**Speech by the European Chamber of Commerce (EUROCHAM)**

**at the Prime Minister's Conference to have a dialogue with foreign investment enterprises**

***“Breakthrough in reform to attract investment, towards sustainable development”***

8:00am, April 22, 2023, Government Office

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Your Excellency Mr. Pham Minh Chinh, Prime Minister of the Socialist Republic of Vietnam,

Your Excellency, Mr. Le Minh Khai, Deputy Prime Minister,

Your Excellency, Mr. Tran Luu Quang, Deputy Prime Minister,

Distinguished government leaders and foreign business community representatives,

As the chairman of the European Chamber of Commerce in Vietnam, I am deeply honored to share my thoughts at this conference, chaired by none other than the Prime Minister himself. As always, we applaud the Vietnamese government for their ongoing efforts to address the challenges faced by Vietnam’s foreign business and investment community. This conference provides us with another precious opportunity to brainstorm and devise strategies to empower Vietnam to unlock its enormous potential.

The global economy has seen tumultuous times of late. This has certainly affected European enterprises and Vietnam's investment environment. In light of this, the EuroCham Business Climate Index (BCI) has fluctuated over the past 12 months, dropping from 73 points in Q1 2022 to just 48 in Q4 2022 and Q1 2023.

The Q1 2023 data presents a glimmer of hope, as the European businesses feeling optimistic about the Vietnamese economy have increased by 8 points, even though the BCI remains at 48. Furthermore, the upward revision of the EU's growth forecast suggests that the economic slowdown might be bottoming out. This positive trend is definitely reassuring.

Despite facing hurdles in recent times, Vietnam has gained recognition as a rising star in the business and investment landscape. However, with the current economic situation, there is no room for complacency. Vietnam must now take bold and decisive steps towards game-changing reforms to sustain its growth momentum. In this regard, EuroCham suggests a few courses of action that can pave the way for sustainable and resilient growth.

Vietnam's ambitious targets for a **green energy transition** are well documented, and the country has developed a comprehensive national strategy to achieve them. However, implementation has not met expectations. Clean and renewable energy is a catalyst for economy-wide investment and growth, and European businesses rely heavily on it. In the past, shortfalls in meeting this demand have disrupted investment and suspended operations. To stay on top of future energy needs, expediting the completion and implementation of Power Development Plan 8 is crucial. In order to encourage renewable power production, Vietnam should implement direct power purchase agreements (DPPAs). Specifically, factories located in industrial zones should be allowed to participate in these agreements, as they can be a significant source of renewable energy production. Likewise, we suggest facilitating favorable conditions for production facilities that require renewable electricity to meet the EU's compliance requirements.

Vietnam's transition to a **circular economy** is equally pivotal to achieving sustainable development goals and fostering economy-wide resource efficiency. We commend the Ministry of Natural Resources and Environment's proposed roadmap and Vietnam's efforts in implementing extended producer responsibility. However, we recommend introducing recycling costs that reward businesses for using materials with high-recycling values. Enterprises should also be allowed to turn in their recycling contributions for 2024 at the start of 2025, based on their production and import figures. On the same front, Vietnam stands to gain from increasing penalties for violating waste regulations and promoting the adoption of alternative materials like biodegradable plastics as a major waste reduction measure.

Considering the vital importance of developing **human resource quality**, Vietnam should also continue to focus on being a magnet for high-quality talent and experienced management. Taking decisive action to attract and retain talent is like planting the seeds of prosperity for Vietnam's future economic growth and development. This, of course, requires the resolution of the work permit bottleneck. At the Vietnam Business Forum meeting, we were pleased to hear the Minister of Labour, Invalids, and Social Affairs commit to amending Decree 152 to simplify the application process for new or renewed permits, and for foreign managers switching to experts. This will undoubtedly yield long-term effects that will benefit the country in many ways.

In terms of **tourism**, this sector is a significant component of Vietnam's growth, and we are excited to hear more about the government's upcoming tourist visa reforms. For this, we strongly recommend extending visa-free entry to all European Union member states, opening the door to high-spending tourists and paving the way for increased investment in Vietnam's future.

As for **healthcare**, EuroCham is focused on improving access to pharmaceuticals and medical devices by optimizing management processes and implementing global best practices. To achieve this, value-based financing and procurement policies should be revised through the Pharma Law. We also appreciate the recent implementation of Decree 07 and Resolution 30, which have helped to alleviate shortages of medical supplies and interruptions to testing, diagnosis, and treatment in hospitals. On top of this, we acknowledge the Ministry of Health's efforts to approve marketing authorization for outstanding Class C and D medical devices, as well as new submitted devices. This will absolutely contribute to improving access to high-quality healthcare at an affordable cost.

Regarding **taxes and fees**, EuroCham endorses the government's decision to extend tax payments and reduce value-added taxes. This will support business recovery and stimulate consumer demand as a prime mover of growth. Regardless, Vietnam should also develop appropriate, competitive preferential policies to attract investment, especially given the impending global minimum tax policy. In addition, harmonizing administrative procedures and tax policies is crucial for driving trade growth under the EVFTA. In that vein, our recommendation is for the government to not use the special consumption tax as a tool to counteract the advantages of eliminating import taxes. The government may also consider applying a hybrid SCT system on wine and spirits, but SCT should not be used for essential products such as milk and nutritional supplements. Moreover, we recommend exempting or reducing the SCT for environmentally friendly industrial products, such as electric vehicles.

Next, to maintain Vietnamese economic competitiveness and future-proof its administrative capacity, both the public and private sectors should continue to **prioritize comprehensive digital transformation**, especially in the implementation of administrative procedures to enhance the quality of life for people and businesses. This should include the digitalization of services and the use of modern technologies such as cloud computing, automation, and artificial intelligence.

As a final note, you are all probably well aware of the rising number of COVID-19 cases. However, we do hope and suggest that the Vietnamese Government would carefully assess the necessity of **pandemic control measures**. Overly strict policies will adversely impact inbound investment and constrain service sector recovery, particularly in the crucial tourism and hospitality sector. As a result, we encourage the government to keep policies in line with international standards.

The European Business Community in Vietnam stands shoulder to shoulder with the Vietnamese government in their pursuit of a prosperous and resilient nation that embraces sustainable development and a green economy. We vow to work together with the government to accomplish these common aspirations. It is our privilege to assist in Vietnam's growth, and we extend our heartfelt appreciation for the chance to share our insights.

Thank you for your attentive consideration.