



Key Points from US Business in Vietnam

There are, of course, many areas of the business climate that require improvements in order to attract more American business and investment into Vietnam. This paper summarizes a few subjects that deserve special mention.

- Additional action is needed to improve macro-economic stability.
- Infrastructure deficiencies and inadequate logistics continue to deter US business and investment.
- Price controls do not work and are counterproductive. Implementation of price controls has focused primarily on imports from foreign companies.
- Recently expanded import licensing procedures have caused numerous problems.
- Reform of the inefficient state-owned enterprise system is critical.
- Further action is needed to improve and upgrade workforce skills.

We are pleased to see the government taking actions to stabilize the macro-economic situation facing the country. The actions described in Resolution 11 can only be effective if the government is serious about enforcement and long-term stability. Proper economy policy can help reinsert confidence into the economic climate here.

The critical issue of improving Vietnam's physical infrastructure has been raised by AmCham repeatedly for at least the past five years. Today we note that there are still deficiencies and delays in the development of key infrastructure, especially inter-provincial roads, bridges, including approach roads, electric power, strategically located seaports and their related land-side infrastructure and intra-city public transportation such as light rail. Many prospective US investors point to infrastructure deficiencies and inadequate logistics as a major deterrent to doing business here.

For over a year, AmCham voiced our concerns to the Government over a draft circular to implement price control mechanisms. We were disappointed that the circular became law six-months ago. We believe that price controls do not work and are counterproductive. We are also concerned that implementation of the new law has focused primarily on imports from foreign companies. For example, discrimination between local and imported pharmaceutical products has significantly impacted pharmaceutical imports from the US to Vietnam. In addition to its overall non-market approach to pricing, the law creates new administrative burdens on all enterprises throughout the production and distribution chain for an extensive list of products. American business in Vietnam thinks that rather than price controls, consideration should be given to liberalizing the supply chain for distribution to make it a more efficient and effective means of increasing product affordability.

The government has also recently expanded import licensing procedures that have caused many shipments to be delayed. No justification for these measures has ever been given to the WTO, and the scope of these procedures is wider than necessary and the procedures are excessively burdensome.

Despite the gradual shift towards a market economy that commenced in 1986, and despite the rhetoric on state-owned enterprise (SOE) reform, the state sector continues to play a dominant role in the Vietnamese economy. We need to see more evidence of the Government's willingness to reform the inefficient state-owned system, considered by many analysts as a root cause of macro-economic instability. Corruption and conflict of interest issues are embedded in the fabric of the SOE sector. Without addressing fundamental governance issues, progress will remain challenging. This misallocation of resources continues at a time when Vietnam needs to be making wiser decisions about capital outlays and business strategy.

We encourage the Government to take additional steps towards international best practices on accounting standards and tax collection to help tackle growing corruption concerns that remain one of the biggest challenges to progress here.

Vietnam will not win the globalization game on cheap labor alone. The Government must take further action to improve and upgrade the skills of its workforce. The challenge of modernizing the higher education system is one of the most important components of a country's globalization process, and one that directly affects the options and prospects of future generations. AmCham is committed to assisting Vietnam in providing a better education for its children.

The onerous documentation and notification requirements for obtaining work permits are reducing Vietnam's attractiveness for American business. We urge the government to devise a more effective and customer-friendly way to handle work permits.

We are very pleased that Vietnam is participating in the Trans Pacific Partnership (TPP) negotiations and hope this leads to greater harmonization and ease of doing business here. We are hopeful that this 21st century agreement can address needs on transparency, competition policy, intellectual property issues, behind-the-border barriers, and government procurement regulations. We are also hopeful that the TPP can address newly-emerging trade issues such as supply chain connectivity, regulatory coherence, innovation, and small- and medium-sized enterprise development. Such an agreement would underpin the goal of inclusive growth where all participating countries benefit. Continued strong support for the TPP will underscore the engagement of the United States in the region.

In summary, the US business community here wishes to see greater action to improve macroeconomic stability, legal certainty, industrial relations, workforce development, protection and enforcement of intellectual property rights, and infrastructure to support manufacturing and trade. We are also eager to see if the Government is serious about streamlining administrative procedures and fighting against the scourge of corruption. AmCham members continue to believe in Vietnam's growth potential. However, without positive action on the issues mentioned above, only the bravest US firms will commit to making substantial investments here.