



USAID
TỰ NHÂN DÂN MỸ



10 Highlights of the PCI-FDI Survey & Trans-Pacific Partnership Module

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5th Anniversary of PCI-FDI Survey



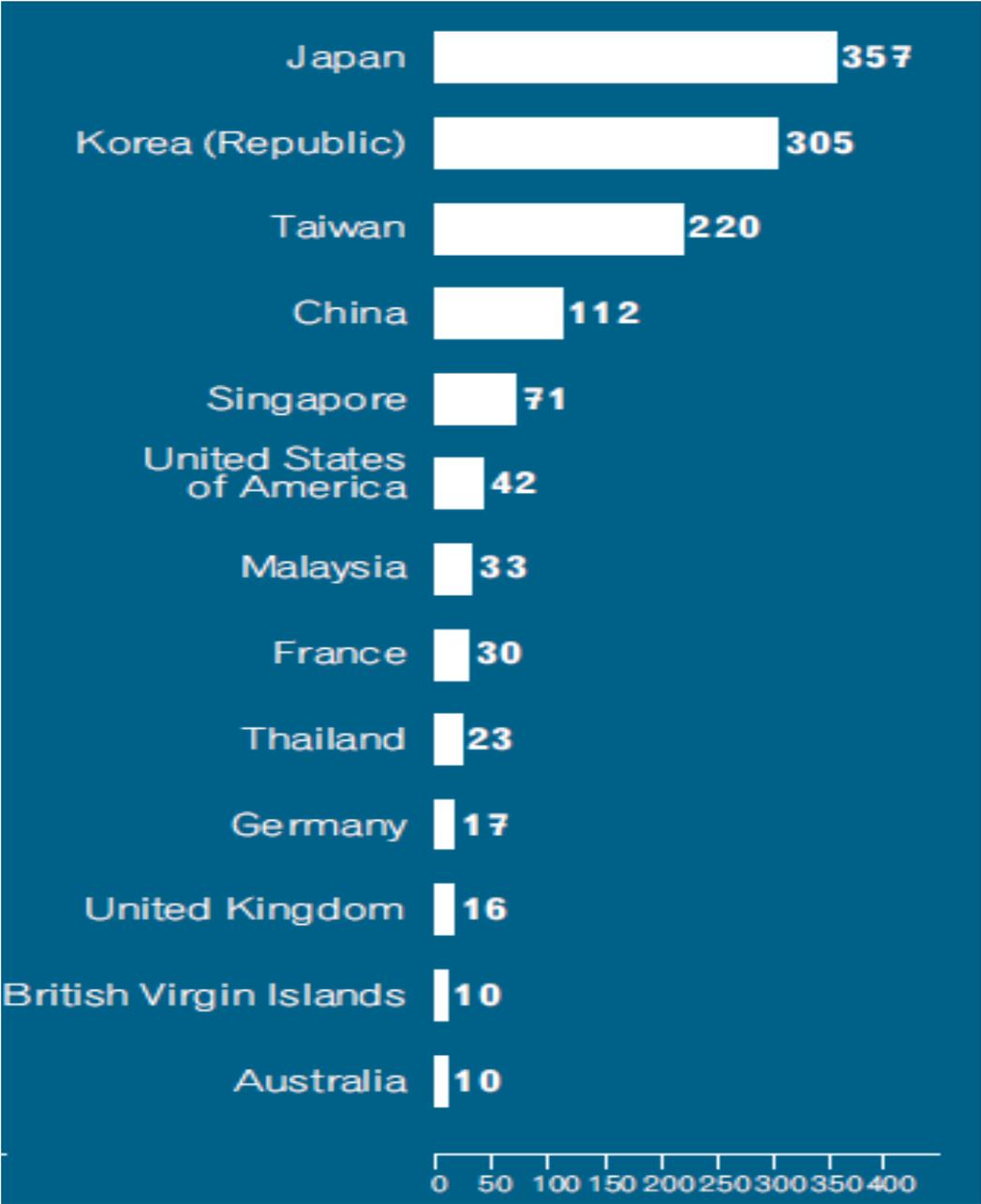
Key Features of the PCI-FDI Survey

- Annual survey to gauge Vietnamese business environment.
- 2014 data contain 1,491 foreign firms from 43 countries.
- 88% are 100% percent foreign owned.
- Sample stratified by age, legal form, and industrial sector.
- Completed in 14 provinces with large investor populations
- Nationally representative survey.

