

Media title: Glass half full

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THE YEAR

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Business leaders in Vietnam remain among the most optimistic in Asia Pacific despite the global economic headwinds.

added to its appeal in the last couple of years.

CHALLENGES AWAIT

But will this confidence last? Though the aforementioned advantages are likely to persist, businesses do expect stiffer competition from the region and continued challenges in navigating the regulatory framework of not only cross-border but also domestic operations. If not dealt with properly, these factors might hinder confidence in revenue and profit growth in the longer term.

When asked to identify their competition, Vietnamese CEOs said that their biggest rivals are more likely a regional leader in the APEC economies (41 per cent) than a multinational company from a developed economy (27 per cent) or an emerging economy (27 per cent). Indeed, regional capabilities have become the benchmark for many Vietnamese companies as firms from China and ASEAN countries expand their footprint in the country. At the Vietnam M&A Forum held in August, experts even warned about the possible rise in hostile takeovers by regional players and subsequent loss of domestic brands.

Rising competition is also felt when it comes to FDI attraction among countries and territories in the region. As the backbone of economic growth in emerging economies, FDI attraction is expected to remain a heated arena in the future. There was a time when fast market growth was enough to entice investors

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In PwC's latest APEC CEO Survey, which covered over 1,100 business leaders in Asia-Pacific Economic Cooperation (APEC) economies, it asked how confident CEOs are about their revenue growth in the coming 12 months. Vietnam-based CEOs proved to be nearly twice as confident as their APEC counterparts, with 50 per cent

of those from Vietnam replying "very confident" compared to the APEC average of 28 per cent.

Looking prior to 2016, the level of confidence of Vietnamese CEOs has, in fact, been higher than their regional peers for the last three years.

In many ways this result is what people expected. Vietnam is still an emerging economy and there is still a lot of potential for businesses, both domestic and foreign. Respondents to the PwC survey hinted that the

bright spot in Vietnam lies in its growing market size, coupled with favorable factors such as a positive GDP growth outlook. With a growing population of 92 million, Vietnam offers opportunities through the rising disposable income and purchasing power of its middle class. While economists expect GDP growth to be somewhat moderate in 2016, the country rests among the faster-growing in the region. Lower-cost skilled labor and Vietnam's involvement in several trade deals have also

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to make big bets, but not anymore. PwC's survey findings suggest that over the next few years economies that establish better regulatory conditions will attract a larger share of investment. Investors remain focused on access to dynamic markets but are balancing that against those regulatory conditions that help or hinder the prospects of realizing returns.

During various panels at the APEC CEO Summit 2016 in Lima, Peru, businesses from both sides of the Pacific warned that curbing free trade would only slow the ongoing recovery of the global economy. Both governments and businesses would like to see more cooperation, stronger connectivity, and harmonized regulations in order to make trade liberalization truly a win-win proposition.

Presumably, this would be more challenging following the recent US presidential election and the protectionist views. In particular, business leaders in Asia Pacific are concerned over US President-elect Donald Trump's plans to withdraw the US from the TPP. For an economy that relies heavily on exports, like Vietnam, the US withdrawal would mean losing out on market access with its biggest trading partner in the TPP. However, the TPP is not only about trade. It also lays out some of the highest standards for business practices that could create a more open corridor for investment flows between countries as well as encourage Vietnam to improve its competitiveness.

OUTLOOK FOR 2017

Regardless of the future of the TPP, Vietnam is likely to maintain its economic integration momentum because the country gains more from an enhanced trading environment and increased access to markets. To achieve this, regulators and businesses would need to work harder together to foster a business-friendly climate. It would take more proactive efforts to increase workforce standards, environmental protection, fair competition, and respect for intellectual property rights. Most importantly, the road map for reform and modernization should not be delayed by the slow progress of any trade deal.

People would like to see increased efforts by the government to bring

more stability and predictability in the regulatory environment and set a longer term vision for the country. Investors and businesses need to know what expectations they can set and be assured that these expectations are backed by a consistent, clear and stable regulatory framework.

With technology, the world is changing faster than ever and the speed of change will increase. Regulations should be flexible enough to encourage innovation and the adoption of new technologies in business.

For their part, businesses could take advantage of increased digital connectivity. Digital connectivity is becoming vital as new technologies such as the Internet of Things (IoT) revolutionize the global economy, driving new business models and creating stronger relationships with customers and supply-chain partners. The PwC survey shows that Vietnam is still

catching up with the adoption of technology in business, and Vietnamese CEOs have indicated plans to commit more investment in technology such as ERP, CRM, and e-commerce.

Vietnam will host the APEC Summit this year, which will be an excellent opportunity to showcase its strengths to the global community. In his closing speech at the APEC CEO Summit in Peru, State President Tran Dai Quang called for all economies to join hands and work together to create new dynamism and revitalize trade and investment. He pledged that Vietnam would undertake three major strategic breakthroughs: improving market economy institutions, promoting human resources development, and developing modern infrastructure. These are commitments that the business community can very much look forward to. ■

"I had the opportunity to be a member of the delegation of the PwC network attending the APEC CEO Summit 2016, which gathered together nearly 1,000 business leaders and leaders of APEC economies in Peru in mid-November. The general frame of mind I got from leaders at the Summit was that ongoing global economic uncertainty and stagnation of international trade have adverse impacts on economic growth in all APEC members."