



**Foreign Business Dialogue with His Excellency The Prime Minister
Remarks by John Rockhold, National Chair
September 17, 2022**

We thank you very much for holding this dialogue and welcoming our input. The U.S. business community is optimistic about Vietnam's prospects for continued strong economic growth in 2022 and beyond, despite global headwinds. AmCham and our members look forward to continuing to partner with your government to develop an enabling environment that attracts additional investment and drives innovation and sustainable growth.

Effective Management of Global Challenges

Vietnam has managed various global challenges effectively, including the continuing pandemic, a sharp downturn in the global economy, and inflation in key inputs. Its comprehensive, consistent vaccine rollout and pragmatic reopening positioned Vietnam for a resilient recovery. Its timely adjustment to petroleum prices and pauses on new taxes and fees have helped tamp down inflation. Vietnam deserves credit for enabling a stable macroeconomic environment, high GDP growth, and low inflation, as well as fiscal prudence with one of the lowest Government debt-to-GDP ratios in the world.

Vietnam has continued to focus on economic integration, with membership in CPTPP, RCEP, and participation in the new Indo-Pacific Economic Framework (IPEF) in addition to other regional and bilateral FTAs. This increases its attractiveness as a destination for American investment as many companies seek to diversify their global supply chains.

Outlook for Continued Economic Growth 2022 and Beyond

We are optimistic about Vietnam's prospects for continued growth and development. Not only is Vietnam a top destination for MNCs seeking to diversify supply chains, its domestic economy also is experiencing strong growth. The return of foreign tourists this year will also contribute to recovery of the important tourism and hospitality sector.

However, the export-manufacturing sector now faces decreased demand, particularly in the United States and Europe. In addition, Vietnam's investment policies currently may not be sufficiently competitive, nor of high enough quality, to attract much high-tech FDI when compared to the U.S. CHIPS and Science Act, the Europe Chip Act, or incentives offered by regional competitors like Japan, Taiwan, and Malaysia. We urge the Government to revisit investment law policies to ensure Vietnam remains the leading destination for semiconductor and high-tech FDI. Our recommendations follow:

Enhance the Investment Climate

AmCham will continue to advocate for strengthening of the U.S.-Vietnam economic partnership, both through a robust IPEF, and ideally through U.S. entry to the CPTPP. The most important factor for a favorable investment climate is 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 already here. Prompt approvals are needed: for site master plans and related permits, business licenses, investments, and real estate development, as well as reliable and consistent use of e-government and e-approvals. Stability and consistency of local master plans and guidelines are important for businesses to continue operations and grow investments. Increased training and professionalization of government officials will be necessary to enable expedited approvals.

We appreciate the Government's actions that extended, postponed, and exempted taxes to support businesses and citizens during the pandemic, especially the resolution in January on monetary and fiscal policy which lowered Vietnam's VAT from ten percent to eight percent for certain goods and services. While we recognize that new taxes and fees may be needed in the future, their impact should be considered carefully to ensure they support business recovery and do not undermine economic growth. For example, a tax increase or expansion, including the special consumption tax, would have a particularly severe impact on sectors seriously affected by the pandemic, such as the beverage and hospitality industries. Similarly, the new draft nutrition-labeling circular would impose requirements more stringent than regional and global norms, at a time when food producers are already under pressure due to increased costs in raw material inputs.

Many projects that need debt capital will fail if the Draft Land Law is adopted by the National Assembly in its current form. Among other issues in this critical set of proposed amendments, the proposed new law would restrict one-off pre-payments for land use fees by project companies to only two situations: agricultural projects and industrial zones. The omission of infrastructure and manufacturing projects, not to mention other real estate developments, means that these categories of projects could not get debt capital because they could not collateralize their land, as in normal practice globally and under current law. This could have huge unintended effects on the further development of Vietnam's economy. We seek another opportunity to provide feedback and engage in discussion of this important draft law. Integrated

supply chains must be compatible with global tax policies. Vietnam should adopt global standards for accounting, audits, transfer pricing and use the Advanced Pricing Agreement process already approved by the National Assembly. Too many companies currently face non-transparent and unpredictable tax policies and audits.

Accelerate the Energy Transition

Economic growth in Vietnam has spurred significant growth in electricity demand and it is estimated that the country will need \$8-10 billion annually in energy sector investment over the next decade to account for increasing energy demand and forecasted energy shortages. Vietnam is also in the middle of an energy transition and has committed to reach net-zero emissions by 2050. Private sector participation will be crucial to support Vietnam towards the sustainable development of the energy sector.

Although many investors are interested in entering the energy market and have FDI capital allocated, policy uncertainty and an extended timeline for approvals discourage potential investors. To increase confidence and attract investors, Vietnam should finalize and issue PDP8 together with new mechanisms for renewable energy, and process necessary project approvals consistent with other attractive markets.

