



American Chamber of Commerce in Vietnam (“AmCham”)

**AMCHAM STATEMENT**  
**Mid-term Vietnam Business Forum**  
Hanoi, June 9, 2015

*Presented by*  
*Ms. Sherry Boger*  
*Chairperson*

Prime Minister and Ministers,  
Business leaders  
Distinguished Delegates  
Ladies and Gentlemen

I am pleased to participate in this important VBF Meeting, with the theme: “Enhancing competitiveness toward international economic integration.”

**SOME POSITIVE DEVELOPMENTS**

First, it is important that we recognize that Vietnam has been extremely successful in international economic integration in general and with the United States in particular. Last year, total trade between our two countries again expanded by 20% and reached \$36.3 billion, and could reach nearly \$72 billion by 2020 if present trends continue, and even more with TPP<sup>1</sup>. Moreover, in 2014, Vietnam became the leading ASEAN country supplier to the United States, ahead of Malaysia and Thailand. Vietnam’s share of total U.S. imports from ASEAN was 22%, and could exceed 30% by 2020, if present trends continue<sup>2</sup>.

On the other hand, Vietnam is the lowest-ranked of all ASEAN countries for U.S. exports, at only \$5.7 billion in 2014<sup>3</sup>. This figure could certainly be increased by improving Vietnam’s business environment for exporters from the U.S. and other countries, and importers in Vietnam and their distributors.

At the same time, revenues of AmCham companies and their partners in Vietnam’s domestic market continued to grow, as well, and a number of AmCham companies increased their FDI in Vietnam.

**TPP, OTHER FREE TRADE AGREEMENTS AND INTERNATIONAL ECONOMIC INTEGRATION**

After many years of work, the Trans-Pacific Partnership Free Trade Agreement is closer to conclusion and ratification. With work and reform, Vietnam could be the largest beneficiary from the TPP in relative terms.

The TPP is important for all member countries and especially Vietnam, first of all, because of the specific, positive impact on exports of goods and services, GDP growth, and the

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<sup>1</sup> see attachment 1

<sup>2</sup> see attachment 2

<sup>3</sup> see attachment 2

creation of more jobs. Some experts predict that Vietnam's exports will increase by 28.4% with TPP. The expected export "baseline" in 2025 without TPP of \$239.0 billion could grow to \$307 billion. In addition, the expected GDP growth benefits are substantial. According to the World Bank, Vietnam's average annual GDP growth rate was 7.4% over the period 1990 – 2007, and is projected at 5.6% over the period 2008-2018. With TPP, Vietnam's GDP in 2025 could be 10.5% higher than the baseline estimate.

Business and government leaders are increasingly aware of the growing importance of the Asia Pacific Region and the associated benefits of TPP. According to a widely quoted study published by the Brookings Institution and the Organization for Economic Cooperation and Development (OECD) "Growth of both multinationals and the global economy will depend increasingly on emerging market consumers, especially in Asia (India, ASEAN, and China). Global middle-class spending should rise from \$21.3 trillion in 2009 to \$55.7 trillion in 2030. Asia's share should increase from 23% in 2009 to 59% in 2030. In 2009, there were 525 million middle-class consumers in the region. By 2030, that number will be 3.2 billion."

That is one reason why U.S. and other global corporations have established and are establishing more production facilities in Vietnam, to serve Vietnam, ASEAN, Asia-Pacific, and other global markets. It is also why we are all interested in developing free trade agreements such as the TPP, the EU-Vietnam FTA, the ASEAN Economic Community 2015, the Korea-ASEAN FTA, the Japan-ASEAN Economic Partnership Agreement, etc.

Finally, as the U.S. Congress has moved and is moving toward approval of Trade Promotion Authority to prepare for prompt ratification of TPP, we hope and expect that Vietnam and the U.S. will have concluded negotiations. We salute the TPP as it will help to further lay a foundation for regional integration, and further economic and social development. Cooperation in the TPP can be a foundation and engine for the U.S.-Vietnam Comprehensive Partnership announced in July 2013.

## **ENHANCING *ENTERPRISE* COMPETITIVENESS TOWARD INTERNATIONAL ECONOMIC INTEGRATION**

While Vietnam has been extremely successful in attracting FDI and benefitting from significant export growth from FDI factories, and we would like to see additional growth and participate in the further development of supporting industries.

