



## **REPORT OF NORDIC CHAMBER OF COMMERCE AT THE MIDTERM VIETNAM BUSINESS FORUM 2017**

*Presented by  
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Government leaders, business representatives, ladies and gentlemen, The Nordic Chamber of Commerce – NordCham, appreciates this opportunity to share its views on the business climate in Viet Nam.

As a small Nordic business community with a long history in Viet Nam we would like to share our view on a few specific areas which Nordic investors focus on.

### **I. Power and Energy**

#### **1. Investment, Energy Security and the 4th Industrial Revolution**

The Made in Vietnam Energy Plan\* laid out the roadmap of reforms that is needed to be implemented to attract an estimated \$7 billion of investment in energy annually from private investors.

The Plan highlights the speed, low risk and economic efficiency of fully utilizing the renewable energy resources, natural gas and energy efficient technology in Vietnam to meet the challenge of relentless growth in energy demand and how that plan would increase the probability of having energy security in southern Vietnam from 2018 to 2030.

Global trends in energy markets reflect, new demands from power consumers, reducing costs for clean energy and the impact of new technology within the 4th Industrial Revolution, including:

- Consumers expect to have access to clean energy, The RE100 Group and Apple, Nike, IKEA leading this dynamic movement
- The falling Cost of Solar and Wind technology bringing it to close to parity with the cost of energy produced from natural gas and super critical coal
- A new architecture for the power market with the 4<sup>th</sup> Industrial Revolution technologies. No longer is a power consumer playing a single role in the market – buying power and a power producer the complementary role of supplier – selling power. The consumer is now also a power producer (solar rooftop) and as a power storage facility (batteries, the Internet of things, electric vehicle charging/production of energy)
- Increasing sensitivity to air and water pollution and analysis of the social and economic costs, with China as the unfortunate example of the consequences of economic growth without sufficient environmental management

The 4th Industrial Revolution will deliver a range of new technologies and inter-connectivity for data, power and services impacting all economies and industries.



- With a more flexible power development plan, the Government will avoid building a new dependence on the imported fuel of coal with its consequent risks for security of supply and tens of billions of dollars in foreign exchange demands and balance of payment risk.
- The MVEP will achieve a more efficient use of electricity that will reduce energy waste and make Vietnam more competitive, productive and attractive for FDI.
- Furthermore, it will decrease the heavy financial, logistical and severe environmental costs of transporting coal and coal waste, which helps to ensure energy security for a sustainable growth of Vietnam.

*\* The Vietnam Business Forum – Power and Energy Working Group, supported by EuroCham, EVBN, AmCham, and the Nordic Chamber of Commerce December 2016*

## **2. Three-keys reforms to accelerate investment in the power and energy sector**

**2.1. Direct Power Purchase Agreement:** MOIT approve a number of new renewable energy power projects that are permitted to execute a Direct Power Purchase Agreement with any large power buyer that wants access to clean energy and wants to avoid an energy supply that increasingly relies on fossil fuels.

**2.2. Publish a Roadmap to Retail Power Price Inflation (Market Based Pricing):** MOIT publishes a Roadmap of Retail Power Pricing to 2020 with a vision to 2025, including definition of variable pricing between the three main tariff groups – residential, commercial and industrial.

- This provision of pricing information to power consumers is the most effective way to incentivize investment in energy efficient equipment and processes. Many large power consumers believe that power prices will remain low and subsidized (e.g. many cement plants have no Waste Heat Recovery systems in Vietnam, which is a standard feature in other countries).
- All available research in Vietnam indicates that it is not realistic to expect that power inflation will continue to be below or at the general inflation level and power inflation is inevitable and potentially steep.

**2.3. Form a Partnership with the Private Sector to develop a Solar PPA and detailed regulations for export of power from rooftop Solar systems to the Power Grid:** We encourage MOIT to create a partnership with the private sector's solar experts to issue all detailed regulations and contracts in the form most likely to attract a large amount of private investment.

## **II. Environment**

Viet Nam like the Nordic Countries share thousands of years of habitation in areas close to sea level which has produced a share relationship of our love for clean environment. Protecting the natural resource from climate change and pollution is a high priority in Vietnam and Nordic countries. Viet Nam today is seen taking proactive action on industrial polluters and in the reduction of CO<sub>2</sub>; however penalties for polluters are low compared to income of these industries. Our earlier industrialization of Nordic countries has allowed us to developed proven technological know-how in pollution reduction. When Nordic companies invest overseas, they



are obliged to follow the same strict environmental rules as applied in their respective Nordic countries.

