

STATEMENT
VIRGINIA B. FOOTE, CO-CHAIRMANVietnam Business Forum
Hanoi, June 9, 2015

Your Excellency Prime Minister Nguyen Tan Dung, Minister Vinh, Ministers and Deputy Ministers, Ambassadors, ladies and gentlemen, it is with great pleasure that we open the mid-term Vietnam Business Forum with the Prime Minister. We are deeply grateful that you have been able to attend and we very much look forward to your comments today.

We are very happy that since our last meeting in December 2014, some significant progress has been made on issues important to businesses in Vietnam - and we were very pleased with the commitments made in Resolution 19th which the Prime Minister announced in March 2015. Last year saw the passing of significant changes with the new investment and enterprise laws, land and real-estate laws, and in addition to raising some concerns over the implementation of these laws by speakers today, we hope to highlight some additional suggestions that we would like to make for reform going forward. We have included in the VBF book progress reports of areas of improvement and areas where we think more work needs to be done.

We salute the goal of the government to aspire to the standards and success of the ASEAN 6. We hope the topics and comments raised today can help Vietnam transition from what the World Economic Forum call "factor-driven" economies to "efficiency driven" economics as the other ASEAN 6 have done.

Through VBF we particularly hope to work on areas of interest to the Government and the business community - both domestic and foreign - that need work to ensure that Vietnam is ready to take advantage of the several trade agreements either signed or in the final stages. The Trans-Pacific Partnership, the EU-Free Trade Agreement, Regional Comprehensive Economic Partnership, the Korean FTA, full implementation of the ASEAN community, and the Russian Custom Union agreement are also potentially huge opportunities for Vietnam's economy and people. We congratulate the Vietnamese government for progress on so many trade agreements to date, and are hopeful this summer will see progress or the conclusion of others.

For our companies to further integrate into the global supply chains and to attract the much needed supporting industries, these agreements will require new laws and regulations of high standard, and our speakers this morning will address some of these key areas. But overall we are all concerned that in many cases administrative reform will be just as important.



We have discussed with VCCI under Project 12 how the business community can join with Government to fight administrative inefficiencies and corruption. We have strengthened our efforts by adding the activities of the Vietnam Integrity Alliance into the VBF working group and we will hold four workshops this summer on how companies can learn from international governance best practices. As we have mentioned before, we will continue to work to encourage ways to greatly reduce the use of cash, paper, and face-to-face financial transactions for business-to-business and business-to-government payments. Paper, cash and face-to-face transactions take time, open the door for illegal payments, and add administrative costs for business and government.

The Provincial Competitive Index for 2014 reports that perceptions of corruption among foreign investors are getting worse despite efforts made by Vietnamese authorities to address the problem. From business entry to procurement to customs to courts, FIEs report higher frequency and scale of unofficial side payments, and are concerned about the effect of this corruption on their operations and relationships with government authorities. Most strikingly, 89% feel that they are disadvantaged when they refuse to pay.

We also want to highlight what has seemed to be a year of adding unwelcome restrictions on domestic and foreign internet companies, but more importantly these restrictions are hindering connectivity and internet tools used by every business. We hope the effect of these regulations can be assessed with our input this year. We are also concerned that while the average bandwidth taken by malware and spam is 5% globally, in Vietnam malware uses 26% of the available bandwidth. This means Vietnam is the third or fourth country most hacked or hacking. This can greatly undermine the many ways the internet can be used by customers and companies to harness technology, efficiencies, and security in a modern economy.

Also in the spirit of being prepared for the upcoming ASEAN integration, Vietnam does not fare well when compared with ASEAN 6 in entrepreneurship and training. In the group of Asian economies, the second highest fear of failure was expressed by respondents was Vietnam (57%). Malaysia has the lowest fear of failure rate amongst those who seek opportunities, with 33% against the regional average of 41%. Malaysia is closely followed by China (34%) and Indonesia (35%). Countries in the region have nurtured entrepreneurship through public awareness and support, education and training programs for SMEs and would-be entrepreneurs.

Again, the PCI has interesting information that the skills mismatch and the cost of training went back to 2010 levels primarily due to the cost of in-house training and the poor quality of vocational training. Vietnam remains among the lowest of productivity rates in Asia. But at the same time the difficulty has grown for getting work permits for those companies seeking to build or maintain a highly skilled workforce. "Bringing in external experts serves as a complement to in-house training programs. Consequently, difficulty in obtaining work permits for

foreign personnel leads to fewer specialists and less knowledge transfer in existing FIEs. Unfortunately, 74% of FIEs report that obtaining work permits is difficult."

For accounting standards, we applaud the important steps the government has taken this year to bring Vietnam's accounting system closer to global standards. And we hope a firm road map and quick timeframe can be established to bring the Vietnamese Accounting Standards fully in line with International Financial Reporting Standards, particularly the application of the "fair market value" concept, which is a fundamental principle globally.

We will discuss this more in the later panels, but I also wanted to emphasize our concern under the new law on investment that foreign enterprises face 267 lines of business that are considered "conditional projects". When compared to equivalent concepts used in other countries, Vietnam's list is considerably longer. Indonesia and China for example each have 30 – 40 restricted areas but their procedures require only one Ministry to be involved and only where foreign entity would have controlling interests. Whereas, in Vietnam any foreign investment however small in these 267 sectors, needs to be approved by a ministry-in-charge.

We urge that working towards global best practices on investment and other issues will help global integration and bring additional investment to Vietnam for more supporting industries and value-add production and will help Vietnam join the ranks of the competitive ASEAN 6.

In closing, may I emphasize that we all hope to see Vietnam benefit greatly from the tremendous opportunities the upcoming trade agreements provide and we greatly appreciate the Government assistance to working with us through the VBF to make that happen.

Again your Excellency, our deepest thanks for your attendance today.

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3. European Chamber of Commerce in Vietnam (EuroCham Vietnam)
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