In 2015, small and medium-sized enterprises (SMEs) in Viet Nam generally lack the capacity to participate in supply chains for FDI factories. Only 36% of all Vietnamese firms are integrated into export-oriented production networks, compared with nearly 60% in Malaysia and Thailand. Just 21% of Vietnamese SMEs participate in global supply chains, and SMEs' contribution to exports from Viet Nam is significantly less than in other countries. Improvements in hard and soft infrastructure can greatly grow these numbers

Future economic and social development will depend on further integration into global supply chains so we can all benefit from global sources of funding and technology and gain access to global markets. A proposed new law on SMEs together with the selection of five industry sectors for developing clusters and value-chain products: electronics, textiles, food processing, agricultural machinery, and tourism can help. Action plans should be drawn up that include cooperation with the private sector, especially FDI, which would better inform the government and companies both about successful SME development incentives in other countries, and about necessary requirements for joining global supply chains and developing supporting industry clusters. In addition, a modern education system that supports such development by providing work-ready graduates and innovative

research for manufacturing industry, accounting practices that are globally accepted, administrative and tax procedures that are streamlined and transparent,-- all contribute to supply chain integration.

Vietnam has roughly 400 business associations representing specific business sectors and regions. These associations are a source of information on market conditions for their members, as well as training in business development and export requirements. Given their role in raising the competitiveness of SMEs in the export economy both as direct exporters and suppliers to FDI, they can serve as conduits for government support in the key areas noted above.

Last November, our Manufacturing Committee organized a “supplier development day” with the participation of a large number of Vietnam companies. In addition, we have organized in recent years and will be pleased to organize in the coming days training sessions for Vietnamese businesses on how to become a “qualified supplier,” in cooperation with local and national government agencies and business associations.

As for education of work-ready graduates for industry, our members are pleased to be involved in a number of projects either leading or contributing to vocational, practical and curriculum modernization. In support of developing the high tech sector, we encourage the government to lead a large scale transformation to scale HEEAP (Higher Engineering Education Alliance Program) in 2018 with HEEAP 3.0 across the country to achieve internationally recognized accreditations, support basic and applied research, and develop a foundation for innovation and entrepreneurship.

### **ENHANCING *GOVERNMENT* COMPETITIVENESS TOWARD INTERNATIONAL ECONOMIC INTEGRATION**

It is also important that local and national government agencies improve their competitiveness and rigorously implement streamlined procedures as government service providers to businesses to help prepare for international economic integration.

The Government has issued Resolution 19/2014 and Resolution 19/2015, setting Key Performance Indicators for efficiency in providing government services, including tax reporting and payment procedures; access to electricity; protection of IPR, property rights; investors and minority shareholder rights in line with international standards; fairness and transparency in market-based access to credit; to reduce the time for import and export clearance to the average of the ASEAN-6 group; to reduce the time to deal with business insolvency; to publicize information about business performance and financial standing in accordance with law and in line international best practices.

Resolutions 19 lay out key indicators for progress and we urge more effort to be sure that the policy is understood and implemented at the government agencies’ working levels. We therefore very much appreciate the government’s work with the VBF working groups and the regular dialogue that we have. There should be regular and meaningful government consultation and cooperation with businesses, including FDI, at the working level, on a monthly and quarterly basis to assess progress. And there must be “concrete targets” to improve the business environment.

For example, the Customs and Trade Facilitation Key Performance Indicator (“KPI”) for 2015 is to reduce the time for import and export clearance to the average of the ASEAN-6 group (being 14 days to export and 13 days to import) compared with 21 days for both import and export in Vietnam in 2013. And the Customs and Trade Facilitation KPI for 2016

is to “reduce further the time to export to under 10 days and the time to import to under 12 days.”

Recently we have established a “Vietnam Trade Facilitation Alliance,” (VTFA) led by VCCI and AmCham, with the participation of leading export industry associations (apparel, footwear, furniture, etc.) to facilitate these regular government-business consultations and help achieve the customs KPI. Supported by a grant from the USAID Governance for Inclusive Growth Program, part of the World Bank Trade Facilitation Support Program of technical assistance provided by the developed countries to the developing countries under Section II of the WTO Trade Facilitation Agreement, the VTFA is working to establish formal consultative relationships between the General Department of Vietnam Customs (GDVC), and other government agencies involved in international trade, and business associations, as provided for by the WTO Trade Facilitation Agreement and by the WCO Revised Kyoto Convention, as well as the TPP and other Free Trade Agreements. The VTFA is intended to serve as a national coalition for business and trade stakeholders to provide regular consultations with GDVC and other ministries or agencies regulating international trade, through regularly scheduled formal monthly and quarterly public meetings.

