MID-TERM VIETNAM BUSINESS FORUM 2018
Hanoi, 4 July 2018

LINKAGES BETWEEN DOMESTIC AND FDI BUSINESSES TOWARDS COMMON GOALS

SUMMARY

OPENING REMARKS

Government of Vietnam – Mr. Nguyen Chi Dung, Minister of Planning and Investment

In 2018, the Government of Vietnam celebrates its 30th anniversary of attracting and regulating foreign direct investment. This is also an opportune time to look back at the progress achieved by national and local governments as well as the business community in improving the investment and business climate in Vietnam, with the Vietnam Business Forum a key partner. The business community in Vietnam has matured over time to drive the economy, with GDP at USD220 billion in 2017, eight-fold higher than in 1997.

FDI enterprises have made vital contributions with 128 countries and territories channeling investment into 26,000 FDI projects. The total registered capital of USD326 billion and gross paid-in capital exceeding USD180 billion means the FDI sector is increasingly playing an influential role in the Vietnamese economy, contributing 25% of investment, 20% of GDP, 72.6% of total exports and creating jobs for 3.6 million direct employees and another 6 million indirect ones.

While the FDI sector has created a spillover effects through access to advanced technologies, adoption of international standards and skills development of workers, the link between FDI and domestic sectors to jointly participate in value chains is not as expected, while supporting industry development and industrial transition are limited. Globalization and Industry 4.0 will provide momentum for business growth, while setting the preconditions for changes in the government’s regulatory thinking to enhance the business climate, innovation and competitiveness.

In line with today’s theme, discussions should assess the challenges, causes and lessons learnt to find solutions to strengthen the domestic and FDI sector connection. The Ministry of Planning and Investment (MPI) highly values constructive proposals from industry as well as efforts by ministries and line agencies to review and follow-up on such recommendations.

International Finance Corporation – Mr. Kyle F. Kelhofer, Country Manager, Vietnam

Vietnam is celebrating 30 years of opening its doors to FDI, a major driver of its economic development and international economic integration. However, it now faces a unique challenge - record FDI inflows, but still limited ‘spillover and value added’ benefits. While FDI and the subsequent arrival of multinational enterprises have brought enormous gains to Vietnam in growth, exports and jobs, less progress has been made in developing domestic economy linkages.

International experience shows that weak linkages are commonly a result of challenges related to the spillover potential of FDI and absorptive capacity of domestic firms. Going forward, this means enhancing competitiveness of domestic enterprises and promoting FDI-SME linkages to promote global value chains (GVCs) and make Vietnam's export, manufacturing, agribusiness more competitiveness.

In May, the Ministry of Industry and Trade (MoIT) launched the first-ever national supplier development program in Vietnam, a joint initiative with the private sector of IFC/WB. This will help deepen local suppliers' capacity to enhance competitiveness and build much needed linkages to multinational enterprises. Over time we expect more similar initiatives to forge linkages, increase productivity and innovation and ultimately translate into increased national competitiveness. Major global trends (Industry 4.0-Automation, AI and Free Trade Agreements (FTAs)) are reshaping GVCs and trade balances. To facilitate private sector engagement in GVCs, the government is encouraged to improve the investment environment for the private sector.

Vietnam Business Forum Consortium – Mr. Tomaso Andreatta, Co-Chair

This year has witnessed continuing rapid growth and positive economic trends which are to be congratulated. However, some threats lurk – particularly the real estate bubble and its potential impacts on the banking system, increasing protectionism from countries and economic areas important to Vietnam's trade.

Today's topic on linkages between domestic and FDI raises many issues about the structure of domestic enterprises, which often lack size, know-how and knowledge that limit global market entry and production of top-quality products at reasonable prices.

In response, the government is establishing positive policies for domestic enterprises to export, focussed on production costs and quality to ensure domestic enterprises are competitive. More solutions shall guide larger domestic companies to move away from real estate, enhance management and lay the foundations for companies in modern and technological industries. On the other hand, reducing the tax and Customs burdens on companies will free resources in local companies to invest in knowledge and technology and lure international companies to produce for the internal market, thus opening the door to cooperation between the FDI and domestic enterprises. Limited domestic institutions in capital markets, laws on company restructuring and M&A and the size of local institutional investors need addressing. Moreover, Vietnam needs new and better infrastructure in energy and transportation to balance risk and transparent procedures for bids and concessions will allow public-private partnerships (PPP) to bring resources the country needs. Concerns about pollution have increased, further industrial and urban growth will increase factors causing climate change and consumers globally are reluctant to buy products from nations with an environmental emergency.

VBF and all its chambers and companies remain committed to working with the government and National Assembly to improve laws and regulations to help the economy and companies grow.

PRESENTATIONS BY SIX CHAMBERS

Vietnam Chamber of Commerce & Industry (VCCI) - Mr. Vu Tien Loc, Chairman

While global trade in the first half of 2018 was patchy, trade and investment in Vietnam have remained steady - mostly due to proactive actions by the government and the domestic business community. However, Vietnamese exports face new barriers in major markets and domestically, while the government has been aggressive in administrative procedure reforms and business climate improvements, not all stakeholders have taken specific steps.

In this context, the business community suggests the Government take the following actions:

Work stream one:
- Give further enforcement directions for public administrative reforms, especially in terms of import-export procedures, national open-door scheme and specialist audits for imports-exports
- Increase enforcement of trade facilitation under the World Trade Organization (WTO)
- Take any opportunity to review, approve and implement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to make breakthroughs in comprehensive reforms in accordance with the law and economic system, ministries to regularly participate in consultations with industry for presentation to government.

Work stream two:
- Ramp-up efforts to support Vietnamese exporters through FTAs to overcome a challenging global market
- Make recommendations to government to kick-start procedures for CPTPP adoption, preferably at the year-end National Assembly meeting to realize this deal for Vietnam
- Further push for a Vietnam-EU FTA, while making joint efforts with counterparties to complete a legal review and adoption of the pact. Request EU delegation and FDI firms in Vietnam give full support for its adoption
- Fast-track effective implementation of other FTAs to open up opportunities for Vietnam's trade and export sectors.

The swelling trade deficit with markets Vietnam is engaging in FTAs with remains a concern and shows that Vietnam is not taking opportunities created by FTAs. More efforts should be made to support the local business community, especially removing obstacles that prevent businesses from taking advantage of incentives made available through FTAs.

Japanese Chamber of Commerce and Industry (JCCI) – Mr. Koji Ito, Chairman

From the perspective of investors, three key items are focused on by JCCI: 1) administrative procedure reforms, 2) government debt and 3) environmental issues.

Firstly, regarding administrative procedure reforms, two recommendations were proposed at the Annual VBF 2017: (1) establish a new committee with authorized power to solve any issues and chaired by the Prime Minister and (2) make unified rules for "official letters" relating to law interpretation. In addition, this year, JCCI proposed to launch a pilot project, accelerating administrative procedure reforms.

Secondly, the government debt issue was raised last year with a concern that too strict discipline on government fiscal policy, namely to control public debt lower than 65% of GDP, might block investment in infrastructure. JCCI supported to maintain fiscal policy discipline, but strongly suggested the government take action, such as promoting structural reforms in revenue and expenditure sides, and reviewing the effectiveness of public debt. Finance for infrastructure building is important to strengthen the link between Vietnamese and foreign companies.

