



SPEECH OF THE JAPANESE CHAMBER OF COMMERCE & INDUSTRY IN VIETNAM AT THE ANNUAL VIETNAM BUSINESS FORUM 2018

*Presented by
Mr. Koji Ito
Chairman*

Your Excellency, the Prime Minister Mr. Nguyen Xuan Phuc,

Your Excellency, Mr. Nguyen Chi Dung, Minister of Planning and Investment,

Ladies and Gentlemen.

I am Koji Ito, Chairman of The Japanese Chamber of Commerce and Industry in Vietnam, JCCI.

It is an honor to be here today.

The theme of today's meeting is "Sharing opportunities in the world of changing trade". On behalf of JCCI, I would like to talk about four areas that the Vietnamese Government can focus on to enhance the country's investment environment and strengthen linkages between Vietnamese and Japanese companies.

1. PPP Projects

The first area of focus is "PPP projects". In recent years, the Vietnamese Government had strengthened measures to inhibit borrowings because public debt to GDP ratio is now close to the 65% ceiling set by the Diet.

Nevertheless, we believe that infrastructure development is vital to Vietnam's long-term economic growth and the active introduction of PPP schemes is certainly one of the most effective ways to do so.

To be sure, the government has taken steps to encourage PPP, and these are much appreciated. For instance, the introduction of Decree 63 in May 2018 has simplified PPP procedures, such as eliminating the need to obtain an Investment Registration Certificate (IRC) for projects.

However, we would like to propose four aspects of the decree that the government can consider reviewing to enhance its effectiveness in promoting infrastructure growth in the country:

- Clearly stipulate that "foreign law" may be specified as the governing law,
- Allow dispute resolution by arbitration outside Vietnam on all infrastructure projects, including those involving "real estate",
- Allow investors and project executors to mortgage land use rights, assets on land and the right to operate project facilities,
- Have the Vietnamese Government share a certain amount of risk pertaining to termination of payments and foreign exchange certificates.

2. Reform of State Owned Enterprises (SOEs)

The second topic I would like to touch upon is the reform of State Owned Enterprises or SOEs. We, Japanese companies are very proud to be strategic partners to Vietnam's long-term growth, and have made investments and formed joint ventures with Vietnamese SOEs.

In order to accelerate SOE reform, it is above all essential to attract "quality investment" from Japan and other countries. There are a number of reasons why divestment of SOEs is moving slowly, and we would like to suggest the following prescriptions, depending on the category of SOEs.

First, with regards to good-standing SOEs that are highly popular with investors, we would like to request the following three actions:

- Ensure rational pricing for the sale of state-owned shares,
- Adopt standard international M&A processes wherever possible for the divesting of state-owned shares,
- Introduce stronger measures to protect the rights of minority shareholders.

Second, as for SOEs that are not included in the good-standing group, we believe the Government should be patient and rather concentrate on improving their attractiveness as investment targets, for example, by way of strengthening corporate governance, improving management efficiency and productivity, and taking restructuring measures, to stimulate interest among strategic investors abroad.

We are most pleased to support them and hopeful that with such positive steps, more Japanese investment in SOEs will take place, thereby accelerating the reform of SOEs within the country.

3. Cyber Security Law

The third area we would like to touch upon is Vietnam's Cyber Security Law, which was passed by the Diet on June 12 and took effect on the same day.

While we fully understand that the law is crucial for Vietnam's national security, the law might have a negative impact on foreign direct investment if it is used to arbitrarily collect and control personal information.

Therefore, to ensure that Vietnam continues to retain its attractiveness as an investment destination, we respectfully request for the government to implement the Law with the utmost consideration, especially with regards to the stipulations in Article 26.

4. Development of supporting industry

Last but not least, we believe that it is important that Vietnam accelerate its efforts to develop local industries with world-class standards and international competitiveness so that it doesn't fall into the trap of plateauing growth that has caught many other emerging economies in the past, including Japan.

The key factors for realizing "industrial advances" are:

- "to strengthen technological capabilities in science and manufacturing",
- "to educate and develop local talent",

- “to build industrial value chains”. This would constitute the “development of support industries”, in order to increase the internal procurement rate and strengthen international competitiveness.

Therefore, we would firstly like to propose that the Vietnamese government to enhance its framework for developing local technical experts. We believe that highly effective method would be to relax visa requirements for middle-aged technical experts with high skills and experiences and invite them to Vietnam to train and foster local talent, serving as “master instructors”.

Second, provided that a certain amount of time is required to develop human resources and autonomous enhancement of science and manufacturing technologies, we recommend the introduction of measures to encourage well-reputed Japanese supporting companies with high technical capabilities in priority sectors to commence production and accelerate enhancement of productivity in Vietnam.

Especially for industrial sectors with high potentiality but currently too small in terms of final product output to be attractive enough as a target for investment, we believe the Government should introduce “investment incentives” to encourage investment and partnership with Vietnamese firms for enhancement of manufacturing technologies, as interim measures until scale merit can be achieved.

We hope that the Vietnamese government will seriously consider our recommendations. We, JCCI are fully committed to promoting economic ties between Japan and Vietnam, and we hope that our proposal today will make Vietnam even more attractive to investors for not just Japan, but the rest of the world.

Thank you very much for listening.

Sincerely,