**1,331.94**	**1,183.70**	**1,255.00**
	V<1	V<5	V<10	V<50	V<100	V>100
Cumulative dollar value *US$ million*	**12.00**	**126.81**	**232.44**	**1,564.38**	**2,748.08**	**4,003.08**

Appendix-D

Frequency Distribution of M&A Transactions by Value Range (dollar term)



Note : In this frequency distribution chart, each data point has three values : (i) value range (V); (ii) total value of transactions (in US$ million); and (iii) contribution in percentage to total value of the whole sample in research.

Appendix-E

M&A Transactions in Vietnam's Banking and Financial Sector

Securities						
A	4/15/2006	Mekong Securities	Mekong Securities	Indochina Capital	N/A	30
A	7/14/2007	Saigon Securities Inc.	Saigon Securities Inc.	ANZ Banking Group Ltd.	88	10
A	7/3/2009	Hai Phong Securities	Hai Phong Securities	Bridge Securities	15	24.8
A	4/25/2008	Sea Bank Securities Co.	Sea Bank Securities Co.	OSK Investment Bank Bhd	13.9	49(F)
A	2/15/2008	Huong Viet Securities Co.	Huong Viet Securities Co.	Morgan Stanley	9	48.33
A	8/17/2009	Vietnam Golden Securities	Vietnam Golden Securities	K&N Kenanga Holdings	8.1	49
A	2/28/2008	Click & Phone Securities	Click & Phone Securities	Golden Bridge	7	49
A	3/28/2008	Vietnam Securities Corp.	Vietnam Securities Corp.	RHB Bank	4.2	49
A	3/3/2008	Au Lac Securities Co.	Au Lac Securities Co.	Technology CX (TC)	3	49
D	8/4/2009	Petro Vietnam Securities	Petro Vietnam	Petro Vietnam Insurance	N/A	66.58
A	3/3/2007	Thien Viet Securities Co.	Thien Viet Securities Co.	Goldman Sachs	N/A	N/A (F)
A	10/10/2007	Orient Securities Corp.	Orient Securities Corp.	TA Securities Holdings	N/A	N/A (F)
					148.2	

(Contd...)

Banking						
A	9/24/2008	AB Bank	AB Bank	May Bank Group	93	15
D	6/1/2007	Vietnam Exim Bank	Vietnam Exim Bank	Kinh Do Corp.	90	6.42
A	7/30/2008	Techcom Bank	Techcom Bank	HSBC	85	10
A	8/28/2008	Techcom Bank	Techcom Bank	HSBC	77.1	5.6
A	1/1/2008	Southern Bank	Southern Bank	UOB	29.76	10
A	7/10/2008	Vietnam Exim Bank	Vietnam Exim Bank	Sumitomo Mitsui FG	225	15
A	12/28/2005	Techcom Bank	Techcom Bank	HSBC	27	10
C	3/24/2005	Sacom Bank	IFC	ANZ Banking Group Ltd.	27	10
A	11/7/2007	VP Bank	VP Bank	OCBC	25.5	5
D	10/26/2008	Ocean Bank	Ocean Bank	Petro Vietnam	24.2	20
A	6/29/2005	ACB	ACB	Standard Chartered	22	10
A	2/21/2006	VP Bank	VP Bank	OCBC	15.7	10
A	7/25/2008	Southern Bank	Southern Bank	UOB	15	5
D	4/13/2007	GP Bank	GP Bank	Petro Vietnam	12	10
A	2/24/2008	Oricom Bank	Oricom Bank	BNP Paribas	7.5	10
A	11/1/2005	Asia Commercial Bank	Asia Commercial Bank	ANZ Banking Group Ltd.	6	8.5
D	1/17/2007	Oricom Bank	Oricom Bank	Sabeco	1.95	5

(Contd...)

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D	9/18/2007	GiaDinh Bank	GiaDinh Bank	Vietcom Bank	N/A	11
A	10/4/2007	Habu Bank	Habu Bank	Deutsche Bank	N/A	10
A	5/5/2008	Asia Commercial Bank	Asia Comercial Bank	Standard Chartered PCL	N/A	5
A	7/18/2008	Sea Bank	Sea Bank	Societe Generale SA	N/A	15
A	8/5/2008	VP Bank	VP Bank	OCBC	N/A	5
A	8/28/2009	Oricom Bank	Oricom Bank	BNP Paribas	N/A	5
A	9/28/2006	Donga Bank	Donga Bank	Citigroup	N/A	10(P)
D	10/10/2007	Incom Bank	Incom Bank	Vinafood	N/A	0(P)
					783.71	
Insurance						
C	1/22/2007	Bao Minh-CMG Co	Bao Minh-CMG Co.	Dai-Ichi Mutual Life Ins.	100	12.8
A	1/7/2008	Vietnam Re-Insurance Co.	Vietnam Re-Insurance Co.	Swiss Re	79	25
A	9/12/2007	Bao Minh Insurance Corp.	Bao Minh Insurance Corp.	AXA SA	75.2	16.6
C	4/30/2001	Manulife Vietnam JV	Chinfon Global	Manulife Financial	N/A	40
B	1/10/2006	BIDV-QBE	QBE	BIDV	N/A	50
C	12/31/2006	Allianz Vietnam	Allianz Vietnam	BIDV-QBE	N/A	85
A	6/4/2009	AAA Insurance	Ocean Bank	Bank invest	N/A	0

(Contd...)

A	3/1/2009	Bao Viet Insurance Group	Bao Viet Insurance Group	HSBC	200	8
D	9/12/2007	Bao Viet Insurance Group	Bao Viet Insurance Group	Vinashin Business Group	90	3.56
					544.2	
NBFI						
A	1/3/2008	Petro Vietnam Finance Corp	Petro Vietnam Finance Corp	Morgan Stanley	217	10
A	3/18/2008	Petro Vietnam Finance Corp	Petro Vietnam Finance Corp	Morgan Stanley	200	10
D	10/29/2008	PVD Invest	PVD Invest	PV Drilling	43	N/A
A	11/8/2007	Tai Viet Co. Ltd.	Tai Viet Co. Ltd.	IDJ Venture	N/A	20
					460	
Portfolio						
C	9/12/2006	FBG Vietnam Holdings	Fosters Group Ltd.	Asia Pacific Breweries Ltd	105	100
C	7/8/2004	Vietnam Opportunity Fund	Vietnam Opportunity Fund	Millenium Partners	2.9	18
A	2/19/2008	Vietcom Bank Fund Mgt.	Vietcom Bank Fund Mgt.	Franklin Resources Inc	14	49
D	1/20/2009	Bao Tin Fund Mgt.	Bao Tin Fund Mgt.	REE	2	35.6
C	2/19/2008	Vietcom Bank Fund Mgt.	Vietcom Bank Fund Mgt.	Franklin Templeton	N/A	49
A	7/1/2008	Thep Viet Capital	Thep Viet Capital	Inter-Pacific Capital Bhd	N/A	N/A
					123.9	
Total				*US$ million*	**2,060.01**	