

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

**SPEECH AT VIETNAM BUSINESS FORUM 2017**

*Presented by*

*Nicolas Audier*

*Co-Chairman*

Your Excellency,

You have recently hosted the APEC Summit and it was a real success for Vietnam. Congratulations!

Vietnam has proved to be a forthcoming trade partner with the conclusion of the EU-Vietnam Free Trade Agreement (“EVFTA”), the most ambitious FTA it has ever concluded. The major news media across Europe, have consistently reported that Vietnam remains committed to intensifying its growth in trade and integration into the Global Economy and will, with other APEC Countries, aim to move ahead on the TPP, under the new name of the Comprehensive Progressive Agreement for the Trans-Pacific Partnership (the “CPTPP”).

This is excellent news as Free Trade Agreements have proven to be the most effective instruments to boost trade and investment and a key driver of economic reforms. Experience has shown that each time an FTA is ratified and duly implemented, it has a rapid and significant impact on the participating countries’ economies, largely because it secures trade/service and long-term investment which is the first priority for sustained and successful business development.

This is the reason why Vietnam, since the start of the open door policy, has followed a consistent

and effective strategy of developing FTAs with its major trade partners to consolidate its key integration into the global economy. Vietnam is already a member of the Association of South East Asian Nations (ASEAN) and subsequently, a member of ASEAN Free Trade Area (AFTA). As part of AFTA, ASEAN members are committed to making this region a competitive trading area. Together with the ASEAN countries, Vietnam has also signed trade agreements with many other strong partners, including Japan and Korea whose business representatives are also present here today.

The next one on the agenda will be the EU–Vietnam Free Trade Agreement. It is expected to be in the Agenda of the EU Parliament by mid-2018 and 750 Members and President of the European Parliament will give their approval in a plenary session in Strasbourg, as the National Assembly will do in Vietnam.

EuroCham has been working intensively on the FTA from an early stage and has organized seminars, conferences and working meetings in Vietnam over the last years to promote the EVFTA and echo the positive feedback of our 1,000 members, in close cooperation with the EU Delegation to Vietnam.

EuroCham has recently organized an EU-Vietnam FTA mission to Brussels and had a key meeting with President Juncker, four EU Commissioners and obviously with the EU Trade negotiators. In parallel, EuroCham was invited to make presentations at the INTA Committee (the international Trade Commission of the European Parliament), a key body as it will present the EU-Vietnam treaty to the members of the Parliament.

In addition, we joined the official Vietnamese delegation of Deputy Prime Minister Vuong Dinh Hue in Brussels on 18th September to again promote the EU-Vietnam and its beneficial impacts for Vietnam and the European Union.

But ratification is not an easy process as it requires a majority vote in the EU Parliament and we already had a taste during the INTA hearing of the issues that Members of the EU Parliament will raise.

We have seen an increasing questioning from the public in general of the benefits of trade liberalization coupled with demands to defend the EU's interests. In this context, we expect questions on regulations that your Government has recently adopted notably in the Pharmaceuticals and Wine & Spirits sectors, sustainable development and the implementation of the Paris Agreement, (how will Vietnam promote the Wind and Solar Energy?) and finally human and labor rights. All these issues will be extremely important and we need to anticipate the concerns of our stakeholders and the Members of the European Parliament and national constituencies.

Free Trade Agreements are there to expand trade for all participants, in a ***win-win*** situation. However, members of EuroCham have some fears that recent developments could lead to a risk of a reduction of Vietnam’s imports from the EU as the EU-Vietnam FTA is not yet in force. The Government cannot withdraw with one hand what has been committed with the other hand, for example by increasing internal taxation in anticipation of a reduction in import taxes or opening up markets to imports while restricting domestic distribution and thus sales of those imported goods.

We would like to draw your attention to the remaining points that need to be addressed in order for Vietnam and EU businesses to fully benefit from the free trade agreement commitments.

1. **Food and Healthcare:**
   1. *Sanitary and Phytosanitary Measures (FAASC)*

The EU offers a single market import procedure for Vietnamese exports entering the European market, and therefore, it should be the same for EU exports to Vietnam, applicable to products originating from whatever Member State. This system has to be operational from Day One of the implementation of the EVFTA. Therefore, Vietnam should undertake as soon as possible the necessary preparatory steps to recognise the EU as a single entity, putting in place unified import requirements and procedures for the EU products. This will require close coordination between the competent agencies within the Vietnamese Ministries (MARD/MOIT/MOH). EuroCham and its members are ready to offer their expertise to contribute to this process.

* 1. *Fighting against illegal, unreported and unregulated fishing for sustainable development*

In the framework of the dialogue on the fight against IUU fishing (also included in the FTA TSD), we recommend Vietnam to take immediate measures to address the situation. Unless progress is shown, Vietnam will suffer damage to its reputation for good quality fish exports and its ability to achieve long-term sustainable goals in this sector, (on top of food safety concerns) and this will not help in the context of the EVFTA ratification process.

1. **Pharmaceutical issues**

Pharma Groupwill also mention their recommendations on creating a viable FIE model and clear legal framework for MNC pharmaceutical companies to establish a legal entity in Vietnam, representative Offices (RO) etc., in their speaking slot right after as an example.

1. **Human Resources and Sustainable Development**

We recommend Vietnam to ratify the ILO Conventions and revise its Labour Code accordingly. Vietnam needs to send positive signals on its willingness to fully implement its commitments, in particular in the context of the Trade and Sustainable Development Chapter (I refer to the last visit of MEP Bernard Lange in September 2017) and demonstrate its seriousness with regards to the ratification and effective implementation of the pending fundamental ILO Conventions (No.87: Freedom of Association and Protection of the Right to Organise; No.98: Right to organise and Collective Bargaining; No.105: Abolition of Forced Labour – and No. 111: concerning discrimination in respect of Employment and Occupation).

Finally, Vietnam needs to ensure that the revision of the Labour Code is consistent with meeting its EVFTA commitments, in particular to allow the establishment of independent worker organisations and to give effect to the conventions in its domestic laws.

1. **Wines & Spirits**

The European wine and spirits industry has suffered from successive reforms of the Special Consumption Tax (SCT), combining a progressive increase of the tax rate and a substantial increase of the taxable price. The negative impact of these reforms is very significant as the tax burden on importers has in some instances more than doubled. The European wine and spirits industry had been supportive of an ambitious FTA with Vietnam from the very beginning as it expected to benefit from a mutual opening of markets.

Unfortunately, the SCT reforms completely nullify the benefits of the tariff reductions negotiated under the FTA. The increased tax burden on imported wine & spirits will impact the retail price of legitimate products and make them less affordable by Vietnamese consumers. This will intensify the economic incentive for illicit cross-border activities and counterfeit of popular high value items, and thereby exacerbate revenue loss from tax leakage and increase the risks to public health.

Once the above-mentioned issues are addressed, this will give a very strong and positive signal to the EU Parliament and to other trade partners with which Vietnam is now in the process of negotiating free trade agreements.

Thank you very much for your attention.