We recommended that you continue your vigilance on Environment issues and be selective, and choose only investors that want to accept to work within Viet Nam using the highest environmental standards, especially in waste water treatment and CO2 reduction.

**Vietnam has in place adequate Environmental laws and regulations to protect the environment. Sadly we have seen firms able to by-pass these laws and regulations. The Government needs to enforce these laws, fines, have firms implement their environmental plans and have polluters pay for damage.**

### **III. Fertilizer Industry**

1. Currently, Customs officers take sample of almost the import shipments to send to Classification Dept (belongs to General Customs Dept.) to classify and appoint the HS code. Although the imported products are inorganic fertilizers; the products are still appointed with HS code of chemical, where we have to pay import duty, VAT and make a chemical declaration, which they should not have to when the products are applied properly as fertilizer. (Krista-K Plus, Krista MgS). This current process also makes the high quality fertilizer more expensive to the farmers

Our member being a partly state owned, stock listed, Norwegian company, are obliged to comply with all local laws/regulations, they do not trade chemicals, hence they believe it is unreasonable to apply HS code of Chemical on their products.

**There is a need for an official clarification that fertilizers should be applied HS code in Fertilizer chapter, not in chemical chapter.**

2. According to Decree 15/2017/NĐ-CP (Article 2, paragraph 8, point d) dated 17/2/2017, MARD is appointed to be in charge of all kinds of fertilizer. But until now is not yet any Circular guiding the implementation of this Decree, as well as unclear effective date. Lacking such circular the Customs officers are still applying regulations from both Ministries, and DOIT is still the one doing the Conformity Announcement documentation.

**We would like to have a clear written instruction from relevant Ministries to avoid mistake and overlapping activities.**

### **3. Counterfeit and trademark infringing fertilizer packaging**

We have seen an increase of counterfeit and copies of known international trade marks present in the Vietnamese market, both misleading farmers to buy low quality products and infringe IP rights fully registered in Vietnam.

Some cases have been handled by relevant authorities, but the penalty and consequences are very low, and the unhealthy practice continues.

**We would like to see a more firm handling from relevant authorities, with stricter penalties, and both companies and individuals that infringe copyrights are made publicly**

**known on a website or other suitable media, so that distributors and farmers can easily identify and avoid these fake products.**

#### **4. VAT on fertilizer**

We understand that the Ministry of Industry and trade has proposed to amend and supplement some provisions relating to Law no 71/2014/QH13 amending and supplementing some articles of the tax laws on fertilizers subject to refusal. Value - added tax (VAT) offset the VAT tax for fertilizer. This is an important factor encouraging domestic enterprises and foreign invested companies alike, to invest in new technologies, produce high quality fertilizers, and actively supply them at reasonable prices.

The impact of this new law, implemented from 2014, was for medium size producer a reduction in taxable profit of about USD 1 million and for larger producers about USD 2 million per year. Furthermore these companies contribution to the state budget is reduced by several million USD per year when VAT is not collected. It however did not reduce the prices of fertilizers and had not positive effect for the farmers.

**As our members are among the world largest fertilizer producers who invest heavily in technology and produce only high quality fertilizers, we as Nordcham strongly support this initiative to amend this tax law.**

#### **IV. Logistic/Transport/Port situation**

Many of our member companies are still experiencing great problems due to increased transport and logistic cost as a result of port congestion and lack of handling capacity in the major Vietnamese ports. In order for Vietnam to remain competitive compared with its neighboring countries it is important to improve the cargo handling capacity and cost.

Today logistics/transport cost, in particular for container are several times higher than neighbors, and thus more open competition is needed to reduce these costs. This is also very important for the Vietnamese products to be competitive compared to similar products produced in the region. Present ports need to be improved and new ports need to be built, this applies both for container terminals and bulk-steel cargoes.

**We recommend that in order to accelerate investment in this important sector the policy is eased to allow 100% foreign shareholding in transport and port investment projects.**

Finally we have noted that as per WTO commitment as from January 2014 foreign companies should be able to operate in the logistic field as fully foreign invested companies, however the regulations on how to apply the new rules have not been issued.

**We recommend that comprehensive regulations are issued without further delay enabling foreign companies to make needed investment in the logistic field, which will make the logistic services more competitive and reduce exporter and importers cost.**

From NordCham's perspective, our members are confident about their investment in Vietnam which is based on a long term view. Several new Nordic companies have increased their present investments and new companies have been established during the past year.



We appreciate this opportunity to participate in the Vietnam Business Forum and thank for this opportunity to exchange views and enhance understanding between the Government of Vietnam and the business community.

We wish good health to the Minister, representatives of business associations, and the diplomatic corps, and all the representatives here today.

Thank you.