

**EUROPEAN CHAMBER OF COMMERCE IN VIETNAM (EUROCHAM)**

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*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,

This is a year to celebrate. Economic growth, at 6.3%, has exceeded expectations. Meanwhile, exports have continued to grow, especially thanks to the developed neighboring countries’ FDI for export.

In this context, European companies that are already here have generally been proactive in growing their businesses, even if their growth rate does not match that of Asian investors. In fact, last year saw the exit of European investors from large-scale distribution.

This shows that some companies and countries do not always find it easy to invest in Vietnam. Not least those countries that are further away, and especially companies that make higher technology and knowledge content products. European companies bring with them a way to do business that weds respect for the environment, employees and for the society in which it is active with high value-added goods. We do not come here only to make shirts and shoes or to assemble electronics, but to develop the entire supply chain and all the sophisticated services that support it. To bring these here, our companies need sophisticated employees who speak foreign languages and they need reassurance that IPR is effectively protected.

This year, we have witnessed a slow-down in investment in textile plants in Vietnam, and wonder if this is not a response to the setback in signing the full TPP. Europe imports at least as much as the US and has similar content rules, so the need to complete the supply chain and increase local value is still there.

1. **Three challenges for Vietnamese companies**

The Government has started a positive and serious campaign to reduce the cost of doing business for Vietnamese companies, through a number of parallel groups of industry, experts and Government. When it succeeds, it will have reduced unnecessary costs, made local products more competitive and made the life of the local population more affordable.

In order to achieve these admirable goals, there are three main challenges to address: corruption of officials, protectionism and a lack of coordination in the legislation and regulations.

As to the first, we warmly welcome and appreciate the work of the Government in reducing the opportunity for corruption and upholding the law. At lower levels, the main levers are adequate salaries, pride of belonging to the administration and moving people around, while at higher levels they are the lack of transparency, the excess reliance on permissions and certifications and the high degree of arbitrary afforded to those in charge of decision making.

As a consequence of protectionism, local companies and the local administration must pay more otherwise they are unable to access higher quality, safer, more reliable goods. Nor can they access training or education with regards to services.

Finally, duplication and inconsistent requirements, bureaucracy in many public administrations costs not just fees and taxes, but also the time, resource of officials. One example for our companies is the way food safety certification is granted. Despite new regulations, the criteria for obtaining the certificate are still open to interpretation. Our solution would be the notification on the part of the producers to the authorities that the new products comply with all local rules, which of course need to be clear and easily accessible.

Another field in which administrative streamlining is fundamental is logistics. Resolving three issues would very much help goods arrive on time and at a better price: the withholding tax on fees needs to be agreed by the different authorities, a national single window has yet to be fully implemented, and online international foreign currency payments have to be possible.

1. **The wellbeing of Vietnamese citizens**

EuroCham has chosen to be the leading voice of the international health industry in Vietnam, as our SCs represent companies from all leading economies. Some policies enacted recently make doing business for companies that sell pharmaceuticals and therapeutic products ever more complicated. An easy example is the objections made to representative offices of pharmacy companies organizing seminars to introduce new drugs. These seminars could help hospitals, doctors and all involved become familiar with products hitherto unavailable in Vietnam. The opening of public procurement to foreign manufactured products is welcome, but the qualitative restrictions to who makes the products available creates a barrier to this actually happening.

Europe has many of the world’s smart cities, and we have solid experience in reducing traffic, having tried and tested many practical solutions. One of the most valuable insights we can share is that prohibiting motorcycles, on its own, is just part of the solution. It is also essential to provide an affordable and efficient public transport network.

One other positive solution would be to quickly impose the switch to electric bicycles: in Vietnam, clear rules like the one requiring people to wear motorcycle helmets worked perfectly. Electric bicycles have a number of clear advantages: they are cheaper than motorcycles, can be taken upstairs rather than blocking the side-roads, their batteries can be recharged in the office or at home, their speed is equivalent to traditional motorcycles, and the fact that most of Vietnam is flat makes them totally apt for the task.

We should also bear in mind the total gridlock of Jakarta’s traffic, after it introduced a ban on motorcycles. Vietnam’s roads are small and narrow, have no usable side-walks, are prone to flooding during the rainy season and are exposed to the sun and rain. Modern cities, meanwhile, are built with wider roads, and services and shops centered on top of underground stations and other key logistics hubs, meaning that those taking public transportation do not have to walk for long stretches. If one wants to encourage the use of cars, then guaranteeing available parking spaces is fundamental.

Traditional car production is a crowded marketplace, and protectionism is not going to help Vietnam create a competitive national champion. However, this means there are huge opportunities to embrace new technology and become a leading producer of electric cars. This would put Vietnam at the cutting edge of technology, not the rearguard, and it would have invaluable spillovers into battery technology for houses and cities. With the very small number of cars currently in circulation in the country, a full overhaul of the stock would take just a few years, with trucks following later together with the indispensable north-south goods railway connection.

1. **Challenges to increasing foreign investment in infrastructure**

The only PPP projects that attract private international finance are those based on financial criteria of reliable revenues and on rules fixed from the beginning to the end of the project, or for which there is a real mitigating factor in place. However, these projects are still not happening. At the same time, the non-bankability of the PPA contracts, as well as the way licenses are awarded to entities with no money or experience, means it is less likely that in the next few years we will see solar plants being built and providing electricity to Vietnamese companies and people. For one more year, it is ODA that will ensure Vietnam gets some new electrical power sources, but at a scale that is a fraction of the potential. All this comes at a time when many professional energy investors and developers around the world have the money to spend on energy projects. But if they do not spend it soon, they will have to return it. Some are already realizing the challenges and are looking for environments that are more open.

The Made in Vietnam Energy Plan has five recommendations. While we warmly applaud the Government’s efforts to implement the others, the first priority should be to reduce electricity and heat waste, since the cheapest electricity is the one that does not need to be produced. It is essential that Vietnam now moves towards making those who waste pay for this inefficiency consistently.

Furthermore, this will pave the way for more local private investment in innovative and renewable energy solutions, and encourage everyone to substitute old, inefficient buildings and factories with modern, clean ones.

Thank you very much. I wish you all health, happiness and prosperity and I look forward to a successful outcome of today’s works.