Thirdly, environmental issues are getting more severe in Vietnam. However, foreign companies possess advanced environmental technologies and Vietnamese firms are strongly motivated to address this issue. Japan has such experience in dealing with environmental pollution caused by large-scale production, consumption and waste. JCCI could further develop partnerships between Japanese and Vietnamese firms in environment-related sectors.

Korean Chamber of Commerce (KoCham) – Mr. Kim Heung Soo, Chairman

The Government of Vietnam remains committed to revitalize the materials and components industry and foster leading small and medium-sized manufacturing enterprises. An MOU, agreed at the Korea-Vietnam Summit in March this year, also emphasized bilateral cooperation in the field of materials and components.

Unfortunately, the majority of domestic Vietnamese companies are unable to manufacture parts and components that meet FDI companies' requirements. Therefore, the Vietnamese Government and FDI companies must work together to achieve improvements on this issue. A series of regretful issues have emerged due to recent administrative actions by the Vietnamese Government as follows:

Tax exemption or refund for imports of outsourced materials for export production: Despite outsourcing being a common strategy for exporters, the General Department of Customs (GDC) recently announced a company that imported raw materials for export did not qualify for tax exemption if it manufactured finished products either through full or partial outsources. So far, when a finished product is produced by outsourcing, the corresponding tax exemption or refund could be then obtained by certifying the demand quantity of imported raw materials through the post-export liquidation procedure. Hence, this measure if enforced would impact on many companies operating in Vietnam.

It is recommended tax exemption and refunds are accepted for producers manufacturing through outsourcing. This measure would bolster supporting enterprises and SMEs as well as promote trade and economic growth.

Other cases as examples: POSCO, a steel company, established a joint venture with Vietnamese companies in 1994. In June 2017 when the joint venture had yet to expire, the authorities in Haiphong city granted a new certificate for land usage to a Vietnamese investor of the joint venture causing the partnership to end prior to its expiration. With Vina Pioneer in Hung Yen province, although the investment incentives were still valid on the licence, the local tax authority unilaterally notified to terminate the incentives expiration date guaranteed by the law on investment. Many investors are concerned at how the investment incentives were unexpectedly cut off.

Those issues are common among Korean companies. Such unpredictable administrative actions raised serious concerns among foreign companies in Vietnam, which would inevitably affect their activities and willingness to cooperate with domestic firms. Serious consideration should be taken by the government to enhance a mutually beneficial cooperation and partnership between Korean and Vietnamese companies.

British Business Group (BBGV) - Mr. Richard Leech, Board Member

Issues brought by BBGV to the government's attention are:

15-day visa exemption for UK visitors: Vietnam has made great progress to welcome 13 million foreign visitors, but to achieve the 2020 goal of average spend per visitor of USD 1,080 Vietnam needs visitors to stay longer and use Vietnam as a hub for Indochina. To achieve this, it was recommended to extend the exemption for 30 days instead of 15 days and allow visitors on visa exemptions to return within 30 days.

Limitation of overtime within 200-300 hours per year: Vietnam's Labor Code stated in Article 106 the limitation of overtime within 200 hours per year and Decree 45/2013/ND-CP increased the overtime limit to 300 hours per year for industries manufacturing export products. This limit is lower than neighboring countries and impeded many manufacturing firms' production targets.

Bureaucratic hiring and firing requirements: The Labor Code stipulated maximum one-time six-day probation period for direct laborers has placed employers in difficulty in evaluating and selecting targeted labor. Additionally, the strict procedure to fire undisciplined employees has imposed obstacles for employers to maintain a disciplined working environment. Many companies have encountered problems related to legal termination of employees who quit after five days without notice. BBGV proposed the probation period for direct laborers should be at least one month.

Tax and Customs: Inspections and audits have become more confrontational with "scare" tactics used in some cases, giving rise to concern from foreign investors about these tactics and transparency. An independent body is recommended to be established to deal with appeals from taxpayers who encounter confrontations with tax and Customs officers. This body must be totally independent and have the power to override decisions or assessments by tax and Customs departments.

American Chamber of Commerce (AmCham) - Mr. Michael Kelly, Chairman

Issues brought by AmCham to the government's attention are:

Encouraging a clean and safe environment: Good decision-making and new technology can enable Vietnam to tackle already serious environmental concerns and mitigate environmental problems that countries like the United States and China experienced during their high-growth phases. Ongoing environmental concerns demonstrate the importance of understanding links between business operations and society, and the importance of conducting business that creates long-term economic and social value.

Energy to power Vietnam's future: With respect to power needs, there is an urgent need to address a growing shortfall in supply-demand for electrical power. AmCham member companies are global leaders in this sector and want to help ensure Vietnam's energy development meets the country's environmental, health, economic and geopolitical security goals.

Fair and equal treatment: Whether a result of corruption, protectionism and tax collection, our members continue to see inconsistencies, inefficiencies and unfair practices persist, with even new ones emerging. It is vital laws and rules be designed to be enforced fairly and equally.

Removal of barriers to encourage private sector: Importing products into Vietnam remains costly and complicated. Given Vietnam's growing trade surplus with the United States, Vietnam must seriously address numerous non-tariff technical barriers to trade that hamper flows of US exports into Vietnam. AmCham members remain optimistic about business prospects in Vietnam. However, we are concerned with recent changes in policy and regulations, not consistent with international best practices. These changes expose many foreign investors to considerable risks and obstacles in executing their investments.

Cybersecurity Law: The Law on Cybersecurity brings unnecessary and costly burdens. We strongly support Vietnam's efforts to establish a legal framework on cybersecurity. However, serious concerns were given to such issues as local office requirements, rules regarding data users and local storage of data, and others that hurt businesses but would not help improve Vietnam's cyber security posture.

Auto imports: Decree 116 on automobile imports has created unexpected technical barriers and other burdens to automotive sector companies. The new requirements represent a significant shift from Vietnam's existing policy on imported vehicles. The government is recommended to delay implementation of the decree for 18 months. During that time, companies can work with the government to modify Decree 116.

Custom audits: Vietnam has made improvements in Customs clearance and efficiency. However, post-import audits burdens companies, with one company having more than 10 audits in a two-month period. Customs should adopt a more focused approach to target reviews of high-risk importers, rather than legitimate traders. This includes providing clearer differentiation in Customs clearance process, inspections, price reviews and audits between AEO-qualified importers and general importers.

Strengthen travel and tourism potential: The government is encouraged to ensure a level playing field for foreign-invested projects currently operating casinos in Vietnam as it selects locations for piloting local gaming. Despite the tourism industry identified as a key industry heading Vietnam's national economic development, a coherent strategy and persuasive road map were missing. Vietnam has real potential to become a leading tourism, meetings and events destination in Asia, but appropriate policies are needed.

Enhance the business environment: Vietnam could further grow the economy by working with US companies and take advantage of the best inputs and technology and employing international standard best practices. Government efforts for a transparent and competitive equitization process would be facilitated. The business climate could be improved by actions that increased productivity and reduced costs and risks of doing business in Vietnam, which would also benefit Vietnamese-owned businesses.

European Chamber of Commerce (EuroCham) – Mr. Nicolas Audier, Co-Chairman

The EU-Vietnam FTA (EVFTA) will open up markets and bring new opportunities for companies and consumers on both sides.

