

**SPEECH OF CO-CHAIRMAN
VIETNAM BUSINESS FORUM CONSORTIUM**

*Presented by
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Honourable Prime Minister, Ministers and Government Officials, Country Directors of the World Bank and IFC, Ambassadors, colleagues of the Chambers of Commerce, Ladies and Gentlemen.

2018 is a good year for the economy of Vietnam, which is continuing on a path of rapid growth thanks to strong exports and also sustained investment from other countries. The Government deserves credit in that it has continued to stabilise the economy and contain public debt. In particular, as a banker, I cannot but applaud the one notch improvement in Vietnam's sovereign rating by Fitch.

Yet, many forces may affect this trend: internally, the possibility of a burst of the real estate bubble and the consequences that it may have on the banking system, which would spill-over to the real economy, and externally, the increasing protectionism of many countries and economic areas that are important to Vietnam's trade. Since trade is much more important for Vietnam than it is for other larger economies, the Vietnamese economy is more than proportionally exposed to trade wars, therefore the right choice is not to protect the local market but to continue on the path of being one of the countries in the world that has the most free-trade agreements by ratifying the ones it has signed and reforming laws in order to respect them.

Today's topic, Linkages between Domestic and FDI Business, is going to raise many issues about the structure of domestic enterprises, often too small and too lacking in know-how and knowledge to be in a position to sell their products to companies that have a global market and have to produce now top-quality products at a reasonable price. This is why still now they have to ask suppliers to come here than to bring Vietnamese companies up to speed on many levels. Vietnamese companies need international level management, middle management, training schools, service companies, banks, insurance, and technology, many of which are not easy to bring here due to regulatory barriers or because they create serious concerns for those who wish to bring them here, first of all with regards to IP protection, dispute resolution or, more recently, the expected consequences of the new internet law. The Government can do a lot to improve these aspects as well shall hear in the rest of the morning.

Another limitation of Vietnam in attracting higher technology is that, despite its large population, the monetary size of the market for most products, whether consumer or industrial, is limited, and Vietnamese buy mostly goods made in Asia. In part for this reason, in part because of the issues with customs and taxes that are costly in financial and management energy and time, many companies produce in Vietnam to re-export 100% of the goods, which again isolates the domestic companies from FDI companies.

On the one hand solutions involve guiding the larger domestic companies to move away from real estate and, with new dedicated management, lay the foundations for industrial companies in modern and technological industries. In addition it is necessary to foster the concentration of existing companies into larger ones that again can afford to venture into more sophisticated businesses and can afford to attract the talents and skills they need.

On the other hand reduction the burden of tax and custom on companies will free resources in local companies to invest in knowledge and technology and will lure international companies to produce for the internal market, thus opening the door to cooperation between the two.

Some domestic institutions, like the capital markets which, together with the laws on company restructuring and M&A and the size of local institutional investors, are not yet allowing the creation of companies with enough financial resources to make the investments they need to reach world markets, so they need to be made stronger.

Vietnam's need for new and better infrastructure in energy and transportation far exceeds the domestic potential for financing it, and the flow of ODA, while not drying up completely in the wake of Vietnam becoming a middle-income country, cannot resolve the problem either. The breakthrough will come when a new way to balance risk and rapid and transparent procedures for bids and concessions will allow PPP to bring to this country all the resources it needs. Later, the VBF Power and Energy sub-Working Group will provide several concrete measures to move in this direction.

In recent months, concerns about pollution, especially of the air in Hanoi and HCMC and of plastic in the sea in most touristic localities, have increased. Further industrial and urban growth will increase the factors causing climate change. Consumers around the world are ever more reluctant to buy products that come from countries with an environmental emergency. We welcome the action proposed by the Government to improve the mechanism of regional cooperation and invite Vietnam to start immediately by setting a good example and gain leadership by tackling one of these crucial issues in a decisive way.

VBF and all its Chamber and companies confirm another time that they are always willing to work with the Government and the National Assembly to help writing laws and regulations that help the economy and companies to grow.

I thank you for your attention and wishing health, success and happiness to all, I hope this conference will be of concrete help to improve the business climate of Vietnam.