



Covid-19 and Economic Recovery in Vietnam May 8, 2020

The pandemic has completely upended lives and economies across the planet, restricting movement, shutting schools, forcing people to work from home, and jeopardizing employment for millions.

AmCham members are thankful that Vietnam's leadership has taken serious and appropriate steps to mitigate the damage from this terrible virus. The strict measures understandably frustrate many people, but the government's actions have effectively contained the spread of the virus so far.

Success is not just about case numbers. It is about creating a sense of security so that people feel comfortable that the person serving their food, or working next to them, is not a danger. In Vietnam, that feeling of security is coming back and it is something all of us are grateful for.

The Prime Minister said the top priority of the government during the pandemic is to protect people's health and lives. The second most important task, he said, is to protect businesses and prevent an economic collapse.

All of us understand the inevitable tension between containing the spread of the virus and the need to allow economic activity. Decisions by government leaders on when and how to reopen, what level of movement and activity is safe, and how to reactivate important sectors like travel, tourism and hospitality, are some of the most difficult policy decisions people have faced in our lifetimes.

We welcome the announcements of stimulus and support packages applying to a list of industries the government says are greatly impacted such as passenger transport, tourism accommodation, restaurants and some other fields. We suggest the addition of some business sectors that are not yet included on the list. For example, the beverage industry is seriously impacted by the epidemic due to the closure of restaurants, retail stores, entertainment services, and the reduction of tourists. Revenue of non-alcoholic beverage companies has reduced significantly in the past few months and the downward trend will likely continue in the coming months. AmCham will continue to suggest sectors greatly affected to ensure a more comprehensive list of industry sectors eligible for government support.

Key export products such as footwear and apparel may be up to 50% lower in the near term. Businesses like these want to maintain their workforce for future growth but are struggling. We hope the government will support businesses to keep workers employed, either at reduced compensation, or by reduced contributions and obligations to the government.

AmCham also encourages the government to look at the effectiveness of different support initiatives. For example, while deferring some taxes and insurances is beneficial to some, many businesses see only limited assistance from these programs. Small businesses need loans to stay alive. We hear from many businesses that are unable to access low interest loans under the government's loan support package because banks have been rejecting applications over concerns about the borrowers' ability to repay, and borrowers not being able to show positive cash flow. We hope those standards can be addressed.

The slowdown of the global economy and consumer markets shows that more diversified supply chains could help Vietnam be seen as an attractive investment destination and create possibilities for new job growth here. We believe that the government's effective response to the pandemic will also bolster Vietnam's status as an attractive market for continued M&A activity.

To take advantage of these opportunities, we need accelerated use of e-government, e-commerce, e-banking, fintech, modern cloud computing, and the overall reduction of paper and cash for all businesses. Accelerated implementation of these digital economy objectives will greatly reduce administrative costs and time burdens for all businesses, and will attract new investors. In addition, foreign investment limitations, an overly restrictive legal framework of laws governing businesses, and burdensome administrative procedures should be carefully reviewed and selectively relaxed to encourage increased foreign investment and support economic recovery.

Another promising area that can accelerate economic recovery is continuing infrastructure development - especially clean projects. Improving waste management and air quality concerns in Vietnam by accelerating the use of clean energy, clean vehicles, clean agriculture, and reducing the inefficiency and waste of energy, will help build a stronger circular economy and will spur job creation.

None of this is easy and we recognize that Vietnam's ability to provide economic and financial support is limited. AmCham asks that government leaders clearly and comprehensively define additional support measures, and that provincial and local authorities implement them in a consistent way.

Our members represent billions of dollars in foreign investment, tens of thousands of direct employees, hundreds of thousands of indirect employees, and a significant share of Vietnam's exports and tax revenues. The US business community stands with the Vietnamese people and we remain committed to partnering with Vietnamese authorities to support the community and ensure that business is not disrupted any more than necessary during this crisis and that new opportunities for the future are realized.

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