Healthcare: European companies brought Vietnam good-quality pharmaceuticals and medical devices, along with the highest ethical and professional standards. Domestic companies were helped to reach their potential and share international knowledge, experience and technology.

Food safety: European business worked with the government and local enterprises to help raise standards. The EVFTA will bring huge benefits to Vietnam's agricultural sector in the long run. But to unlock these benefits, it must meet the EU's Sanitary and Phytosanitary standards and comply with IUU fishing regulations.

Environmental protection: EuroCham has made a number of recommendations to reduce pollution and environmental damage. These included amendments to solar, wind, biomass and waste-to-energy PPAs and investing in gas and liquefied gas as effective substitutes for coal power. European investment and expertise could bring these cleaner alternatives to the market.

Labor: The government is encouraged to comply with its obligations under ILO Conventions and businesses are encouraged to meet these standards to make Vietnam attractive to new FDI. Increased international schools and student numbers would enhance Vietnam's workforce and integration into the global economy.

To further support business, the government is encouraged to further cut administrative procedures, guide private business, protect investment, improve dispute-resolution mechanisms and consistently implement Investment Law and Enterprise Law. More progress on IPR protection and enforcement is needed, particularly the Technology Transfer Law. Regarding tax policy, law changes could bring greater FDI and international cooperation, such as reform to Special Consumption Tax calculations for automotive companies.

SESSION 1 – WALKING UP THE VALUE CHAIN

Investment and Trade Working Group - Ms. Orsolya Grove, Representative

For Vietnam to strengthen its role in the global supply chain, agencies must make compliance less burdensome, provide clear regulations, guidance and uniform enforcement.

Key issues are:

*CPTPP (TPP-11) and other important trade agreements***:** Early ratification of CPTPP is supported, as is the Regional Comprehensive Economic Partnership.

EVFTA: While the EVFTA will be on the EU Parliament agenda by mid-2018, public questioning of trade liberalization has increased. In this context, questions on recent Vietnamese Government-adopted regulations could be raised by European Parliament and should be anticipated.

Investment and trade conditions: Regarding services outside WTO commitments or other international treaties Vietnam is a member, investment conditions for foreign investors are not provided by Vietnamese law. Investment registration authorities seek opinions from ministries to decide on investment licenses in these areas. In practice, a ministry opinion such as "request Departments of Planning and Investment (DPIs) to consider and grant licenses" is not considered an "approval". It is recommended that if the ministry indicates consent, even if the word "approval" is not specifically used, the DPI should grant the license.

*Decree 9***:** Any domestic enterprise **receiving just 1% of foreign capital is subject to the Trading License requirement and obtain a license. It is recommended re-licensing** only **applies if foreign investors account for at least 51% of charter capital. T**he MoIT does not strictly follow **legal timelines for the** Decree 9 **consultation process, which delays the approval process.** As recommended, the consultation process with the MoIT should be limited to a restricted number of sensitive business sectors only, as this consultation process appears redundant due to clear WTO commitments.

*Regulations on content of formaldehyde and aromatic amines derived from azo colorants in textile products***:** Serious issues stemming from Circular 21, extended from 1 May 2018 until 1 January 2019, still loom over the sector. MoIT is encouraged to consider a solution to address public health concerns and ease the time and costs demanded of responsible enterprises.

*Taxation of e-commerce***:** A new section in the proposed amendments to the Law on Tax Administration (**LTA**) governing e-commerce are: 1) s**hift the requirement to file and pay value added tax (**VAT**) and corporate income tax (**CIT**) from Vietnamese businesses to offshore suppliers of online services and 2) consider requiring offshore entities supplying services to Vietnamese customers to appoint a representative office in Vietnam for tax declaration and payment. The** MoF is recommended to consider the draft proposal in relation to taxation of e-commerce, leave the current tax withholding mechanism unchanged, let Vietnamese taxpayers collect and pay local taxes and not pass this duty off to foreign services suppliers abroad.

Single payment gateway: The MoF proposed a mandatory routing of cross-border transactions to one single payment gateway, the National Payment Corporation of Vietnam for the purposes of tax collection or otherwise. This regulation will weaken security, constrain innovation, hurt consumer experiences and reduce e-commerce market competition.

Economic Needs Test (ENT): Decree 9 applies the ENT and expands the scope of retail stores subject to ENT. Procedures, timeline and obligations of ENT authorities should be clearly provided to reduce time and costs for enterprises. ENT should apply for the second physical store onward only.

Import of used/refurbished machinery and equipment - draft circular replacing Circular 23: Several aspects of current rules on imports of used and refurbished equipment have proven unreasonable for enterprises. Recommendations are included in the position paper.

Developing market for household/rooftop solar energy: Limited guidelines from the MoF and MoIT continue to delay EVN's implementation of payment mechanism for rooftop solar, despite the official signing of rooftop solar power purchase agreements, calculation, payment and finalization of excess energy output generated by developers to grids of EVN's power entities under net-metering scheme provided under Decision 11 and Circular 16.

Recognition and enforcement of foreign arbitral awards in Vietnam: Vietnamese courts have often issued decisions to reject applications for recognition and enforcement of foreign arbitral awards in Vietnam for reasons not consistent with the New York Convention. It is recommended the 1958 New York Convention is strictly applied by Vietnamese courts, in accordance with 2015 Civil Procedure Code.

Response by Mr. Tran Quoc Khanh, Vice Minister of Industry and Trade

CPTPP was signed in March 2018 and the government is compiling documentation before reporting to Prime Minister and National Assembly for approval in its October 2018 session. Regarding Vietnam - EU FTA, negotiations concluded in December 2015. The legal review should have been completed in early 2017. However, changes to the EU FTA approval process have forced Vietnam-EU to split the original deal into two parts. This is a complex process, but both sides completed the process on June 26 and will translate the agreement into Vietnamese and 24 EU languages. The two deals will be signed and adopted soon. Regarding Decree 9, Vietnam must protect retailers from strong international retail corporations. This need is allowed for in Vietnam's WTO accession commitments. As such, Decree 9 is not in conflict with the country's WTO bindings (including ENT) and no changes are expected. Regarding administrative procedures, the MoIT will consider the recommendations.

Response by Mr. Do Nhat Hoang, head of the Foreign Investment Agency, Ministry of Planning and Investment

With investment certificate queries, responses from ministries or line agencies are often generic and not specific. Under Article 6.4, Decree 118 if a consulted body fails to respond within a set timeframe, it will be deemed to agree with the requests as long as they fall under its jurisdiction. Secondly, upon receipt of general responses that do not provide a specific answer, the investment certifying agency will make its own decision within its power according to applicable laws.

Any investment and business preconditions, not in alignment with WTO rules but approvals have been granted to other countries should be updated to the national information portal for foreign investment and the investment-certifying authority can rely on these preconditions published on the portal in its release of an investment certificate. In response, the MPI is reviewing the investment certifying process for some business lines and sectors absent from WTO bindings, but are in demand in Vietnam, and will produce a compilation for updates on the government information portal.

