



SPEECH OF THE KOREA CHAMBER OF COMMERCE IN VIETNAM (“KOCHAM”) AT THE ANNUAL VIETNAM BUSINESS FORUM 2018

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Vietnam and Korea have made remarkable progress for the past 26 years since it first established diplomatic ties.

Diplomatically, the relationship has grown to the highest level attainable. At the same time, economically, Korea has become a solid economic partner of Vietnam thanks to the biggest volume of investment and the largest number¹ of Korean companies investing in Vietnam. This has been possible as both countries have worked closely together as “nearest neighbors and economic allies.”

Now, the era of the 4th industrial revolution has begun, in which new industries are constantly emerging. Therefore, it is time for the two countries to prepare for the "Korea-Vietnam Cooperation 2.0" in line with the new frame of the 4th Industrial Revolution.

1. Development of Human Resources

The 4th industrial revolution originates from technology and ideas, and both of them stem from the fingertips of human beings. Thus, it is key to develop human resources².

Vietnam is experiencing difficulties in establishing a foothold in the 4th industrial revolution despite of the rapid economic growth because they are heavily specialized in labor-intensive industries. In other words, it is important for the government to dedicate itself to nurture technical personnel and specialists for high-tech industries even if that will take considerable time and budget.

It is obvious that technology transfer is integral in improving the situation. However, the country also needs to make bold decisions to purchase “advanced technology” when necessary. Otherwise, you will face limitations if you attempt to solve the problem simply by attracting foreign companies

Meanwhile, companies should be able to hire different levels of technicians or specialists to meet their business needs. To do so, the national certification must be further subdivided according to the sector and level.

¹ *The Number of Korean Companies: about 6,500 / total investment: \$ 61.67 billion / Number of investment cases: 6,957*

Trade volume: \$ 63.9 billion (trade target for 2020: \$100 billion)

² *World Economic Forum (WEF) evaluates that Vietnam is still lagging behind in terms of education, human resources, innovation and technology.*

2. Vitalization of the Infrastructure PPP (Private-Public Partnership)

Korea is leading smart city, ICT, and public infrastructure development. These can be areas for potential cooperation.

PPP is a business model in which private businesses undertake investment, construction, and maintenance of infrastructure and take operational profits while the government provides tax relief and some financial support.

In order to promote investment in the PPP business, investors should be given more diverse financing options. Today, however, strict regulations³ have been a stumbling block to attracting investment.

Fortunately, the revised PPP Decree (Decree 63/2018/ND-CP) includes some positive aspects such as streamlining administrative procedures for PPP projects. However, it does not include the most important part of the ‘government guarantee’ to share the risks between the government and investors.

To sum up, the PPP business in terms of infrastructure would become active if there is (1) an Act to recognize the diverse ways for the private sector to finance and (2) a ‘government guarantee’ to lower the risks of investors.

3. Request for reconsidering the authentic interpretation that denies the import duties exemption on inland exports

Lastly, I sincerely ask you to reconsider the authentic interpretation that does not recognize import duty exemption on inland exports.

In order to raise Vietnam's national competitiveness and prepare for the 4th industrial revolution era, it is imperative to strengthen components/materials and processing industries.

For these reasons, I ask you to elaborate on the duty-free basis of on-the-spot exports (Xuất khẩu tại chỗ) in the Decree. Also please reconsider the authentic interpretation and guidance⁴ of the retroactive taxation described in the Decree No.134 of September 1, 2016.

Please refer to the attachment for more information.

I'd like to close KOCHAM's presentation. Thank you.

³ Current regulations: Bond issuer shall have an earning track record of the previous year to issue bonds, risk-free assets (cash)

⁴ September 2016, tax exemption was given based on 87/2010/ND-CP Article 12 Clause 4 and Article 15 Clause Due to the revision of the Decree 134/2016/ND-CP, tax exemption has arguably disappeared since September 2016.