



AmCham Statement at the Vietnam Business Forum October 13, 2020

Thank you for the opportunity to present the American Chamber of Commerce's view of promoting an innovative and sustainable business environment in Vietnam and how to strengthen economic recovery during this global pandemic. This VBF comes at a time important for both foreign and domestic companies and provides a chance to prepare for a bright future.

The crisis has uprooted the ways people work, learn, relax, and consume. There is no business, no sector, and no economy beyond the reach of the devastating influence of this pandemic. Vietnam is on the road to economic recovery but it is likely to be a bumpy ride and we offer some ideas of how to make the recovery a success.

Vietnam's early action, extensive contact tracing, effective government communication and widespread public compliance has helped to mitigate the damage from this lethal virus. This success enabled a fast start on the path to economic recovery and as companies continue adjusting global supply chains, the government's effective response to the pandemic will further boost Vietnam's status as an attractive destination for investment.

The pandemic, as in so many other countries, has given a huge boost to Vietnam's digital economy in general, and e-commerce in particular. Schools and workplaces across the country turned to online solutions, and online orders increased tenfold during the shutdown. Organizations that quickly launched new platforms, apps, and services proved to be more resilient. They preserved their business continuity, transitioned to remote working and learning, and even experimented with new ways to respond to customer needs.

As we look at boosting economy recovery after Covid-19, there are many things the government can do right now to improve the business and investment climate and to attract new investment.

Enable mobility: establish predictable procedures for expatriates entering Vietnam

It is our hope that better systems can be established for our executives and technical support teams to enter the country. Safety is the priority, but we wish to work on more predictable procedures to make reentry possible for our personnel stranded overseas or those who cannot risk leaving Vietnam for fear of not being allowed to return. In addition, as new investors look at Vietnam, they need to be able to send personnel to examine and negotiate with their counterparts here. It is also our hope that the doors for tourism can begin to open – safely – to help the badly hurt hospitality industry. Greater coordination between government agencies and hospitality and transportation companies is crucial.

Accelerate e-government and e-commerce

We need accelerated use of e-government, e-commerce, e-banking, fintech, hyperscale cloud computing, and the overall reduction of paper and cash for all businesses. Replacing Vietnam's local cloud technical standards in state agencies with internationally recognized cloud certification and compliance mechanisms and adopting Cloud First Policies will enable the Government to choose the best technologies, strengthen digital resilience, and develop a robust e-government technology ecosystem. Setting good policies that enable the use of mobile wallets and other electronic payment systems can help facilitate more productive e-commerce and reduce opportunities for corruption and fraud. The social distancing period clearly demonstrated that e-systems save time and money. Accelerated implementation of these digital economy objectives can permanently reduce administrative costs and time burdens for both the Government and all businesses, and will attract new investors looking for global standards and ease of doing business. It will provide the foundation for Smart Cities infrastructure and services.

Thoroughly consider the Draft Decree of the Law on Cybersecurity

The backbone for e-systems is strong cyber security. While laws should accommodate relevant differences between platforms, given the fast-evolving nature of the sector, regulations should be written in technology-neutral ways that address the underlying issue rather than focusing on existing technologies or mandating specific technological fixes.

The business community is very concerned with what we understand is the recent Draft Implementing Decree of the Law on Cybersecurity. The draft contains a clause requiring domestic organizations to store data onshore automatically while foreign companies will be subject to data localization if they do not adequately comply with a three-step law enforcement process for content specified in the decree. This new proposal represents a serious step backwards by dividing the domestic and foreign business community, although our interests are aligned. It will also adversely impact the continued development of Vietnam's digital ecosystem.

Major Vietnamese enterprises and small startups alike have already contracted with offshore digital technology service providers for essential data services. This new requirement will cut off domestic companies from these offshore services they are using legally and successfully. This Draft Decree would be devastating for both domestic and foreign companies and the work we are doing together to advance Vietnam's economic interests. We have not yet been presented this new draft, and urge that we be allowed further consultation. This is a very serious issue for us and we would like to work towards a mutually beneficial solution.

Ensure a favorable climate for existing investors

We know the Prime Minister and Government have prioritized administrative reform to improve ease of doing business. It is critical that all companies and investors encounter a fair, transparent, predictable, and streamlined regulatory environment that values innovation - not only to attract new investment, but also to maintain and grow the investment that is already here. An overly restrictive legal framework and burdensome administrative procedures open opportunities for "rent seeking" and illegal fees. In contrast, streamlined administrative procedures can encourage and expedite increased foreign investment and support economic recovery.

In this regard, our members were initially concerned that the Draft Labor Decree might add repetitive procedures for hiring and employing our Vietnamese staff and workers. We are pleased to see that these concerns have been addressed and we thank the Government for that.

As the most trade-reliant economy in Southeast Asia, Vietnam's short-term challenge is its reliance on the rest of the world to drive its domestic growth. While Vietnam's economy is well-placed to stage a faster and stronger rebound than its regional neighbors, we believe the remainder of 2020 and the early months of 2021 still present many challenges. The main reason is that Vietnam's major trade partners have all been severely hit by the pandemic - especially the United States, which even now remains the largest export market for Vietnam.