Tax & Customs Working Group – Mr. Mark Gillin, Head

Productivity and predictability are important to expand the benefits of trade and FDI to improve the competitiveness of Vietnamese companies. Vietnam's total tax as a percentage of profit is 38%, the region's highest. Local tax authorities often set collection targets for each company during the audit process and look for offenses, effectively harassed until the "quota" is paid. Moreover, time-cost is a problem as the time to comply with tax filing requirements in Vietnam is 498 hours. It relies on audits as collection rather than ratification tools. Revenue collection should be done overwhelmingly via an online filing and audits should verify the accuracy of information entered online. Vietnam's tax audits are not inspections, they are reassessments. Instead of focusing on verification, tax officers focus on adjusting an enterprise's tax base by disallowing deductions, changing pricing, often based on differing interpretations.

Several fundamental tax policy adjustments are proposed:

- *Change mindset*: High quality tax administration (low administrative burden on business, high degrees of accountability and transparency from the tax authorities) increases revenue.
- *Expand mission/vision/values*: The General Department of Taxation's (GDT) mission must be updated beyond administration of revenue collection and link tax administration to broader socio-economic objectives. Vietnam is encouraged to include "enhance economic productivity and confidence" and "promote trust" as part of the GDT's mission/vision/value statement.
- *Laws must be logic tested*: The foundation of an efficient tax administration system is laws that lead to a single, objective conclusion based on the same set facts. Flow diagrams should be part of the legal drafting process.

Response by Ms. Vu Thi Mai, Vice Minister of Finance

Restructure government debt, budget revenue and spending: Requires considerations for fiscal tightening, given the expanding need for infrastructure capital investment. The government and Ministry of Finance (MoF) are rolling out Politburo's Resolution 7 and National Assembly's Resolution 25 on restructuring the government budget revenue and spending, coupled with restructuring of government debt, to ensure a safe national fiscal system and public debt security. The government and MoF have also factored in the option to enlist private sector resources for investment in infrastructure.

Administrative reform for taxation and customs: The MoF favors strong administrative procedure reform and modernization of taxation and customs. Now, 99.8% of businesses have opted for electronic tax filing and 97.8% of taxpayers have used electronic tax payment facilities. In 2018, the MoF doubled down on fast-tracking electronic tax rebate and 90.8% of businesses have participated in the electronic tax rebate scheme. The MoF is submitting a draft decree on electronic invoicing. As for tax and customs reforms, it is working on a decree on electronic transactions in finance, expected to be submitted for approval later this year. This decree will provide better opportunities for businesses in electronic dealings and facilitate business.

Customs: This year will see continuing reforms toward automated customs management at marine terminals to benefit exporters, importers, terminal operators and warehouse operators. The MoF is putting together a single-window conference for reporting to government and a national meeting chaired by the Prime Minister on ASEAN single-window nation and specialist audit. After this meeting, the MoF will present an action plan for single-window nation reforms to the government and release a decree on the national single window.

General comments: Feedback has been provided on key issues raised. As for concerns on trading or tax exemption and rebates for imported goods exported later or business incentives, the MoF has given its responses and existing rules should be complied with. Other comments raised have been well noted for policy revision consideration, including recommendations on the tax base for user registration fee, the 20% difference or price schedule updates and other comments relating to tax administration in the Tax Administration Law. The MoF is drafting a revised decree on user registration fees and revised Tax Administration Law to be submitted to the National Assembly at its year-end meeting.

Recommendations for further improvement of tax administration and customs regulation performance are also well noted. The MoF has in place a hotline to take feedback and report incidents or harassments by officials. The MoF has directed the GDT and GDC to crack down on abuse by public officials.

Automotive Working Group – Mr. Toru Kinoshita, Head

A solid growth market should include a reasonable balance between CKD and CBU. To realize and sustain this balance, enhanced CKD competitiveness and a smaller niche market segment could be achieved with revisions to Decree 116, which nearly stopped CBU business from developed countries in the past six months. For CKD business and supporting industry development, a comprehensive approach should be implemented: 1) policies for maintaining stable market growth should minimize negative impacts to market growth (remove negative items in Decrees 116 and 140 of ownership tax), 2) policies to narrow the production cost gap between CKD and CBU and 3) policies to support CKD production.

For supporting industry development, critical issues are:

- Vietnam's current market is small and vehicle production volume is low. Besides, the fluctuating market and clear roadmap of 0% import duty for CBU vehicles from Asian countries from 2018, it is difficult for suppliers to produce parts that require big investment.
- Quality/cost/delivery capability (QCD), is critical for local Vietnamese suppliers, but few meet required QCD standards to participate in global supply chains.
- To develop supporting industry and enhance linkages between CKD makers and suppliers, key proposals are as follows:

Government:

- Should offer investment incentives for makers and suppliers to purchase machinery to localize automobile parts and neutralize the negative impact of small production volumes.
- Invite key suppliers to join automobile dialogue and hold frequent meetings and report to the Prime Minister to improve workability of policies.

Suppliers:

- Local supplier tiers 2-3 should not aim to "leapfrog" to become tier 1 in the short-term, but meet QCD requirements.
- Should take part in autopart supplier databases and business matching programs and create attractive business profiles.

Auto-makers:

- Reduce production costs of CKD and part suppliers. Supplier criteria and a list of auto parts expected to be localized for potential suppliers' consideration have been shared.
- Potential suppliers can be helped to increase QCD capability and obtain know-how via supplier enhancement programs.

Response by Mr. Nguyen Van Cong, Vice Minister of Transport

Decree 116 and Circular 3: On vehicle inspections by import batch, under Decree 116 and Circular 3, every shipment of imported autos must be subject to random inspection and the model representing every type of vehicle in the shipment must go through random inspection. This batch-based random check is meant to ensure strict management of quality of imported vehicles and protection of the consumer' rights and interests. If this batch-based check under the current rules is not done, the following problems may occur:

Safety and emission testing: Only applies for first batch and all others are exempted from a random checks, but there is a loophole for importers to sneak past products of lower quality. In the event of a 5% failure of the sample test, re-exportation is mandatory in accordance with Decree 116.

Car imports: A large number of cars can be imported through the border and only register for inspection in one representative batch, with the one vehicle selected not representative of the general quality, yet the importer may receive a licence to import for up to a year. In this case, the authorities will not be able to control emissions, safety and quality of vehicles arriving later, This quality control loophole may compromise the safety and interests of consumers.

Driver's license for electric vehicles: Under Vietnamese law, a driver's license for electric vehicles is not required, but foreign partners have recommended a license is necessary. This is duly noted by MoT and will be considered for integration in amendments to the 2008 Road Transport Law.

Tricars: To ensure road safety, making and selling tricars will be banned in Vietnam. Motorcycles with dual-wheel configurations defined as motorcycles elsewhere in the world are noted by MoT for consideration in updates to technical code requirements for motorcycles.

Transition period for importation of CBUs: Decree 116 is clear on this issue. As of June 12, 200 import files for 103 different types of autos and 7,226 cars were granted sales certificates. Given recent recommendations, the government has held talks with ministries and the MoT has concluded it has not caused problems in the market.

Agi-business Working Group – Mr. David John Whitehead, Head

Application of IT and high technology solutions in agriculture makes great business sense, as sustainable agriculture must simultaneously deliver food security, environmental sustainability and economic opportunity. To achieve these goals, transformation of the agriculture sector is needed by all stakeholders. Key factors for agriculture sector transformation at national level include effective leadership, strategy and investment models, and scaling transformation through finance, infrastructure, institutions and monitoring.