It is essential to mobilize invested resources that are ready to produce power. Vietnam currently is paying high market prices for a portion of its coal needs and high energy loss through substantial energy inefficiency. Industrial and commercial companies need access to renewable energy, yet there are thousands of megawatts of wind and solar projects which are unable to get to market due to lack of regulation and insufficient investment in the grid.

We propose that the Government bring private sector power representatives and banking representatives into the decision-making process to help remove difficulties and to support businesses to increase/mobilize resources for green and sustainable power development.

In addition to private financing for transmission, we encourage greater use of battery energy storage to enable a higher share of renewable energy and to balance the power system. Market mechanisms need to be put in place to incentivize battery storage.

We continue to encourage Vietnam to launch the Pilot Direct Power Purchase Agreement for renewable energy. AmCham has submitted comments for ways the DPPA structure should be improved to make the mechanism commercially viable. Delays make it difficult for international corporations to plan for carbon reduction in their Vietnam-based supply chains.

AmCham and our member companies are eager to partner on technology solutions and sustainable finance to accelerate Vietnam's energy transition.

Invest in Transportation Infrastructure to Drive Sustainable Growth

Transportation infrastructure is a significant constraint both on Vietnam's ability to attract additional FDI in manufacturing, as well as tourism and domestic economic integration. Traffic congestion and related safety concerns in Southern Vietnam negatively impact business operations and the quality of life. Our members value Vietnam's planned investments to improve transportation infrastructure. However, plans need to be implemented and accelerated as part of a holistic Southern Supply Chain Corridor. Stretching from Binh Duong and Dong Nai in the north to Ba Ria Vung Tau in the south, industrial areas must have easy access, via uncongested freeways, to the new Long Thanh Airport and the Cai Mep Logistics Center seaport. This will lead to much-needed decongestion of HCMC and room to grow industrial output across the South.

Unlock the Full Potential of the Digital Economy

AmCham appreciates effort by the Government to support Vietnam's transition to a digital economy and the digital transformation more broadly. We are all digital now. Vietnam's digital policies will affect its overall investment climate. Our member companies work actively to support this transformation, both with Vietnamese partners and through their own projects. For Vietnam to realize the full potential of its digital future, we urge the Government to take a holistic approach and global view in developing a digital regulatory framework. The free flow of data across borders and ensuring Vietnamese users can access industry-leading services and global standard data protection mechanisms provided by both cross-border and local companies is vital to ensuring digital transformation success.

We welcome Vietnam's efforts to create a comprehensive data protection regime that can protect the privacy rights of users and provide predictability to businesses, while permitting Vietnamese users to continue using best-in-class cloud computing services offered by international service providers. We encourage the Government to ensure that regulations on cyber security and personal data protection are 'interoperable' with international laws and industry best practices, with a transition period of at least two years. The implementation of the new Cyber decree will be crucial to our members and your domestic enterprises and we look forward to working with you on workable implementation on a reasonable timeframe.

We have provided feedback on all public drafts of the new Law on e-Transactions which will play a critical role to the success of Vietnam's industrial revolution 4.0. However, none yet provide what businesses need - i.e., a legal framework that enables all civil and commercial transactions on digital or electronic platforms in secured manners, and that provides for e-signatures in any form provided they meet minimum safety and security standards.

AmCham has also provided feedback on a number of other Laws and Decrees in the digital economy space. As the digital economy evolves, business models have evolved. Recent legislation appears to neglect the economic efficiencies that digital models provide. For example, many companies do not require an office in each country where they do business and provide services. Vietnam has a great opportunity to modernize its digital economy regulations and although we have seen some positive changes, our members still have significant concerns about whether planned regulations match the Government's goal of developing a vibrant and competitive digital economy. We hope that, as the Government continues to develop relevant regulations, it actively consults with the business community - including sharing drafts for consultation and inputs - to ensure Vietnam's tech ecosystem continues its impressive growth. Particularly important are rules related to digital security, registration, taxation, and data sharing.

Health and Wellness to Improve the Quality of Life

AmCham member companies are global leaders in healthcare solutions and partnered closely with the Government throughout its successful management of the COVID-19 crisis. The appointment of an acting Health Minister offers new opportunities for partnership and policies to advance Vietnam's healthcare system.

Currently, our members and their partners across the healthcare system face challenges related to restrictions and lengthy approval process for import and distribution of healthcare products and technologies that Vietnam urgently needs. Thousands of dossiers for renewal of Marketing Authorization (MA) of drugs and medical devices still are waiting for approval, causing shortages of life-saving drugs and other medical equipment at hospitals and clinics across Vietnam. To resolve these challenges, we recommend acceleration of revisions of Pharma Law, Decree 54 and Registration circular, removal of warehousing and transportation restrictions imposed on foreign invested enterprises, and removal of country-specific requirements to align Vietnam's processes with regional and global standards.