- Modal firm is medium size, manufacturing, export-oriented, and part of an international supply chain.

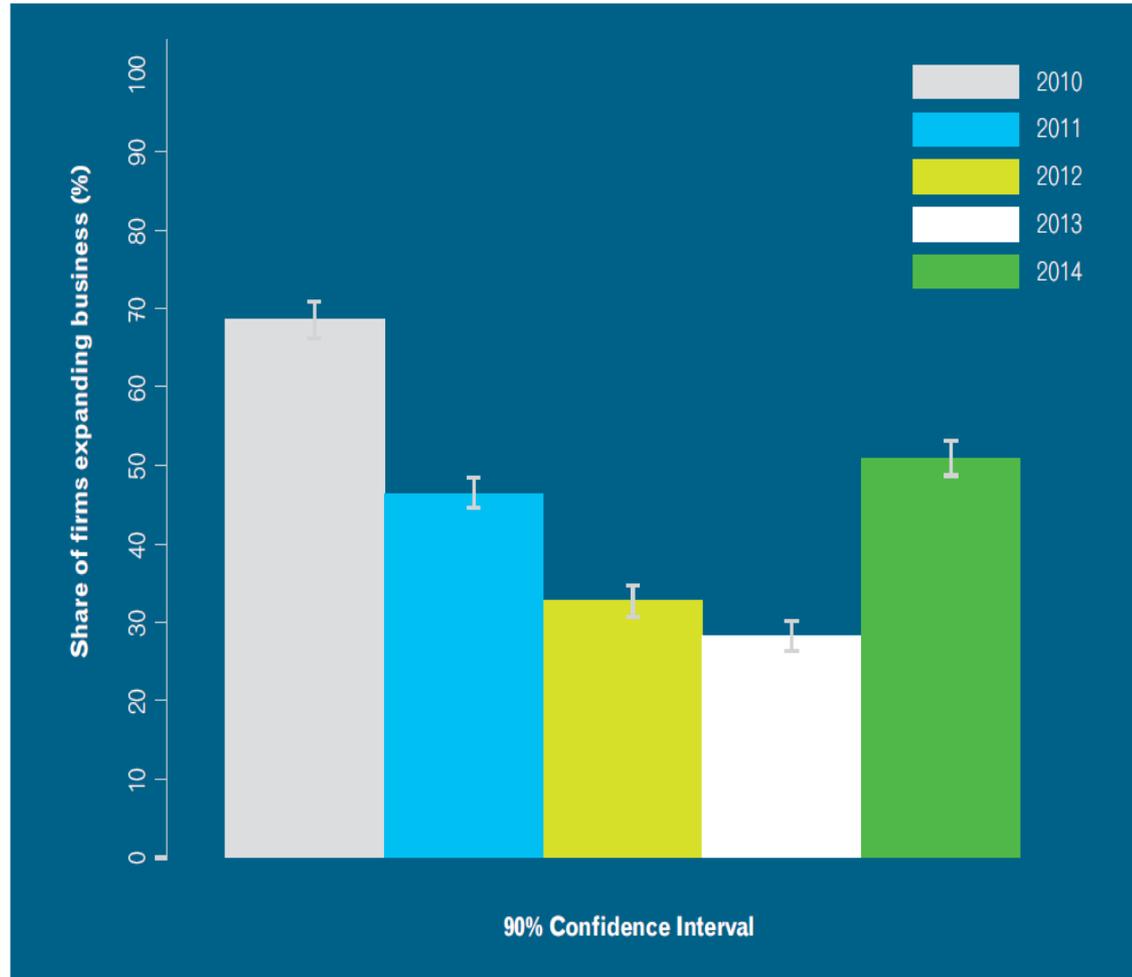


Country of Origin in 2014



1. Optimism is Improving

- Capital investment is increasing.
- FIEs are adding employees.
- The PCI-FDI Business Thermometer is at its highest point since 2006.
- Hopefully, profitability will follow.