We also very much appreciate the MOU VBF has with the Customs Department and the ongoing work with the business community to implement important reforms and modernization.

As another example, we were very pleased with a meeting of HCM City Leaders to try to resolve business difficulties and improve the business environment. And they will recommend to the Central Government solutions to problems which need to be resolved at the national level. The HCM City leaders will develop a small working group to meet with the business representatives to resolve difficulties facing investors and entrepreneurs, improving business environment in order to build an equal business investment environment and make the rules and policies of Vietnamese government more transparent.

Some specific issues that affect our members greatly are visas, tax problems, and restrictions on imports of used machinery as important difficulties facing businesses.

**Visas:** Vietnam’s Immigration Law was revised in June 2014 and became effective on January 1, 2015. We think this change is a major step backwards. According to some provisions of the law, U.S. citizens that plan to visit Vietnam under the equivalent of a U.S. B-1 or B-2 visa will receive visas that have, at most, a three-month period of validity, and a single-entry only. This means that, in the near future, based on reciprocity, U.S. visas for Vietnamese citizens that are temporary visitors could be reduced from the current one year validity to only three months validity, and from multiple-entry to a single-entry only.

This development, has already resulted in significant impediments to business and pleasure travel both ways between Vietnam and the U.S., and could reduce the large revenues that tourism generates, not to mention the negative impact on the planned development of tourism as one of the five priority industry clusters in Vietnam.

**Tax:** We have raised with both the Ministry of Finance and the Ho Chi Minh City People’s Committee a particular situation where U.S. importers and their distributors are being disadvantaged by a requirement to pay Value Added Tax on imported goods twice. The tax authorities froze distributors’ bank accounts while the case was under appeal. We hope that this case can be solved promptly. There are a number of other cases involving tax issues that we will raise.

**Imports of Used Equipment (proposed revised Circular 20):** At meetings in both HCMC and Hanoi, businesses universally opposed the revised circular, which was intended to promote development of manufacturing industries by “encouraging imports of new machinery, equipment and production lines that are manufactured with the latest technology.” The restrictions in the draft Circular are likely to have the opposite effect, and discourage manufacturing industries, because of coverage of long-term capital equipment, parts and accessories due to the broad scope of the Harmonized System customs classification codes involved. An extensive global trade in used manufacturing equipment has developed, particularly in capital-intensive industries, because it is often preferable for an investor to obtain high-quality used or remanufactured equipment, often moving equipment from one of their own existing factories in another country to Vietnam, rather than order new equipment with long delivery lead times and much higher cost. Rather than restriction, the goal of encouraging imports of manufacturing equipment for high technology industries is better served by providing new duty and tax incentives for investment in appropriate equipment and technologies.

### **ENHANCING COMPETITIVENESS REQUIRES GOVERNMENT-BUSINESS DIALOGUE AT ALL LEVELS**

AmCham members and prospective foreign direct investors are frustrated by persistent delays and uncertainty on key projects, policies, and regulations, including implementing circulars for Laws and Decrees, key infrastructure projects, streamlining administrative procedures, and others.

In the automotive sector, for example, the lack of a clear road-map and details under the strategy document of Automotive Master Plan 2020- vision 2030 has dampened investor confidence and brings the risk of manufacturers’ considering alternate plans within the ASEAN region.

In the banking/finance sector, policy direction and regulation have been well-intentioned, but delays and inconsistencies in implementing circulars, and indeed the capacity of certain agencies to “understand” rules, has been a huge challenge. We need to develop (1) Implementation capacity at the working level, especially in licensing; (2) Inter-agency collaboration to resolve discrepancies in regulation; (3) a better system of resolving issues at the “working level” wherever possible.

In the children's milk sector, the Government’s recent decision to extend Decision 1079/QD-BTC “on the application of price stabilization measures for milk products for children 6 years old and under” for a further 18 months will continue to create pronounced negative impacts on the industry’s development and businesses. Prices in this sector are already comparable to global prices and the market is diverse and competitive. This Decision goes against the spirit of the 2012 Price Law, which promises to “respect the self-determination of prices and competition of businesses”, and contradicts WTO regulations, TPP competition principles, international practices, and Vietnam’s goal of achieving market economy status.