We urge implementation of reliance pathways based on the WHO's recommendation to expedite registration and access by patients to innovative and lifesaving medicines, vaccines, and medical devices. We also encourage a workable tech transfer regime that encourages rather than discourages tech transfer investment, predictable and sustainable price negotiation processes for originator pharmaceuticals, and a willingness to explore alternative financing sources to support healthcare financing, as well as alternative financing models including managed entry agreements to support patient access.

AmCham would welcome the opportunity to partner with the Vietnamese and U.S. Governments through a U.S.-Vietnam Healthcare Dialogue to expand access to quality healthcare for all residents of Vietnam, including through greater use of healthtech.

Effective policymaking can also improve the quality of life here. While many of us look forward to the cooler winter temperatures, we also fear the increasingly unacceptable air quality. In addition, while we applaud the new Decree 45 that imposes fines for making loud noise, cities across the country remain noisy at all hours. Those of us in Hanoi do not welcome bringing back loudspeakers unless their use is solely for emergency announcements. Noise pollution undermines public health and the quality of life of residents. We would welcome the opportunity to share regional and global best practices in tackling these quality-of-life issues.

Ensure Mobility and Facilitate Tourism

We commend Vietnam's pragmatic approach to living safely with COVID and facilitating reopening. We want to see more American businesspeople and investors coming to Vietnam. Unfortunately, there is still uncertainty over the conditions and applications for work permits for foreigners coming to work in Vietnam. The process is guided by Decree 152, and Resolution 105, which was a temporary measure during the COVID period. Our members are concerned about when Resolution 105 will expire and if it will be replaced by permanent lawful guidance. In addition, we frequently hear from companies that different provinces have different practices for reviewing and approving work permit applications. Reducing administrative procedures is important and we recommend eliminating the need for legalization of documents used to obtain work permits.

We recommend expanding the list of countries entitled to e-visas and/or visa exemptions. Our goal is to attract more investment to Vietnam and that often requires companies to send foreigners here to meet with partners and make investment decisions. In many cases, these foreign entities are planning to establish a commercial presence in Vietnam and do not yet have a sponsor to obtain a visa for their foreign employees to visit Vietnam. Expansion of e-visa and visa exemption policies can also provide a solution to facilitate necessary business travel here.

AmCham would welcome approval of the recommendation by the Minister of Culture, Sports, and Tourism to expand the visa exemption scheme to include visitors from additional countries - including the United States. We recommend visa exemptions allow a minimum of 30 days to remain competitive with regional destinations.

Support the Manufacturing Sector

To ensure Vietnam's manufacturing sector remains competitive and shifts to higher-value production, we encourage the following: 1) Educational reforms to support high-value manufacturing; 2) Policies to promote localization of supply chains, including enhanced transparency and traceability capabilities; 3) Investment in transportation and logistics infrastructure, and cybersecurity for critical infrastructure; 4) Actions to meet Vietnam's long-term climate commitments and short-term renewable energy needs; and 5) Incentives for high-tech investment and enhanced R&D capabilities.

To strengthen supply chain resiliency, we urge the government to finalize and approve the pending draft decree replacing Decree 111 guiding the development of supporting industries. It also is important that new policies be considered carefully to avoid unintended consequences. Decree 18 inadvertently negatively impacts manufacturing companies by disincentivizing on-the-spot imports, including locally-sourced materials.

Develop a Globally Competitive Workforce

AmCham and our member companies are committed to partnering with the Government, educational institutions, the World Bank, and the private sector to address skills gaps and increase workforce productivity. We would welcome establishment of an international educational institution advisory group with the Ministry of Education and Training, as well as a review of regulations to support greater digitalization and access to education to enable life-long learning.

Reform Capital Markets to Drive Investment

We encourage financial sector reforms, particularly on raising Foreign Ownership Limits that will lead to “Emerging Market” vs “Frontier Market” status for Vietnam’s capital market in the assessment of MSCI and FTSE. We also encourage reforms to secure an investment grade sovereign rating for Vietnam. An investment grade sovereign rating and Emerging Market status from Frontier Market will attract more international capital into Vietnam, creating a virtuous circle: a more positive view of the economy will attract more direct investment and trade, leading to faster economic growth.

We welcome Vietnam’s new Insurance Law and look forward to the Ministry of Finance continuing to work with industry to develop regulations to increase awareness of the importance of insurance and insurance penetration rates. We understand the Government and State Bank of Vietnam are looking into a proposal to revise the Law on Credit Institutions, and request that foreign bank branches be allowed to lend up to the single lending limit of their respective parent banks.

Robust Dialogue Leads to Better Policy Outcomes

The issues raised today highlight our belief that the business climate can best be helped by actions that increase productivity and reduce the costs, complications, and risks of doing business in Vietnam. We are invested in Vietnam’s continued success and AmCham places great importance on engagement with you and your team. We thank His Excellency for facilitating this meeting and look forward to working together to drive innovation and sustainable growth.