The 4th Industrial Revolution (4IR) will see a convergence of artificial intelligence and data technology. 4IR will have far-reaching repercussions for the labor-intensive field of agriculture. Combining artificial intelligence and big data will evolve into a high-tech industry to allow for precision agriculture. In particular, the Internet of things will measure temperature, humidity and sunlight in production farms, making it possible for remote control via mobile devices. It will boost production of farms and add value. Effective management and control of diseases in swine is crucial to have Vietnamese pork meat products certified for export and accepted on the international market. In this way, it is possible to produce customized products to optimize supply and demand. Government support of this agricultural transformation is encouraged for Vietnam to become an internationally recognized agricultural powerhouse, driven by smart farming and farmers.

Response by Mr. Tran Kim Long, Head of the International Cooperation Department, Ministry of Agriculture and Rural Development

The Ministry of Agriculture and Rural Development (MARD) agrees that improving productivity through application of technologies and alignment with international standards should be a key and cross-cutting strategy to promote agricultural development in Vietnam. The MARD covers a wide variety of unique business lines, with specific sub-sectors regulated under applicable laws, strategies and guiding directions. To be specific, each sector now has five ongoing programs, including three development and two supporting programs.

Technologies and international norms integration is a must in all these five programs. High technologies have been used to create new and high-yield varieties. International standards have been adopted to develop Vietnam's national standards and codes. MARD has worked closely with international partners to put together viable approaches for investment in sub-sector value chains, hi-tech production models and application of automation and semi-automation technologies in production. Many businesses have invested in hi-tech farming projects, while increasing integration and Industry 4.0 are opening up opportunities for competitiveness enhancement, sectoral restructuring for higher rural development capacity and higher added value for the sector. MARD has been tasked to develop and introduce policies that fit the sub-sectors and Industry 4.0. Other concerns raised by EuroCham and the working group (antibiotic resistance, risk registration in product registration and use or creation of an identity and monitoring system for domestic animals that allows traceability for origin, etc) are well noted and will be reviewed.

Response by Mr. Tran Van Tung, Vice Minister of Science and Technology

The government maintains a cross-cutting standpoint of a business-centered approach that promotes technological renovation among companies. The Ministry of Science and Technology and ministries are building technological renovation of businesses with support from institutes, universities and scientists. The results will help businesses to renovate technology, enhance productivity, create quality products that compete on domestic and global markets. Regarding 4IR, many new technologies can be used for growth of clean and smart agriculture and organic farming. These technologies generate high-yield and quality products to meet local market demands and export standards. This must be done in a chain to ensure necessary checks and verification to ensure quality meets export standards.

Revision of Circular 23 on imports of used machinery and production lines: The government affirmed its standpoint that Vietnam is not a technology junkyard of the world. Vietnam hopes to take advantage of good and new technologies to propel its economic development. The upcoming revised Circular 23 will support manufacturers' import of production lines that fit their profiles and levels of development. When preconditions are met, manufacturers will be encouraged to relocate plants to invest in Vietnam and nurture manufacturing.

SESSION 2: FACING TECHNOLOGICAL CHALLENGE

Education and Training Working Group – Mr. Brian O'Reilly, Head

Industry 4.0 and emerging technologies will provide opportunities and threats to employment in Vietnam. Preparing human resources to be effective in this new environment needs to be addressed for Vietnam to be successful socially and economically. There will be greater opportunities for highly skilled people, but many low skilled jobs will disappear. The Vietnamese workforce must be provided with necessary knowledge and skills to succeed in this new environment.

Decree 86: Decree 86 is a great move forward to facilitate foreign investment in education and bring required knowledge and skills to Vietnam to prepare for Industry 4.0.

Technical and Vocational Education and Training: Vocational skills training and boosting employment is at the heart of government development goals. It also wants to tailor its vocational training to the needs of industry and advanced technologies and focus more on skills needed for effective implementation of Industry 4.0.

Draft decree replacing Decree 48: The government should not only involve large enterprises, but also foreign and local SMEs in Technical and Vocational Education and Training (TVET) reform. Promotion of mutual learning of local good practice in partnerships between enterprises and TVET institutions should be encouraged. Any issues with regards to transfer from Ministry of Education and Training (MoET) to Ministry of Labour, Invalids and Social Affairs (MoLISA) should be addressed to ensure a smooth and effective transition. The government has recognized the need to increase private sector involvement in TVET. One strategy to involve industry is through initiation of active collaboration measures by TVET institutions.

Response by Mr. Pham Quang Hung, Head of International Cooperation Department, Ministry of Education and Training

Technology and skills training: The MoET has directed integration of this component into the K-12 education system. K-12 education curricula are developed to enable skills and personality development for students, with STEM concentrated on. Vocational education and K-12 education segregation projects for 2018-2025 are underway after endorsed by government.

Upgrading higher education to prepare human resources for Industry 4.0: Mechanisms and policies for higher education have been improved, with proposals made to government for release of an amendment of the Higher Education Law to fast-track and enhance efficiency of tertiary education autonomy, renovate governance and administration in education approaching international standards and reform public administration practices.

Resolution 14 on comprehensive higher education reform (2016-2020): The MoET is solidifying university-industry linkages and is working closely with businesses on a large number of foreign-funded projects to connect industry with universities. Taking this opportunity, the MoET welcomes support from the business community and hopes practical challenges faced will be jointly tackled through coordinated efforts with the business community.

D*ecree 86 on investment with foreign partners in education*: Contributions from the Education Working Group and business community are acknowledged. Decree 86 comes with many laissez-faire mechanisms for foreign investors, as it widens partnerships with foreign partners in education. It allows foreign-invested educational institutions to rent facilities for long periods, sets ratios of Vietnamese students studying a foreign curriculum in preschool and K-12 institutions that belong to foreign-invested entities at 10-20% to less than 50% of the total number of students and sets the required years of service for college instructors, foreign language teachers, and required teacher competency for special fields of training. Last but not least, procedures for investment have been simplified, including computerized reporting for foreign-invested institutions.

Human Resources Sub-Working Group – Mr. Colin Blackwell, Head

The pace of technology change has a massive impact on the workforce. Automation is rapidly eliminating any role that involves repetitive processes. Hence, education and training are vital to upskilling to these new higher productivity requirements which should be organized by companies. If the HR department just fills an administration function two things will happen: it will be replaced by computers and will not help colleagues upskill to higher productivity.

A modern HR department will be continually monitoring employee skill sets required by companies and putting in place programs to upskill staff. The HR profession is generally improving in Vietnam through sharing of best practice in HR clubs and associations. MoLISA's support to leverage this further into the domestic SMEs through creation of a National HR Association is appreciated. The foreign-invested sector often performs best practice workforce upskilling, but maybe local DPIs can make available guidance and training materials in Vietnamese for local SMEs. Vocational training is essential and the business community applauds MoLISA's recent reforms in this area. The government can help further by fostering a culture of continuous upskilling to increase productivity.

