



SPEECH BY JAPAN BUSINESS ASSOCIATION IN VIETNAM (JBAV)

*Presented by
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Chairman of JBAV*

Your Excellency, Mr. Vuong Dinh Hue, Deputy Prime Minister of the Socialist Republic of Vietnam,
Your Excellency, Mr. Nguyen Chi Dung, Minister of Planning and Investment,
Ladies and Gentlemen.

I am Karashima, Chairman of Japan Business Association in Vietnam (JBAV).
As the Co-Chair Chamber of Vietnam Business Forum (VBF) this year, JBAV wishes to make vibrant contributions to VBF's activities.

Today, on behalf of JBAV representing more than 1,600 members of Japanese companies operating in Vietnam, I would like to express some opinions based on the viewpoint of Vietnam's maintenance and improvement for international competitiveness.

Over the past several years, the annual increase of the minimum pay in Vietnam has remarkably exceeded that of CPI.

As a result, Vietnam's current minimum wage (in zone 1) is higher than the one in the major industrial area in the Philippines, while Malaysia and Thailand have constrained from increasing their minimum wages. If include those costs on social welfares and trade union, the labor related costs in Vietnam stands the same level as the ones in Thailand.

Of course the increases in the minimum wage will contribute to expand local demands. However, at such a rapid increase, we are concerned that Vietnam will lose its relative competitiveness against its neighboring countries. I suppose that it shall be strategic to determine an appropriate annual increase in the minimum wage based on CPI's increases.

Moreover, in order to enhance Vietnam's attractiveness as a country of manufacturing, I suppose it is extremely vital for Vietnam to enrich its industrial environment to lead to create added values in addition to his labor cost competitiveness.

Based on this perspective, I assume that it is essential to form supporting industries by developing the small and medium-sized enterprises (SMEs) immediately.

I find that the new proposal of "Draft Bill to support SMEs" put forward at the National Assembly shows Vietnamese strong awareness of this issue, which I highly appreciate.

To develop supporting industries, I suppose it is necessary for Japanese enterprises which have their own strengths and superior know-hows (for instance, mold manufacturers) to be encouraged for the technological transfers to Vietnam by collaborating with local SMEs.

At present, several Japanese manufacturing companies plan to transfer their manufacturing facilities to Vietnam from Japan and third countries. If those enterprises can easily move their manufacturing facilities to Vietnam, this movement will greatly contribute to the formation of the supporting industries and as well as the development of Vietnam's SMEs.



However, there is one barrier for Japanese enterprise's movement to Vietnam. This lies in regulations (policies) to import used machines and devices. Circular number 23 promulgated by Ministry of Sciences and Technology in 2015, in principle, allows the import of those machines and devices used less than 10 years, but at the same time, there should be some room for importing those machines and devices, used over 10 years.-I would suggest it would be more effective on formation of supporting industries in Vietnam and local SMEs, if those enterprises who import used machines and devices as their own fixed assets, are allowed to bring the used machines regardless of numbers of used years. Then those enterprises with their own strengths may further be encouraged to move to Vietnam.

Moreover, we also expect Vietnam to make further efforts in making it easy to grant Work Permits to experts engaged by the enterprises. This ease of Work Permits will contribute to further development of supporting industries, not only from the perspective of manufacturing capabilities improvement, but also from Human Resources' enhancement.

I believe those points which I just mentioned are the most critical to maintain and enhance Vietnam's international competitiveness.

I really wish the Vietnamese Government and the Prime Minister to uphold their leadership to swiftly and thoroughly address one specific issue after another.

Lastly, I get so delighted to know that the visit to Japan by the Prime Minister last week made great achievements for Japan's further expansive investment.

Japan and Japanese enterprises will be ready and willing to make contributions to Vietnam's economic development.

Thank you very much for your kind attention.