### **OTHER KEY POLICY ISSUES: BANKING SYSTEM, SOE REFORM, CORRUPTION**

Additional perennial policy challenges are to reform the banking system and deal with non-performing loans, reform of state-owned enterprises, and corruption.

**Banking System:** The Banking Working Group will address reform of the banking system.

**State Owned Enterprises:** We are concerned that equitization has been very slow and in some cases is in name only. It is hard to see how the sale of only a minority share changes the governance, the reliance on the State, or the power of the partially equitized SOE to still crowd out private sector development.

**Corruption:** We know the government shares with us the concern that corruption has become corrosive and widespread in Vietnam and is dangerous to the economy and society as a whole. While there have been some actions from the Government, it is time to address corruption in a wider fashion by implementing systems well known to reduce the opportunities for illegal payments as well as incorporating a code similar to the U.S. Foreign Corrupt Practices Act (FCPA) or the UK's Bribery Act. A significant step forward would be to take actions that greatly limit the use of cash payments and face-to-face transactions, and to increase the use of e-Commerce in Vietnam.

## **CONCLUSION**

Once again, we express our appreciation for the guidance in the Prime Minister's 2014 New Year's Message, in Resolutions 19/2014 and /2015 and this opportunity for "... interaction between State agencies, between the State apparatus and socio-political organizations ... . Dialogues with the people and businesses ... to promote closer relationships between the State, cadres, civil servants and the people and better match policy and legislation with reality."<sup>4</sup>

We also appreciate the interest and efforts of the National Assembly in organizing the Spring Economic Forum in April 2015 with the theme "Continuing to reform the investment and business climate in Vietnam: Turning Words into Action."

We look forward to cooperation and support through regular and meaningful Government-business consultations at all levels of government, with concrete targets to be achieved. We remain active in support for the TPP and the preparations in Vietnam needed to bring further success.

On behalf of all AmCham members,

I wish distinguished participants good health, happiness and success.

Thank you very much.

