

## **KOCHAM STATEMENT AT THE MIDTERM VIETNAM BUSINESS FORUM 2017**

*Presented by  
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Chairman*

Government leaders and distinguished guests,

First of all, I am delighted to speak on behalf of Korean companies at this forum today.

As you well know, it has already been 25 years, since Korea and Vietnam established diplomatic relationships. Therefore, this year is incredibly meaningful. In the meantime, the two countries have built a strong relationship for economic cooperation. The bilateral trade volume has greatly increased thanks to the Korea-Vietnam FTA. Korea's investment in Vietnam has been increasing year by year. And, now, Korea is the no.1 investor in Vietnam. The global companies in Korea as well as the Korean SMEs are choosing Vietnam as their new investment destination.

According to the survey conducted with Korean companies, which invested in Vietnam, at the end of last year, 46.1% of the respondents said they would increase their investment while 44.7% of the respondents said they would remain at the current level for their investment. In addition, 71% of the respondents said they are satisfied with their business management in Vietnam. Likewise, we also discovered that they are satisfied with their market entries into Vietnam.

According to the survey, the difficulties, which the Korean companies experienced in the early stages of investment, are lack of information, language communication and lack of investment incentives. However, after entering the Vietnamese market, the companies experienced difficulties, such as lack of a legal system, inconsistent law enforcement, and cultural differences.

When the laws and policies become consistent and stable, foreign companies can confidently operate their businesses. The role of the government is to create a sound investment environment. The Vietnamese government has constantly worked hard to identify any problems and improve them. Once more, I would like to express my gratitude to the Vietnamese government officials for their hard work.

Now, I would like to propose some legal issues under the current law which causes difficulties for Korean investors. .

### **The first is, Exemption of the export duties on aluminum products**

In the past, the Export and Import Tax Act and the Enforcement Decree stipulated that "the export duties shall not be imposed on the manufactured products of which raw materials were imported for the purpose of export." Therefore, export duties had not been imposed in the past. However, the Export and Import Tax Act (seventh clause of the article 16, 107/2016/QH13) was revised on April 6<sup>th</sup>, 2017, and the Enforcement Decree (the article 12, Decree 134/2016/ND-CP) became effective on September 1<sup>st</sup>, 2016. And, the phrase "the export tax shall not be imposed" was deleted. Therefore, the relevant government agencies are interpreting this as imposition of export duties. As of now, export duties are imposed on products.

For example, 7 to 10% of export duties are imposed on aluminum products. For this reason, many aluminum product manufactures are faced with difficulties while exporting those products from Vietnam, because they have lost price competitiveness in overseas markets.

As of now, the Korean government and the Chinese government do not impose export duties on aluminum products. This is to contribute to the development of domestic industries by securing price competitiveness in the overseas markets. We would like to request the Vietnamese government to exempt export duties for aluminum products. This would enable aluminum-product manufacturers to secure price competitiveness and contribute to the industrial development in Vietnam.

### **The second is, Permitting to open a bank account for branches, representative offices and project management offices of foreign companies**

Article 11 of Circular 32/2016/TT-NHNN stipulates that an organization, which is entitled as a 'juridical person,' shall be allowed to open a bank account. Therefore, branch offices, representative offices, and project management offices, which do not hold any independent rights, cannot open a bank account in its own name. Therefore, they have no choice but to open a bank account in the name of their head office.

However, it causes many inconveniences, when branch offices, representative offices, and project management offices withdraw money from the bank account or transfer money. It is also inconsistent with other laws and regulations, which stipulate that branch offices and representative offices shall make labor contracts, office leasing contracts, and subcontracts in their own names.

We would like to request you to amend the relevant regulations so that the organizations, which do not hold independent rights, such as branch offices, representative offices, and project management offices, are able to open a bank account in their own name (within the limits permitted by laws).

### **The third is, Clarification of the fire-fighting act in detail**

Article 37, Clause 3, Point a of Decree No.167/2013/NĐ-CP, which became effective as of November 12<sup>th</sup>, 2013, stipulates that a "fine from 5,000,000 VND to 10,000,000 VND for one of the following acts: ceiling, floor, bulk head, roof or collection of flammable materials in unauthorized places" can be imposed.

However, companies sometimes experience difficulties while applying this act due to lack of details. For example, it does not stipulate where the unauthorized places are in detail. Also, it does not specify the width or height limits for the roof. Therefore, the government agencies have sometimes arbitrarily interpreted this act.

We would like to request you to add more details to the act, so that public officials do not arbitrarily interpret the act. In that way, companies will not be confused and will not be damaged. In addition, for the facilities that have already been constructed, please do not forcibly demolish them but instead allow them to be legally registered in order to prevent any economic losses. Such measures should be taken in order to prevent any similar occurrences from happening in the future.

Once again, we would like to thank Your Excellency Prime Minister and other distinguished guests and express our sincere gratitude for allowing us to contribute to this meaningful dialogue today.