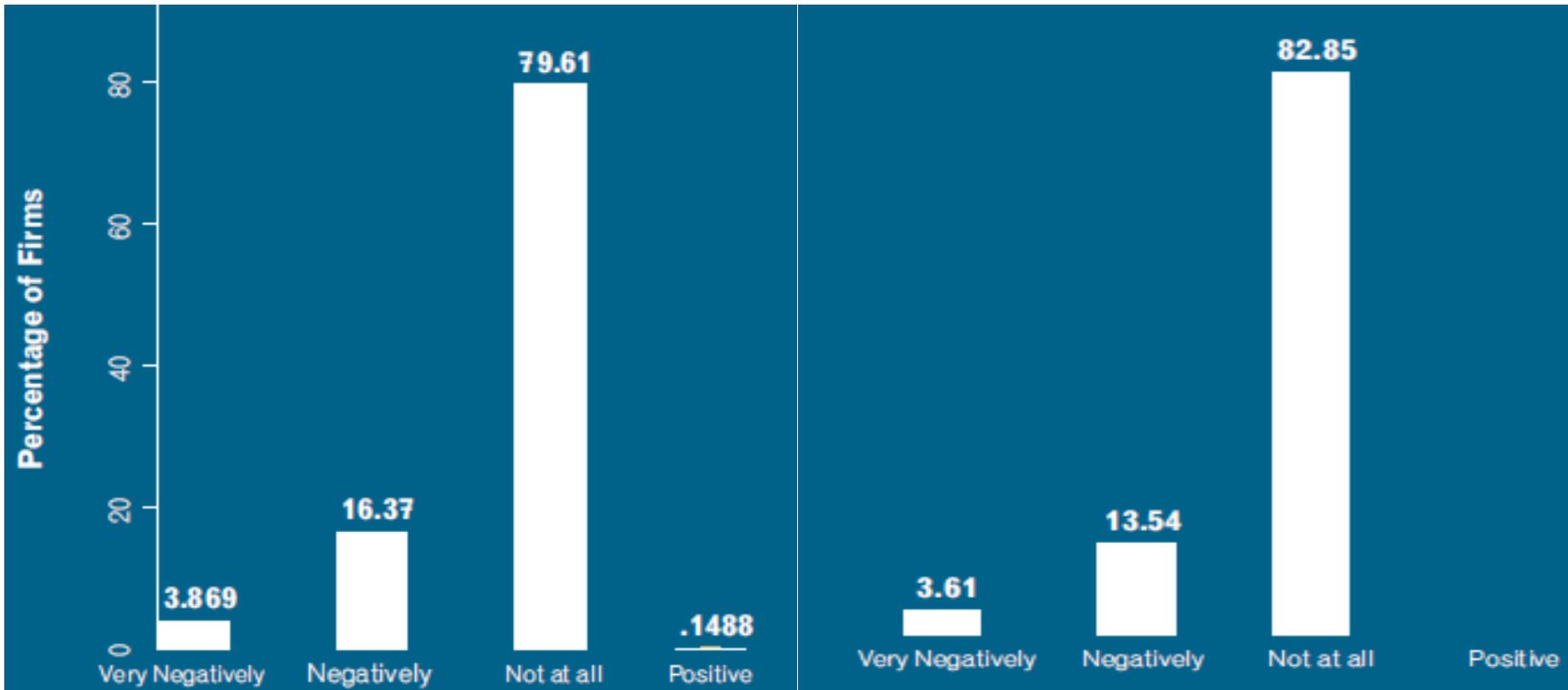


Source: PCI-FDI Survey Question A12, "Which statement best characterizes your firm's investment plans over the next 2 years?" Figure reports the share of firms that responded that they will increase or considerably increase operations.

