



Statement by Steven Winkelman, Chairman

Vietnam Business Forum

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Good morning and thank you for the opportunity to speak about AmCham's perception of the business environment in Vietnam. AmCham members thank the Ministry of Planning and Investment, supported by the World Bank and the International Finance Corporation, as well as our partners in the Vietnam Business Forum Secretariat, for their role in bringing together business and government leaders to discuss how to improve business conditions in order to promote economic and social development in Vietnam.

Six months ago in this room, AmCham urged the government to begin a new phase of reforms to encourage and protect private enterprise, to commit to global best practices, and to restore investor confidence.

It is well-known that many of the current economic challenges are not unique to Vietnam. Vietnam is not the first country to have banking and bad debt problems. Vietnam is not the first country to have corruption and mismanagement erode the foundation of the economy. Vietnam is not the first country to face difficult decisions on dismantling inefficient state-owned enterprises.

It is time to move forward on necessary reforms to create a more competitive environment where decisions are made faster, procedures are less complicated, rules are fairly enforced, and companies compete on their merits - including for access to capital, land and opportunities.

The *Doi Moi* reforms started in 1986 produced an environment where rapid gains were felt by the people very quickly. Additional reforms and policy decisions propelled Vietnam-US bilateral trade from \$1 billion to \$26 billion in just 11 years. In the same period, Vietnam's trade with the world jumped an impressive 730 percent. Reform and positive decision-making works.

AmCham strongly believes that the Trans-Pacific Partnership offers a new opportunity for Vietnam to meet socio-economic development goals and renew the country's growth model.

AmCham's efforts to promote better understanding and support for Vietnam in the TPP is consistent with our efforts during the negotiations and implementation of both the VN-US Bilateral Trade Agreement and Vietnam's accession to the WTO. Not only will the TPP provide

the best available short term boost to Vietnam's economy, it will put Vietnam on a stronger footing to conclude an EU-FTA, the Regional Comprehensive Economic Partnership ("RCEP"), the Hong Kong – ASEAN FTA and other important pending agreements.

Our members are hopeful that the TPP agreement will tear down trade barriers in areas such as government procurement and set standards for workers' rights, environmental protection and intellectual property rights.

The 12 nations currently negotiating the TPP encompass 800 million people, around one-third of world trade, and nearly 40 percent of the global economy. Most importantly, studies have shown that Vietnam has the most to gain of any country currently negotiating the agreement, with export and GDP growth potentially greater than for other partner countries.

If Vietnam is able to take full advantage, TPP will enable the private sector greater access into key markets, will stimulate competition, will attract additional foreign investment, will help build key supply chain infrastructure, thus creating significant opportunities for Vietnamese businesses, and jobs and higher incomes for Vietnamese workers. TPP will help Vietnam's strategic drive to industrialize, modernize and globalize, and having Vietnam in the TPP is very important for the American businesses community as it will boost investor confidence and will help ensure that Vietnam remains an attractive and competitive destination for foreign investment.

TPP may also help with the difficult task of reforming Vietnam's state-owned enterprises. Despite the gradual shift towards a market economy that commenced in 1986, and despite the often-heard rhetoric on state-owned enterprise reform, the state sector continues to play a dominant role in the Vietnamese economy. Our members need to see more evidence of the Government's willingness to reform the inefficient state-owned system, considered by many analysts as a root cause of Vietnam's current economic challenges. Corruption and conflict of interest issues are embedded in the fabric of the SOE sector. Without addressing fundamental governance issues, progress will remain challenging. Investors wonder which over-extended state-owned conglomerate will be the next to fail, or which will be forced into taking bad assets onto their balance sheets. This misallocation of resources continues at a time when Vietnam needs to be making wiser decisions about capital outlays and business strategy.

We want Vietnam to succeed and AmCham remains committed to working with our partners in the Government to improve the business and investment climate here. AmCham members believe in Vietnam's leadership role in an emerging Asean. AmCham members believe in Vietnam as a manufacturing alternative to China. AmCham members believe in Vietnam's favorable demographics and large consumer base.

I wish good health to the leaders and distinguished guests here today, and I thank you for this opportunity to address the Vietnam Business Forum.

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