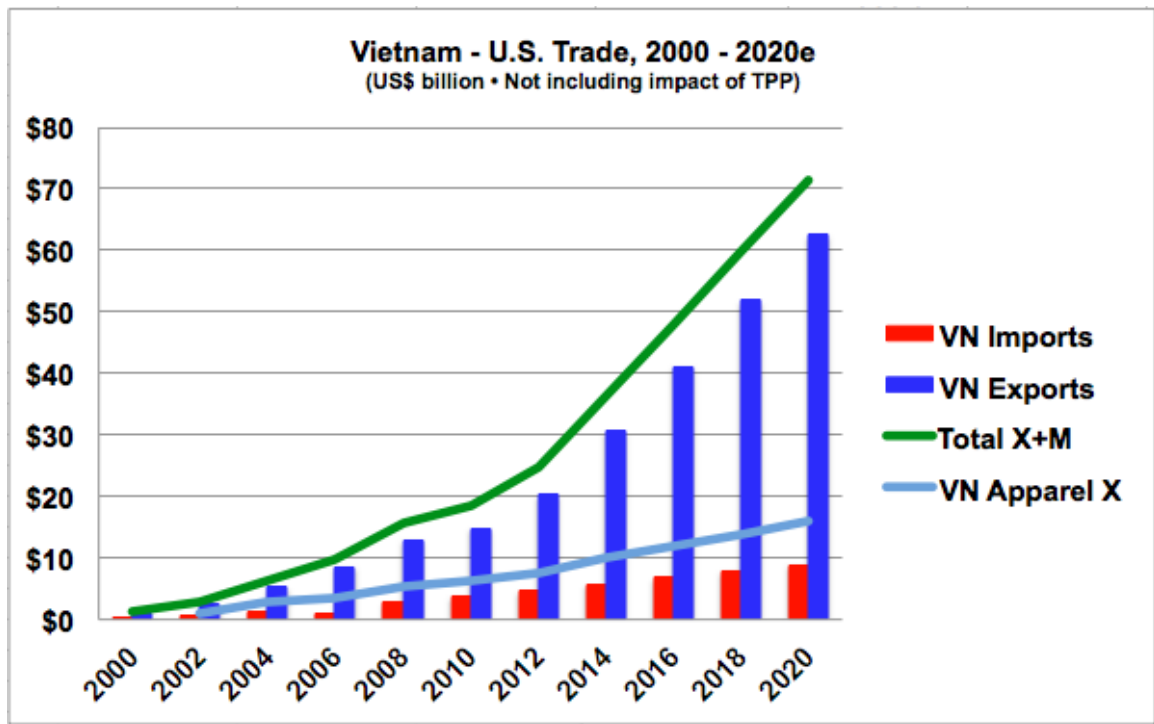
## **Attachments**

1. Vietnam – U.S. Trade, 2000 – 2020e
2. ASEAN – U.S. Trade, 2000 – 2020e
3. Visa Reciprocity of TPP, ASEAN Countries (Validity, Multiple or Single Entry)

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<sup>4</sup>"Phải tăng cường tương tác giữa các cơ quan trong bộ máy nhà nước và giữa bộ máy nhà nước với các tổ chức Chính trị – xã hội. Mở rộng đối thoại với người dân và doanh nghiệp bằng nhiều hình thức để Nhà nước, cán bộ, công chức gần dân hơn và chủ trương, chính sách, pháp luật sát với thực tiễn hơn."

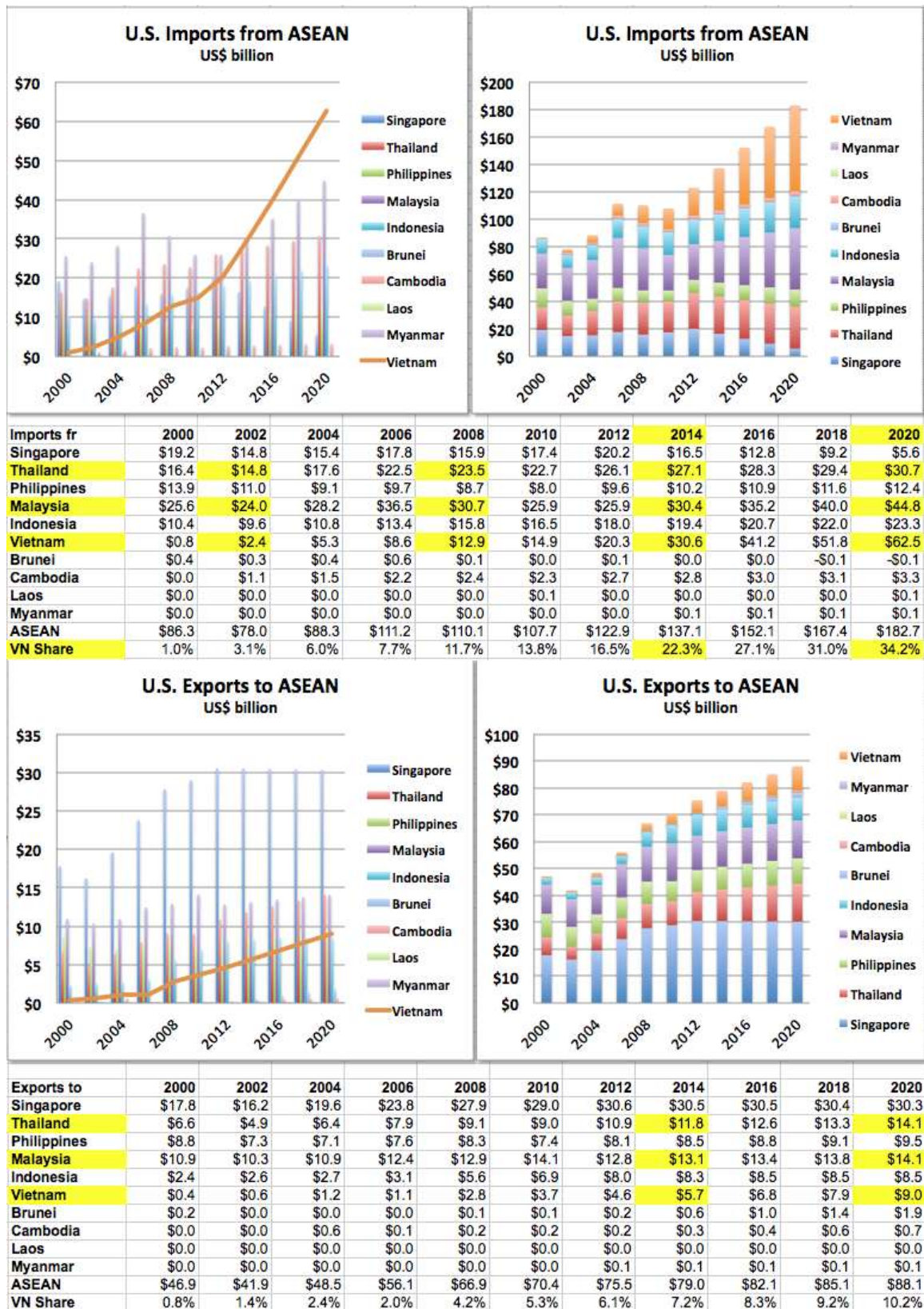
Attachment 1 Vietnam – U.S. Trade, 2000 – 2020e