Response by Mr. Le Quan, Vice Minister of Labour, Invalids and Social Affairs

Aside from four initiatives for vocational training improvement, these are four centerpieces MoLISA is concentrated its leadership and operational resources on to meet industry's needs:

- *School autonomy to design curricula as per orders from companies*: In the current curriculum, MoLISA only administers and requires schools maintain four foundational academic subjects, in addition to foreign languages and computer science, for a total of six. For the remaining part of the curriculum, schools can enter into partnerships and define what to teach and learn with businesses, where 70% of the curriculum can be reserved for hands-on training and 40% taken over by businesses. The ministry signed deals with VCCI, retail and logistics associations, 15 major corporations and private companies in Vietnam to provide training for 150,000 students.

- *Recruitment procedure and quality assurance improvement*: MoLISA this year launched a smart phone app that allows connections with 800 vocational schools and more than 800 lines of work to help students select subjects and apply for online courses. For quality assurance in the system, Decree 49 was released on education accreditation, the first in Vietnam. Besides, MoLISA has Circular 28 on quality assurance to better maintain quality of schools.

- *National qualifications framework*: MoLISA has engaged in negotiations to set in motion 9+3, 9+4 and 9+5 programs, allowing junior secondary graduates to take short-cuts to higher education. This joint project between MoLISA and MoET will be presented to government and will provide interoperability with ASEAN+4, ASEAN and OECD countries. MoLISA has pursued various international cooperation efforts to standardize training programs and enhance human resources quality to meet Industry 4.0 needs.

- *Human resources*: MoLISA is interested in HR associations and supporting HR consulting firms through a variety of activities, including ranking companies with the best workplace environment, remuneration and benefits.

Healthcare Working Group – Mr. Ngo Van Huy, Representative

With the global healthcare sector changing fast integration of digital technology and AI are creating huge opportunities for innovation in the healthcare value chain. Vietnam has the potential to build a high value, self-sustaining life science sector to enable patients to have sustainable access to safe and quality treatment solutions through a strong collaboration between public-private sectors. This collaboration would send a strong signal to attract sustainable FDI and PPPs to develop local capabilities. Vietnam’s focus on a professional homecare scheme will empower patient access to treatment and address overcrowded hospitals and reduce high public spending on chronic diseases.

Through dialogue with government, a sustainable and high value healthcare ecosystem in Vietnam is aligned with the government’s long-term strategy. International healthcare companies can create value and growth in Vietnam through PPP projects in research, innovative solutions, manufacturing, and technology transfers. This requires a strong presence of international healthcare sector in Vietnam, with legal structures providing private sectors and investors with confidence to invest in a predictable environment. The government is encouraged to optimize the administrative procedure and have a clear sector development roadmap led by a Senior Inter-Ministerial Taskforce. Additionally, given this vision of a fast developing Vietnamese healthcare sector, ethical standards and regulatory compliance should also be emphasized. The Ministry of Health (MoH) is encouraged to promote ethical collaboration among industry players, especially multinational companies, to implement international industry codes in Vietnam and communication activities towards government-related stakeholder groups.

Response by Mr. Truong Quoc Cuong, Vice Minister of Health

The MoH takes note of the recommendation on development of a high value and sustainable healthcare industry, with home-based care to relieve the workload on hospitals, better care for patients with chronic conditions, ethical norms and codes of conduct for health professionals.

Secondly, with recommendations relating to Decree 9 regarding enhancement of micronutrient and food, which calls for removal of the wording “iodized salt must be used in food manufacturing”, the MoH is assessing relevant evidence-based studies and World Health Organization recommendations and will present proposals by the third quarter of 2018. Thirdly, recommendations relating to preventive health and provisions to implement Decree 54 on pharmacy are noted and will be further reviewed by MoH. Reservations of the right to distribute pharmaceutical products in the distribution sector is consistent with Vietnam's WTO accession commitments. This includes parts on transportation and storage of pharmaceuticals. As for the recommendation asking for permission to gain access to markets, MoH will consider it in the specific context of the drug law and Decree 54. For now, MoH has reported this to Ministry of Justice to relay to government. Fourthly, on comments on the draft law on alcohol control, the MoH and other authorities will take them into account for follow-up in the policy-making process and make a presentation to the National Assembly in October 2018.

Fifthly, on working group recommendations to increase use of PPP models, the government has Decree 63 on PPP-based investment and MoH is developing guidelines for application of this approach in health. As the health system in Vietnam is largely public health focused, it is important to focus on a better investment and business climate for the private sector to build the groundwork for future PPP operations. In the meantime, MoH is working to revise Decree 85 on autonomy and accountability for public health institutions and promoting mixed public-private provision policies.

Mining Working Group – Mr. Bill Howell, Head

Challenges facing mining companies in Vietnam include outdated technology and low levels of mechanization, poor infrastructure, low productivity workforce, excessive energy use, high safety risks and unacceptable environmental pollution. To make Vietnam's mining industry more efficient, productive, safe and environmentally sustainable the introduction of modern technologies, technological innovation and global best practices through FDI and joint ventures are necessary.

Unfortunately, inconsistent mining legislation in Vietnam and royalty rates, export tariffs and other fees are far higher than in other countries and powerful disincentives for such investment, making most modern mining operations in Vietnam unprofitable or marginal. Regrettably, this encourages the continuation of inefficient and wasteful mining practices and degradation of Vietnam's existing known mineral resources and its environment, increased illegal mining and export of minerals with little tax paid. For the mining taxation system to benefit the government and people of Vietnam, mines cannot be forced to close due to unprofitability.

To help resolve these issues, the Mining Working Group urges the Prime Minister's Office and Government Office, with the input from MPI and VCCI, to:

- Re-examine existing mining legislation and introduce a more investor-friendly, competitive mining regime which includes an equitable tax system fair to government and investors, with legislation for consistent policies for long-term commitment
- Seek better coordination between ministries and departments of Ministry of Natural Resources and Environment (MoNRE), MoIT and MoF at central and provincial levels to encourage more consistent interpretation of Vietnam's mining legislation and to make it easier for potential investors to understand.

Response by Mr. Mai The Toan, Head of Legal & Inspection Department, Vietnam Environment Agency – Ministry of Natural Resources and Environment

Available regulatory instruments for the mining sector environment, social safety and economic integrity remain out of sync across the normative regulation system in Vietnam. Recommendations on tax and due policies in the mining industry will be duly reviewed and responded to by the MoF within its jurisdiction. Comments on strengthening the understanding, consistency of standpoints and concepts between different ministries, line agencies, and national and local levels are well noted by the MoNRE, responsible for determining documents reported to the Prime Minister, government and National Assembly for amendment to harmonize with international common practices.

With respect to the mining sector, MoNRE is responsible for a wide range of relevant domains including two important laws - Mineral Law and Environmental Protection Law. Particularly with regards to environmental protection, MoNRE plans to revise the 2014 Environmental Protection Law to safeguard mutual benefits for investors, governments and communities where mining activities take place. Going forward, MoNRE will recommend creation of a sustainable development set of criteria for every mining project, preferring those using increased processing, advanced and environment-friendly mining technologies. In the overall agenda, the mining sector has no restrictions against foreign investors, especially those with rich experience and resources in processing and environment remediation, including waste generated from mining activities. The MoNRE hopes international investors and organizations provide technical support for Vietnam to have a sustainable mining management model for the mining industry in place, focusing on safety, environmental protection and social security to be piloted in some projects in Vietnam.

