

# Vietnam: The Unique Case of For-Profit Monopoly

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**D**espite being a Communist state, which historically is antithetical to private ownership, Vietnam has developed significant private higher education (PHE). The apparent paradox goes even further: Vietnam's PHE has become a fully for-profit sector.

## Emergence of PHE in a Communist State

No such paradox was imaginable at the outset of Communism. Newly independent in 1954, North Vietnam (the Democratic Republic of Vietnam) did not allow PHE. When the South Vietnamese regime collapsed, its PHE sector of 11 institutions and approximately 30,000 students (a fifth of the total enrollment) was nationalized. Although initially the state did not anticipate the reemergence of PHE in the late 1980s, it quickly imposed its control over the emergent sector. While the state was busy with financial reforms in the public sector, a group of distinguished Vietnamese mathematicians proposed to establish the first nonstate center for higher learning, Thang Long. The state eventually licensed the center as a closely watched pilot project, but refused to approve any other similar institution before the sector itself was legalized.

The state also dictated that truly private PHE would be unacceptable. "Private," in the sense commonly understood by the state and society (as in most countries), meant "business." Accordingly, when eventually legalizing PHE in the early 1990s, the state rejected the term "private" and instead adopted "nonstate" as a politically correct euphemism. The nonstate sector included "people-founded" and "semipublic" institutions—all legally barred from revenue distribution, and thus fitting the mainstream definition in global literature as nonprofits. Yet, nowhere in legal documents was nonprofit PHE defined.

## The U-Turn to For-Profit

However, the shape of the emerging nonstate sector seriously challenged the central planning dictates typically applied by Hanoi's policy makers. The state could not get what it had planned for. Because legal provisions on revenue distribution were neither clear nor consistently interpreted across state agencies, many people-founded universities managed to distribute institutional income to their shareholders. Far outside of any Communist master plan, a unique though as yet unclear U-turn was hesitatingly in the making.

By the mid-2000s, acknowledging the profit-sharing practice widespread among non-state universities, the term "private" became politically accepted and officially adopted in legal documents—in sync with the broader marketization of the economy. However, for reasons not yet fully understood (and despite opposition from many experts and policy consultants), the state went further and mandated that all people-founded universities become private and for-profit. With this U-turn, Vietnam's PHE became exclusively for-profit by law. Several universities attempted to maintain their people-founded form, and a few newly founded private institutions voluntarily followed the nondistribution principle, but all faced crippling legal constraints. The state insisted that PHE—100 percent of it—be for-profit. Eventually, in reality as well as by law, all Vietnamese PHE became for-profit.

## What Does a For-Profit Monopoly Look Like?

Currently, Vietnam's PHE—with over 267,000 students in 65 private universities—accounts for approximately 15 percent of the total enrollment and nearly double that share of institutions. Overall, the great majority of PHE students are in business, information technology, and language training programs, whereas only a handful of private institutions offer programs in other fields. These are common trends in for-profit PHE worldwide.

## Abstract

In 2006, the Vietnamese state made a policy unique in global private higher education (PHE), when it mandated that all non-profit private universities convert to for-profit. This U-turn decision in effect acknowledged the widespread reality that nonprofit institutions were in fact distributing profits to owners. The state has recently legalized the non-profit form, but many critics have doubts about how nonprofit the emergent nonprofit form will be.

For-profit corporations now own many private universities. Several corporations, such as Phenikaa, tend to turn their affiliated universities into their own in-house centers for human resources and for research and development. Others, such as Nguyen Hoang, consider education as their primary business area, actively acquiring many private universities.

### **Return of the Nonprofit?**

The Higher Education Law of 2012 was the first to explicitly recognize both for-profit and nonprofit PHE in Vietnam. Whereas the concept of nonprofit PHE had been discussed during the U-turn to for-profit, it took several years before key policy makers could understand and eventually accept it. The current Higher Education Law (2018) defines nonprofits as institutions that do not share their revenue with shareholders.

However, Vietnam's PHE has remained virtually all for-profit. No for-profit university has yet successfully converted to the nonprofit form, though a few have tried. The only two existing nonprofit universities are both newly established—one by a huge private conglomerate, Vingroup, the other, Fulbright University Vietnam, with tremendous political endorsement and financial support from the US government.

Whether nonprofit PHE will evolve into a meaningful form in Vietnam has sparked debates, and often doubts, among many researchers and retired policy makers. The state has not yet legalized "identity" privates, which are characteristically nonprofit, and principally established by religious associations. In sharp contrast, corporation-affiliated privates such as Tan Tao, Vin, and FLC appear most eager to present themselves as nonprofits. Some critics argue that policy incentives to support "truer" nonprofit privates (e.g., tax deduction and exemption) remain cloudy, and are thus subject to manipulation from well-funded corporations for financial gain, at the expense of quality education. Many experts also doubt the nonprofits' ability to attract donations, given that current policies have not yet provided sufficient incentives for potential donors and philanthropists. Like its 2012 version, the current Higher Education Law tends to envision nonprofits as entities established by investors who will renounce their dividends. However, these investors are allowed to remain key decision-makers in universities' boards, and consequently may find opportunities for financial gain, while their presence may deter philanthropists who fear mismanagement of their donations.

Whereas both the emergence of PHE in Communist Vietnam and its ensuing U-turn to fully for-profit came largely as surprises, involving unpredictable swings between market forces and state control, the near future seems more predictable. PHE will likely remain both viable and overwhelmingly for-profit, unless and until the state legalizes the involvement of civil society associations, especially religious ones, in higher education. ▲

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