Key exports such as furniture, footwear and apparel could see substantial declines in demand while regional competition grows. We fear a decline in U.S. orders and sales from Vietnam for the coming months, including into next year. In this difficult time, many businesses want to maintain their workforce for future growth. We hope the government will support businesses to help them keep workers employed - either at reduced compensation, or by reduced contributions and obligations to the government.

Maintain patient access to the best healthcare products and services

We urge the government to reduce restrictions and difficulties some of our products have entering the Vietnam market. For example, medicines face overly burdensome import and licensing requirements, even after being approved for Vietnamese patients. Ensuring continued Market Authorization (MA) validity is essential for both pharmaceutical companies and patient health. The serious backlogs are unworkable and have become an urgent issue; therefore, we urge the Government to install an automatic 12-month extension for MAs and temporarily put on hold regulations that are posing barriers for market access, such as Certificates of Pharmaceutical Product (CPP), until they are revised. In addition, medical technology companies are facing new documentation and disclosure requirements that are inconsistent with international practice.

Apply fiscal policies supporting businesses

Despite the pandemic, there are opportunities for Vietnam to capture new business and investment.

American companies and investors have long complained about trade and industrial policies in other countries that put American businesses at a competitive disadvantage. Pre-Covid trade tensions highlighted concerns on concentrating production in a single country and the pandemic has escalated those concerns. Over the past 18 months, Vietnam has successfully picked up some of the supply chain shifts. We believe Vietnam will likely see even more such investment as companies come under increasing pressure to diversify their supply chains.

Our members 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. Raising the Foreign Ownership Limit for banks could help strengthen local banks and make more capital available for business integration and growth. Our members also wish to participate in the divestment of state ownership, and hope to receive early and transparent guidance on the lifting of foreign ownership limits in these cases.

Accelerate sustainable projects

The pandemic has demonstrated that public and private sector organizations need proper infrastructure to overcome disruptions. Another promising area that can accelerate economic recovery is continuing infrastructure development and approving and expediting long-awaited investment projects. Streamlining approval processes can help facilitate investment for those projects, and provide the critical infrastructure needed to attract other FDI. This is also an opportunity to focus on sustainable projects. Our members were pleased to see the Party's Resolution 55 on clean energy. Improving waste management, reducing carbon emissions 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. U.S. companies are leaders in the energy sector and are eager to invest in offshore gas development, LNG, solar, wind, and biomass energy projects, and wish to see private investment in electricity transmission lines in Vietnam. Our members hope for access to investment in offshore gas development, LNG projects, transmission lines, solar, wind, and biomass energy projects. Opportunities in this area can help Vietnam meet its energy development needs while improving the environment.

AmCham members are also very interested in development of the recycling industry to help reduce plastic pollution in Vietnam's rivers and oceans. If we could establish a waste collection and recycling system, value would be assessed and a new piece of a circular economy developed. We thank the Ministry of National Resources and the Environment for its efforts working with us. In addition we would like to continue to work on ideas for industry and consumers to reduce the use of non-recyclable materials.

Apply new initiatives for integrating into global supply chains

Finally, while Vietnam's tax rate of 20% is competitive, data shows that filing and paying taxes in Vietnam is still too difficult compared to neighboring countries. Too many companies are also suffering from what seem to be unfair and non-transparent tax reassessments with penalties and interest. Investors need to see predictable and globally consistent tax and audit procedures, and avoid retroactive rulings. After many years, we still see that Vietnamese accounting standards are not in line with global standards, and we hope to see real progress on Advance Pricing Agreements (APA) which create the stability and predictability necessary for integrating into global supply chains. Progress in these tax areas will improve business conditions that strengthen the private sector, ensure economic and social development, attract additional investment, and promote prosperity here in Vietnam.

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. As we emphasized at our business summit last week, trusted partners prosper together. AmCham members stand with the Vietnamese people and we remain committed to partnering with Vietnamese authorities to ensure that business is not disrupted any more than necessary during this crisis and that new opportunities for the future are realized.

As we celebrate 25 years of diplomatic relations between our two countries, AmCham hopes that the U.S. and Vietnamese governments will take steps to begin talks on an eventual free

trade agreement – multilateral or bilateral. This would be enormously important for Vietnamese and American companies alike.

In closing, we are proud that so many companies keep finding ways to support the local communities where we live and work. AmCham members have made humanitarian donations of PPE, food, and beverages for front-line workers; medical equipment, including an RNA/DNA extractor and a Realtime PCR system; and a fully equipped ambulance; as well as financial and other forms of support, and we are pleased to have assisted Vietnamese organizations on the front lines. We were deeply touched by the gift of masks from the government and people of Vietnam to the government and people of the United States. It is a great reminder that we can all do our part to help in these challenging times.

Thank you for this opportunity to speak this morning. We are looking towards a bright future in Vietnam and I wish good health, happiness and success to the leaders, distinguished guests, and our members here today.

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