SESSION 3 – FINANCING SUSTAINABLE GROWTH

Banking Working Group – Mr. Nirukt Sapru, Head

To enable continued sustainable growth of the Vietnamese economy, deliver credit and good financial services, the Banking Working Group (BWG) respectfully suggests the government and State Bank of Vietnam (SBV) continue to adopt a policy of sectorial allocation of credit growth, while allocating credit growth based on the strengths and capabilities of each institution, including Capital Adequacy Ratios, rather than a sector-wide cap. BWG is also supportive of the government and SBV's continued focus on recapitalization and consolidation of the financial sector, leading to fewer, stronger banks.

BWG applauds the government's continued attention to digitization of the Vietnamese economy and recommends it adopts a proactive, holistic approach to building a legal framework to support digital economy development, including leveraging forthcoming national biometric ID system. There are four critical issues that involve multiple ministries. The VBF respectfully requests government support to drive coordination between ministries for swift resolution.

- First, the requirement of a wet signature, Chief Accountant's signature and wordings in accounting vouchers. These are stipulated by accounting regulations and heavily impact the Host-to-Host and E-Portal solutions between customers and banks. BWG requests the MoF review this to support development of digitization in the economy.
- Second, harmonization of banking regulations with other laws. BWG understands banking regulations are issued based on principal laws, such as the Civil Code. This causes difficult implementation of opening accounts for entities not legal persons. BWG requests support from the Ministry of Justice to issue guidance on this matter in accordance with the Civil Code and the SBV consider amending Circular 32.
- Third, amendment of close-out netting provisions of the Bankruptcy Law to accommodate Vietnam in becoming a netting jurisdiction for financial transactions. This will help reduce capital costs, enhance risk management and support the government to develop Vietnam's derivatives market. BWG seeks government support to instruct relevant State bodies to promptly work on this and the BWG is willing to share international practices and support if needed.
- Lastly, a solution for cash pooling to enable management of working capital and liquidity solutions for local and international companies. BWG has conducted two workshops with the

SBV and respectfully requests the government assign relevant State bodies to issue necessary regulations to deliver solutions to benefit local and foreign companies.

Response by Mr. Nguyen Kim Anh, State Bank Vice Governor

The SBV has worked closely with the BWG in dealing with issues raised. Nevertheless, from a banking regulation perspective, they need to be assessed on many different aspects to ensure system safety is achieved. There are also issues that require coordination with other ministries and line agencies and take time. As per the four issues raised by the BWG: 1) developing cash management products and cash pooling of multinationals in Vietnam, 2) regulations on content of signature on electronic statements, 3) parties setting up transactional accounts in accordance with Civil Code and 4) regulations on obligation netting in the Bankruptcy Law, these concerns pertain to rules of the Civil Code, Accounting Law and Bankruptcy Law among others. The SBV has held technical meetings with the BWG and agreed the latter will work with ministries and line agencies to have the concerns addressed and responsibilities of parties involved clarified. Based on this, SBV will continue working with the BWG to deal with all concerns raised by the group. Other issues raised at this forum are duly noted by SBV, which will actively coordinate with other ministries and line agencies to review and take necessary actions.

Capital Markets Working Group - Mr. Dominic Scriven, Head

Many domestic investors fear the risk of foreign investors fleeing. In the first half of the year, foreign investors withdrew USD5.6 billion from Thailand, USD3.7 billion from Indonesia, USD1.6 billion from the Philippines, while pouring USD1.5 billion into Vietnam. This indicates foreign investors still have confidence in Vietnam. In terms of business value in Vietnam, we estimate that PE this year will remain at approximately 10, 11 or 12 times, and companies' ability to expand earnings (EPS) will be over 25%. The overall price level of listed companies in Vietnam is still attractive. Capital markets in Vietnam have grown sustainably in recent years, in terms of gross capitalization of bond and equity markets from USD70 billion to USD200 billion. Secondly, the total daily transaction value of these two markets by the year-end or early next year could surpass USD 1 billion a day. Total capital raised for domestic issuers/domestic firms was USD5-10 billion a year, with USD4 billion in new capital raised since the beginning of the year.

The working group has four recommendations:

- *New Securities Law*: A draft version must be in place for market participants to comment on. The new Securities Law should assert it is the main law ruling on listed firms and amendments should be made to specific conflicts that exist between the Securities Law and Investment Law, including room mechanisms for foreign investors and defining the SSC's power to investigate misconduct.
- *Build an ecosystem for domestic institutional investors*: The SBV should reconsider requirements on banks regarding supervisory and depository activities to provide more flexibility and expansion of financial products distributed to a wider investor base and allowing commercial banks to register a new service – distribution of financial products for investors.
- *Timing concerns on State-owned enterprise IPOs*: For example, the IPO plan for Petroleum Quality Control Co. had a valuation done in 2015, an auction completed in early 2018 and the investors paid in shares in February 2018, but the first shareholder's general meeting did not take place until July 2018. This means investors paid in shares as early as in February, but were only recognized as shareholders in July.

- *Corporate bond market*: For it to grow, there is a need to quickly have in place a first rating agency in Vietnam to facilitate public offerings as well as private placements in issuing bonds.

Response by Mr. Pham Hong Son, Vice Chairman of State Securities Commission

The State Securities Commission (SSC), under the leadership of the MoF, has been working directly with the Capital Market Working Group and reached consensus on the raised issues.

SSC responses to the working group’s four recommendations are:

- The Securities Law is still being drafting. In the National Assembly’s agenda, SSC will seek comments from it by May 2019 and by the third quarter, the MoF will make its submission to government. At this point, SSC is working with in-country and international experts on the draft bill and probably by early August 2018, will put it out for extensive consultation in the business community.
- On various concerns about the law, while the draft has not been published, SSC and the working group have had technical discussions on the initial draft.
- Concerns about IPOs are duly noted and will be further reviewed by SSC. Any companies fishing their IPOs, under the Securities Law, must register for listing and trading without delay. SSC will ensure this rule is enforced to avoid any losses for equity contributing investors.
- In respect to market rating upgrades, the government is committed to drawing inbound capital flows, especially foreign capital into the domestic stock market. Key criteria for market rating upgrades such as market size, transparency and requirements for disclosure have been met by the stock market in Vietnam. Going forward, SSC will further improve a number of qualitative criteria to propel the Vietnamese stock market from a frontier to emerging market, thus increasing its attractiveness and drawing in foreign capital.
- Regarding corporate bond market development, the MoF has set in motion its agenda with its internal agencies. SSC will report to government for release of a corporate bond decree. In respect to the rating agency, the MoF has licensed a rating company as a first step toward a corporate bond market.

Power and Energy Sub-Working Group – Mr. John Rockhold, Head

VBF would like to participate in the analysis and recommendations for Power Master Plan 8 (PMP8). A key issue is to design PMP8 to encourage and enable linkages between private international finance and technology with domestic banks and company know-how as well as to develop a market which attracts major Vietnamese and international corporations and SMEs.

At the 2018 Asia Pacific Energy Conference, Vietnam was rated as the highest in the region for future investments, but also highest in risks of current energy Power Purchase Agreements and PPPs. The reasons are:

- No clear framework for risk allocation between government and private sector and management of associated liabilities
- Reluctance of government to provide adequate contractual support, especially for foreign currency convertibility, termination and curtailment, off-take credit worthiness
- Procurement and negotiation of PPP
- Vietnam has not developed successful power generation investment policies in other ASEAN countries for private sector involvement and participation.