	2000	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020
VN Imports	\$ 0.4	\$0.6	\$1.2	\$1.1	\$2.8	\$3.7	\$4.6	\$5.7	\$6.8	\$7.9	\$9.0
VN Exports	\$ 0.8	\$2.4	\$5.3	\$8.6	\$12.9	\$14.9	\$20.3	\$30.6	\$41.2	\$51.8	\$62.5
Total X+M	\$ 1.2	\$3.0	\$6.4	\$9.7	\$15.7	\$18.6	\$24.9	\$36.3	\$48.0	\$59.7	\$71.5
VN Apparel X		\$1.0	\$2.7	\$3.4	\$5.4	\$6.3	\$7.7	\$10.0	\$11.9	\$13.8	\$15.9
VN Apparel/Total (%)		40%	52%	40%	42%	42%	38%	33%	29%	27%	25%

**Source:** U.S. Department of Commerce, 2000 – 2014 actuals; 2015 – 2020 estimates  
<http://www.census.gov/foreign-trade/balance/c5520.html#2010>

## Attachment 2 ASEAN – U.S. Trade



Source: U.S. Department of Commerce, 2000 – 2014 actual; 2015 – 2020 estimates



**Attachment 3: Visa Reciprocity Schedules between U.S., TPP and other trade partners**

Country	Max B1/B2 validity (entries/months)	Max B1/B2 validity (entries/months)	Treatment for U.S. citizens
Vietnam	M/12*	N/A	M/3 (M/6 for "family" visits)
Canada	M/120	No visa required for stays of 180 days or less	No visa required for stays of 180 days or less
Mexico	M/120	N/A	No visa required for stays of 180 days or less
Peru	M/120	N/A	No visa required for stays of 90 days or less
Chile	M/120	Visa Waiver Program (WVP)**	No visa required for stays of 90 days or less
Japan	M/120	Visa Waiver Program (WVP)	No visa required for stays of 90 days or less
Singapore	M/120	Visa Waiver Program (WVP)	No visa required for stays of 90 days or less
Malaysia	M/120	N/A	No visa required for stays of 90 days or less
Brunei	M/120	Visa Waiver Program (WVP)	No visa required for stays of 90 days or less
Australia	M/12 (M/60 with \$25 fee)	Visa Waiver Program (WVP)	No visa required for stays of 90 days or less. Electronic Travel Authority (ETA) approval required prior to departure (20 AUD/1 year).
New Zealand	M/120	Visa Waiver Program (WVP)	No visa required for stays of 90 days or less
Myanmar	B1 or B2 1/3 (\$32), B1 M/12 (\$162)	N/A	Visa required, valid for up to three months from date of issue. Max stay is 28 days for tourists; 70 days for business travelers. eVisa option
China	M/120	N/A	Visa required, M/120
Indonesia	M/60	N/A	Visa required, can be obtained upon arrival, valid for 30 days (extendable for additional 30 days)
Thailand	M/120	N/A	No visa required for stays of 30 days or less
Cambodia	2/3	N/A	Visa required, can be obtained upon arrival or online, valid for 30 days
Philippines	M/120	N/A	No visa required for stays of 30 days or less
India	M/120	N/A	Visa required. Valid M/120 for stays of six months.

\* M/12 = multiple entries, 12 months

\*\* Nationals from Visa Waiver Program (WVP) countries can enter the United States for business or pleasure for 90 days or less. All WVP travelers must receive Electronic System for Travel Authorization (ESTA) approval prior to embarking on a plane for the U.S. (\$14/2 years)