



EUROCHAM SPEECH AT MIDTERM VIETNAM BUSINESS FORUM 2017

*Presented by
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Vice Chairman*

Honorable Deputy Prime Minister, Ministers and Government Officials, Country Directors of the World Bank and IFC, Ambassadors, colleagues of the Chambers of Commerce, Ladies and Gentlemen,

EuroCham is pleased to acknowledge the efforts that the Vietnamese Government has made to improve the business environment and to increase Vietnamese companies' competitiveness, listening to many interested parties' suggestions as on Prime Minister's meeting with businesses on May 17th here in Hanoi.

EuroCham is waiting for the final approval and implementation of the EU Vietnam FTA as an important moment in the development of trade and the improvement of the competitiveness of Vietnam. If properly implemented, this agreement will facilitate trade through the gradual removal of tariffs but, more importantly, it should also help Vietnam to align its procedures, safety and quality standards with those in Europe and other Western countries. We have worked with the EU delegation on the roadmap for the implementation of the agreement and we strongly believe that it would be good for Vietnam if several rules and procedures were amended even before the legal enactment of the treaty.

We wish to highlight five issues that need to be addressed to substantially enhance Vietnam's sustainability and competitiveness in global trade, and benefit the European business community in this country:

1. Sustainable growth and energy policy

As Vietnam moves into more capital intensive industries to increase local content, the government can focus its industrial policy of completing the supply chain with processes that are environmentally friendly and have adequate recycling facilities.

EuroCham offers to the Vietnamese Government the example and support of the European experience and technology in energy conservation and efficiency, in renewable energy, in clean production.

OECD governments and consumers are becoming more discriminating in terms of the products they accept to buy, and they choose the ones produced with processes that are environmentally friendly and where labour practices are most comparable to the home standards.

Renewable sources of energy may have a smaller scale than traditional alternatives but they have a much faster implementation time, and they do not constrain the country to a long term commitment to the same source of energy, so we recommend to commit even more to making them viable.



2. Financing investment in infrastructure

Economic growth and urbanization are increasing demands for public infrastructure for goods and services. However, the State budget is only able to meet a small part of Vietnam's infrastructure needs and declining ODA funds are not sufficient to complement the shortfall. The balance has to come from private investment, through better Public-Private Partnerships (“PPPs”) that balance the risks and are bankable for international companies, with public bids that are transparent, timely and fair, and through the full privatization of the market. As we shall hear later this morning, the form given to the Solar Decree, the price fixed for electricity but especially the conditions of the PPA mean that the contract is still not bankable for international companies, thus further delaying a much needed investment source.

Local solutions to mobilize funds for growth from underneath family “mattresses” or “the brick”, where a new bubble is brewing, come from enhancing transparency in the capital markets, extending the fields of investment of insurance companies and pension and insurance funds to infrastructure bonds, as well as giving them clear and simple rules and implementation (for example with the creation of a truly independent supervisory body).

3. Improve legal environment

The strong protection of IPR is essential to encourage foreign investment in Vietnam. Even though Vietnam has improved its legal framework and the enforcement of IPR, the enforcement of IPR laws remain a concern for European and Vietnamese businesses alike. EuroCham therefore calls on the Vietnamese Government to ensure that trademark and copyright infringers face strongly dissuasive legal sanctions for IPR infringements, including when operating through internet, and that Cease and Desist Decisions are immediately enforceable.

Since investors in Vietnam generally choose to provide for dispute resolution by international arbitration, especially for large transactions, we wholeheartedly suggest to the Vietnamese government to actively encourage the courts to enforce international and local arbitration awards. We also recommend to phase out the concept that a “contract is governed by a specific international law but is governed by Vietnamese law in case of conflict with the fundamental principles of Vietnamese law” as it creates a high level of uncertainty and undermines the whole concept of allowing both parties to freely choose a specific, well suited, legal system to govern their contract.

4. The Fourth Industrial Revolution

Vietnam is attracting a lot of investment but mostly in the traditional industries, clothing and shoes, electronics assembly, and still in the nineteenth century industries of steel and chemical. If Vietnam wants to catch up to the present and move to the future, it has to make clear choices to openly push for what will become the industries of the future. Vietnam can learn from the best of Singapore by spearheading new industries. At the same time it has to allow the private sector to run its own bets, since some will succeed and some not, but the country as a whole will benefit.

We firmly believe that if it chooses to be the one ASEAN country where electric automobile and motorcycles are manufactured, Vietnam will emerge from its “me too” follower status to lead at the forefront of the automotive and clean energy sectors. This will also open the way to produce



batteries for buildings and cities, to complement intermittent renewable energy. Of course this has to come with a plan to recycle used batteries.

Vietnamese are on the one hand highly proficient with mobile phone technology which could make them leading consumers and opinion leaders but on the other have limited specialized job skills to harness this potential into the companies, so more effort needs to be made in vocational training and in ensuring that the schools and universities teach more relevant subjects, and encouraging independent thinking. More can be done to attract international talent and keep it working here and to convince those many Vietnamese who go to study abroad to come back home to work.

5. Coordinate with provinces to ensure uniform application of laws and policies

Many investors in Vietnam find more problems in opening their facilities from administrative challenges at provincial level than at national level. This is due to the non-uniform application of laws and policies with regard to taxes and customs, in approvals to use the land or other requirements.

Provinces are competing for investment and they should be as open and transparent as possible, and coordinate with the central government to ensure that investors with projects in different provinces are treated consistently. It is in the Provinces' interest to go further than the FTA requirements, for example by inviting international bidders for procurement, thus securing better quality, more variety and new sources of funds.

Eurocham has opened a new chapter in Da Nang to cover the center of Vietnam and is continuing to cooperate with the MOFA to address the international perspective of the Vietnamese provinces and to help them in becoming more attractive for European and international investment.

Thank you very much. I wish you all health, happiness and prosperity and a successful outcome of today's work.