Working group can bring value to the power and energy planning process:

- Accurate analysis of current power market conditions in Vietnam/ASEAN
- Quantifying financial resources: what is available and what conditions apply to private financing
- Partnership to deliver energy security, in a power market that needs to attract USD56 billion in power generation in Vietnam. Vietnam needs about USD7 billion/year in private sector investment, but receives less than USD1 billion.

Missed opportunities:

- Vietnam Energy Partnership Group: no private sector participation
- Working Group-Direct Power Purchase Agreement: no private sector representatives, private companies in Vietnam with actual investments, development, implementation and operation not at the table for developing Vietnam's policy
- Readiness for Climate Finance Support: no defined role for the private sector
- Power Development Plan #8: A private sector contribution to the design and implementation of the new plan is essential to get the private sector at the table.

Recommendation: Include the private sector in all such policy and planning processes and begin development through private sector partnerships.

SESSION 4 - CLOSING

World Bank – Mr. Ousmane Dione, Country Director

Four challenges, the world is facing and which Vietnam could also be impacted, can be summarized into four main words which spell 'VUCA'.

- *Vulnerability:* seen through protectionism and nationalism
- *Uncertainty*: global trade is a big challenge
- *Complexity:* how politics is shaping the world and business environment
- *Ambiguity:* how decision-making can shift.

As an open economy, Vietnam cannot underestimate those four factors. It needs to be strong and keep pace with enhancing productivity and competitiveness as one body. The linkages between domestic and FDI businesses would be an analogy of the body and focus on three parts: head, heart and arms. There are three Ls as linkages as below:

- The *Head*, means *Leadership*. It would be important for Vietnam to continue to champion reforms to improve regulations and remove major bottle-necks, to better manage and share risks, to further enhance attractiveness and competitiveness, but also implementation and monitoring will be critical.
- The *Heart*, L means *Leapfrogging*: This is the heart of the linkages. Innovation, knowledge, good domestic businesses will be critical. Technology and automation would be fundamentally required. Domestic businesses need to find a way to raise competitiveness.
- L links to the *Arms*, meaning *Leveraging*: There is an opportunity to leverage human capital, how to build the right skills for the right businesses. Leveraging is also financing associates, especially in the context of physical constants and where private sector participation is critical. Leveraging is connecting Vietnam's sectors such as energy, transport, agriculture, agri-business.

We need a plan with a roadmap that defines specific bottlenecks and policies to address them, expectations to be met and what are those expectations. An implementation path is needed. This is where the VBF and government need to come and link together.

Vietnam Business Forum Consortium - Mr. Vu Tien Loc, Co-chairman

The government is encouraged to continue its reform momentum, based on Resolutions 01, 19, 35, to launch Vietnam as one of the four top competitive countries in ASEAN. It is hoped the government will further press ahead its robust integration agenda, especially in rolling out CPTPP and EVFTA, to facilitate business growth and create a new thrust for the economy. We suggest ministries and line agencies continue to cooperate with working groups and chambers of commerce to maintain dialogues and resolve issues raised at this forum. VBF is not just a biannual forum, it remains active for 365 days a year.

For responsible value chains of FDI companies to be formed in Vietnam with the domestic private sector, we propose the government further improve the investment and business climate in Vietnam and upgrade competitiveness along the rating boards of the World Bank and World Economic Forum. To tighten the bond between the FDI sector and domestic firms, the government should concentrate on improving key indicators (overall competitiveness at 55th, technology absorption at 93rd, FDI to domestic business technology transfers at 89th, value chain depth at 106th, post-K12 education and training at 68th) directly associated with FDI. Efforts should be made to reach average rankings of 50 and higher if the connection between the two sectors is strengthened. VCCI, chambers of commerce and VBF Consortium will work closely to have in place an agenda to select and support a group of potential local enterprises to connect with foreign-invested companies. The most elite can receive resources to upgrade technology governance to connect with FDI.

On the 30th anniversary of FDI in Vietnam and 20th anniversary of the VBF, we want to highlight upgrading the economy's competitiveness: *i) further boost regulatory reforms, ii) effective implementation of FTAs, iii) embrace Industry 4.0, iv) strong private sector growth* and *v) connect FDI with the local private sector.*

Ministry of Planning and Investment, Mr. Nguyen Chi Dung, Minister

We all agree the Vietnamese economy has achieved monumental success. We highly value the efforts of the government, Prime Minister, ministries, line agencies and especially the business community in administrative procedure reforms, investment climate improvements and upgrading the economy's competitiveness. In addition, we are aware of the many opportunities and challenges ahead and how to take advantage of opportunities that come our way. For example:

- *FTAs can open a new space for development and new markets*: The question is how we deal with partnership arrangements going forward to enlist the benefits of these FTAs, while remaining competitive and cooperative, complementing and supporting one another to take advantage of these opportunities.
- *Industrial Revolution 4.0*: This is a chance for the local economy to accelerate and close the gap with advanced nations. FDI will still remain the frontline sector that leads the way in making full use of Industry 4.0.

- *Challenges remain*: Trade tensions, protectionism and impacts of global economic growth, inherent weaknesses of the economy and poverty, developmental gap and climate change challenges remain.

This forum focused on the themes of increasing the bond between the FDI sector and local businesses. The crux of the problem is technology. With measures relating to technology absorbability and the ability to master and develop technology of local businesses remaining low, they lack the capability to successfully network with the FDI sector. The question is what can FDI do and what support, interaction and connections can it provide to help domestic firms to grow. What should domestic businesses do to upgrade their skills and ability to absorb technology and what support should the government provide to connect the two sectors?

The forum also touched upon many other issues - law enforcement, inconsistency in interpreting and applying the rule of law, environment for technology transfers, equities, energy, tax and customs concerns. The government has directed the MPI to work on a PPP Law. A tentative plan is for the ministry to submit the law to the National Assembly to pass and enact it by 2019. The ministry invites the FDI community and all concerned parties to contribute feedback on the bill for it to have the best quality.

Hi-tech agriculture: An advisable approach should be high-performance agriculture, close connections with value chains and sales markets. Hi-technology is a means to achieve “high performance”.

Industry 4.0: The MPI is tasked with developing a national strategy on Industry 4.0 and from there, provide directions and strategies to restructure the economy across different industries and sectors. The MPI has reported to the Prime Minister on the need to have in place a national innovation center to absorb and diffuse technology for research and development work, assist businesses’ access, where order placements for research will apply, before transfers are made to the ordering businesses. The MPI is also working on creation of a network connecting Vietnamese talent studying and working in research institutions, companies and corporations in other countries. The comments and discussions from today will be compiled by the MPI for reporting to the government and Prime Minister for further assignment to relevant ministries and line agencies for review and recommended policy changes.

The Prime Minister has made a decision that October. 4 will be the day to have the 30-year review of drawing foreign investment into Vietnam. The MPI hopes the business community joins hands with us in the compilation and evaluation of achievements, shares in the challenges and gaps encountered and directions for partnership moving forward as well as organizes events in a most meaningful and efficient way.