

## **SUMMARY REPORT**

Technical Session February 18, 2022

### **General Outcome**

Overall, it was obvious that a tremendous amount of work, experience and expertise went into the papers presented and the responses provided. It was unfortunate that due to quarantine restrictions, a representative of MOLISA was able to attend, and a few other key counter parties were missing. However, thanks to the efforts of the MPI and all the other stakeholders, a productive and positive session was achieved. Looked at in the context of the new phase of the COVID-19 Pandemic, it was a big step to restore the normal VBF mechanism and prepare for the coming challenges and opportunities in terms of restoring the economy and developing supply chains in the “new normal”.

### **Where we Stand**

From Vice-Minister Nguyen Thi Bich Ngoc’s opening remarks, we understood that Vietnam has overcome the main challenges of the COVID-19 Pandemic that in the 2021 - 2025 Plan there are many measures in a package for economic recovery and development. Both sides, it appeared, were focused on the same objectives, being the mobilization of foreign investment to help sustain Vietnam’s successes in recent years, and indeed to take advantage of new opportunities as the global trading system looks for new ways to increase resilience in international supply chains.

### **The Issues Raised**

As usual, the issues raised by the private sector ranged from nitty-gritty details of specific administrative procedures, draft and new laws and decrees, and their implementation on the one hand, to issues of basic principles and policy on the other hand. By way of some highlights and examples:

### **Cross-Cutting Themes**

Of the eleven Working Group papers presented, almost all of them dealt somehow with the issue of how to incorporate COP-26 principles and commitments into the new supply chain, and in particular the ongoing transition to Net-Zero greenhouse gas emissions. Other cross cutting themes included administrative procedure reform in the areas of trade, tax and customs in particular. In trade, for example, while notable improvements have been made to the Enterprise Registration Certificate and Investment Certificate issuing process, “baby permits” (a perennial topic at this Forum) for Trading Licenses, the “Economic Needs Test”, technology licenses, environmental licenses, etc. procedures are delaying projects, increasing costs and reducing competitiveness. Other specific issues include the following.

### **Specific Issues and Solutions**

#### **Agriculture**

From the Agriculture Working Group, we heard that maintaining competitiveness in global markets, raising living standards of agricultural workers, and enhancing food value and its safety, technology and the digital economy will play an ever more important role.

## **Infrastructure, Power & Energy**

The Infrastructure Working Group noted the successes of renewable energy in Vietnam, particularly solar, hydro and wind energy, but they noted also the ongoing difficulties raising large-scale finance for major project development, whether it be transition energies such as gas, or ports, roads and bridges, etc. Some of these difficulties, the Power & Energy Working Group pointed out, derive from inadequate preparation of the project companies in Vietnam when it comes to due diligence, governance and available security/collateral for financing. This Working Group stressed the importance of resolving the outstanding obstacles to Power Development Plan 8 ("PDP") so that investment projects for the near term future may proceed.

## **Visas and Work Permits in the post-COVID-19 Period**

The discussion on issues related to the movement of natural persons came out from several groups - the Tourism Working Group, the HR, Education and Training Working Groups. The main issues included tourist visas to work permits for foreign staff.

We were encouraged to hear that tourist visas will essentially return to the pre-COVID-19 conditions, so that 15 day visitor visas will start to be issued on March 15. However, frustrations were noted among businesses who cannot get work permits for their staff, even for senior executives, due to outdated inflexibility in the diploma category. We look forward to MOLISA's eventual feedback on these issues.

## **Digital Economy**

The discussions on Vietnam's position in respect to the new global "Digital Economy" brought up old and new issues for the VBF. A new point from the Mining Working Group arose in respect to the many important minerals Vietnam is not yet exploiting but which are vital for the global digital economy. Noting Vietnam's need to protect its environment and its need to recoup compensation for the valuable natural resources it enjoys, this Working Group stated that by reducing royalty tax on natural resources (currently among the highest in the region), and processing minerals in Vietnam, Vietnam could assume an important part of the global supply chain for items like batteries, electric vehicles, mobile devices and others.

Vietnam's participation in the global digital transformation was further discussed in terms of deployment of digital technologies in daily commerce, including eCommerce, data-localization requirements, Internet-of-Things ("IOT") etc. All agreed that supporting legislation is needed and much of that legislation is already mature though subject to some points of difference. Those areas include the mechanism for withholding tax on cross border eCommerce, among others. The MPI gave its particular support to this area, noting that digital capacity is key to Vietnam's full participation in global supply chains.

## **Tax & Customs**

In the Area of Tax and Customs the emphasis was adjusting regulations to keep pace of rapid changes brought about by globalization and digitization. Adjusting to the fact of "globalization" of tax means providing predictability to related party transactions by approving Advanced Pricing Agreements ("APA's") and developing a policy framework to address the proposed Global Minimum Tax of 15%.

Adjusting to Globalization in tax and customs means easing regulation to unleash the potential for EPZ's, bonded warehouse and trans-shipments to improve Vietnam's efficiency within the global supply chain.

With respect to Digitization of tax procedures, Circular 80 governing tax of E-commerce has must be amended with respect to taxation of e-Commerce platforms. And in the case of e-government, Vietnam's e-invoicing pilot programs show the need for capacity building both within the local Tax Departments, and Vietnam's excellent National Single Windows program needs legislation compelling the line ministries to share the info required to make the current and relevant.

The response of the MOF to these points was to inform the participants regarding its various stimulus and support measures for enterprises and citizens to help them through the COVID-19 period. The MOF welcomed VBF participants to organize workshops on tax with the MOF as the Korean and Japanese business groups have already done.

### **Tourism and Mobility**

The Tourism Working Group urged the Government to take certain specific financial, administrative and marketing measures to re-ignite this important sector, which creates so many jobs and opportunity. In response the Ministry of Culture and Tourism noted the huge impact of COVID-19 on the sector and, in addition to the visa measures noted above. However, it stopped short of endorsing the reforms suggested for legalization and consularization of certain documents for visitors and staff coming to Vietnam, noting that the Ministry of Foreign Affairs should respond to that issue.

### **Environmental Issues looking forward**

In addition to other issues raised in respect to Vietnam's massive new environmental law and its detailed implementing regulations, the new Environmental Working Group flagged the pending implementation of the European Carbon Border Adjustment Tax, which could impose substantial economic burdens on Vietnam's export of carbon-intensive products to the EU unless Vietnam takes anticipatory measures to reduce the greenhouse gas content of some products. It was agreed that preparatory work should be done, especially with input and guidance from the EU itself, to reduce the risk of a surprise in this area.

### **Concluding Remarks**

Many more issues are set out in the thoughtful position papers in the books circulated on and offline today. Obviously, there are a lot of points that require further work for Vietnam to develop its economy and participating in global supply chains. We believe all parties are willing to enter the 'new normal' to focus on them and resolve these issues. High level support from the Government and the Prime Minister in particular is vital to this process and we wish to thank you for all of your guidance and support to date, and into the future.