



Statement by Mark Gillin, Chairman

Vietnam Business Forum

June 3, 2013

Good Morning.

.As you look around the room consider this thought: the presence of everything and everyone one around you is in some way connected to Vietnam's decision to pursue Doi Moi.

Doi Moi was the catalyst for a special period in Vietnam's history: a time of prosperity, cultural development and widespread social wellbeing unlike any other in Vietnam's modern history. It was a period of rising significance for Vietnam in the global economy during which investors saw Vietnam as the new land of opportunity. In retrospect, it was a kind of "golden age" in Vietnam's development.

Recently, there is growing concern that Doi Moi has lost momentum, and opportunities are being lost with it. While Vietnam has achieved so much since the first VBF meeting in 1997, general issues like corruption and excessive regulation, and specific issues like the visa waiver are still prominent agenda items. All act as economic drags that stifle Vietnam's development.

The effects of these "drags" are increasingly apparent as Vietnam's performance lags its ASEAN neighbors, most of whom posted GDP growth in excess of 6% in 2012.

Vietnam needs a dramatic and fundamental refresh. It needs a Doi Moi 2.

Through the Doi Moi experience we saw what worked. We highlight 4 lessons below:

LESSON 1: THE POWER OF PRIVATE ENTERPRISE: Doi Moi 1 established private enterprise in Vietnam and tapped into the entrepreneurial talent of the Vietnamese people, creating millions of jobs and a new sense of optimism.

Doi Moi 2 should continue to promote and protect private enterprise through a level playing field where rules are fairly enforced, and companies compete on their merits, including for access to capital, land and opportunities.

Amcham encourages the National Assembly to ensure that under Vietnam's constitution private enterprises will be treated no less favorably SOE's.

LESSON 2: THE BENEFITS OF TRADE: Under Doi Moi Vietnam signed numerous free trade agreements including the BTA with the US, membership in AFTA, and the WTO. These agreements helped boost U.S. bilateral trade from \$1 billion to 26 billion in just 11 years, creating jobs, tax revenues, exports, and better access to capital, technology and management experience.

The Trans-Pacific Partnership is another such opportunity. Studies have shown that Vietnam has more to gain from TPP than any other partner country.

The TPP is perhaps the single most important act in launching Doi Moi 2. It would reinvigorate the Vietnamese economy and boost investor confidence at a key point in Vietnam's development.

LESSON 3: ENABLE RATHER THAN RESTRICT: Doi Moi, was characterized by steady and continuous easing of restrictions on goods, capital and people. Not surprisingly, this increased trade, investment, and tourism. The scale and speed with which these changes took place created a major boon to the economy and a renewed sense of opportunity. This experience reinforced what the architects of Doi Moi understood: that restriction stifles and freedom stimulates.

Looking at other countries, we've seen the high correlation between ease of business on one hand and clean government, high incomes and income equality on the other, and of course the correlation between excessive regulation and corruption.

In spite of such evidence, the pace of regulatory reform seems to have slowed.

Doi Moi 2 should embark on a renewed regulatory reform initiative based on a fundamental shift in Vietnam's regulatory culture; a shift where regulators' first question is not what documents or licenses are missing, but why they are even required in the first place? A shift away from the "Tom and Gerry" roles-playing where regulators too often try to catch well-intentioned companies who are genuinely unaware of regulations or how to comply; a shift from catching to guiding; a shift from telling companies why they can't do something, to showing them how. This means a higher levels of transparency, advance notification (in line with its WTO commitments), coordination, capacity building, and clarity.

One particular issue requiring clarity regards what constitutes a "foreign invested enterprise" for purposes of the market access and national treatment limitations. This question remains unresolved 5 years after the WTO accession.

LESSON 4: THE IMPORTANCE OF ACTION: Doi Moi was embarked upon with extraordinary courage and political will. At the time, the outcome was uncertain; but there was conviction and commitment to see it through. On the whole, it worked. It was a brilliant, courageous bet.

.

Under Doi Moi 2 we need a renewed sense of follow-through and determination to address the lingering issues of corruption, regulatory dysfunction, and SOE reform. Most immediately, the economy needs the NPL situation addressed, not simply discussed.

This forum is committed to constructive dialogue on these issues, but real progress relies not on discussion, but on implementation, and implementation requires leadership and political will.

Vietnam has talented leaders - what the system currently lacks, what Doi Moi 2 must provide, is the ability to bite the bullet and take action on the long-discussed, big-picture issues we've cited here today. Doi Moi 2 must address how big decisions are made.

Reform and positive change renew confidence. We have seen this in the rising interest in Myanmar and the recent successes of Indonesia and the Philippines. Most importantly we have experienced it through Vietnam's own success with Doi Moi.,

A new round of reforms, a Doi Moi 2, that provides further encouragement of private enterprise; that fosters trade and investment through initiatives like the TPP; that establishes renewed emphasis on and commitment to regulatory and SOE reform could quickly restore confidence in Vietnam's economy and enable it to realize the potential that was so evident to those of us who gathered in this forum in 1997 in the midst of Vietnam's bold and wonderful experiment with Doi Moi. May it continue afresh.

Thank You.

~ ~ ~ ~ ~