1. May 2014 Did Not Dent Optimism

Binh Duong VSIP Incident

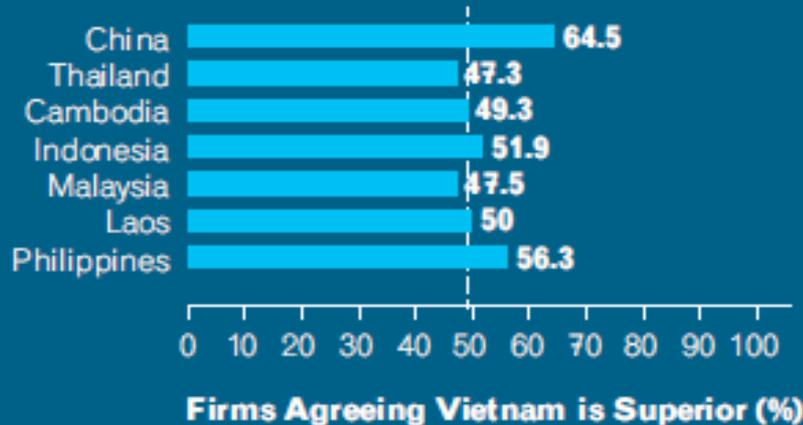
Ha Tinh Formosa Incident



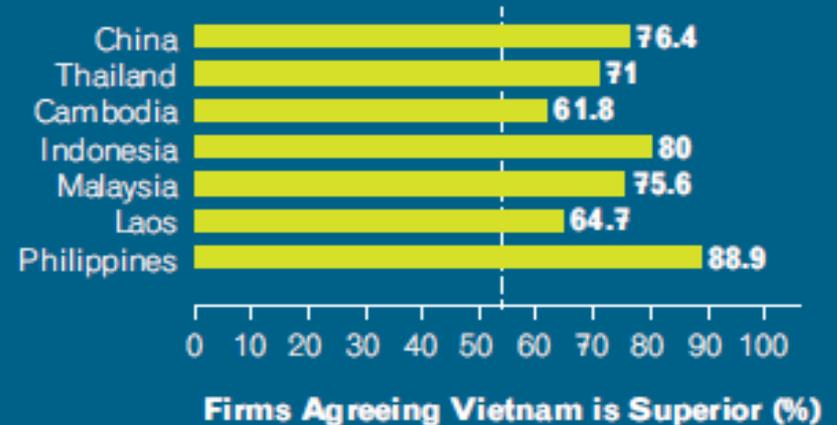
Source: PCI-FDI Survey Question D12: “How did the events in Binh Duong /Ha Tinh province affect your plans for continue your investment in Vietnam?” Bars depict national averages, subdivided by the form of the survey the respondent received.

2. Strengths of Vietnam Relative to Competitors

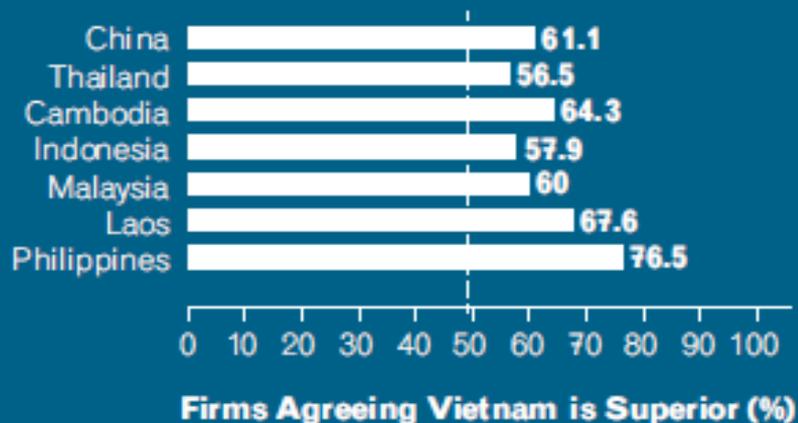
Lower Taxes



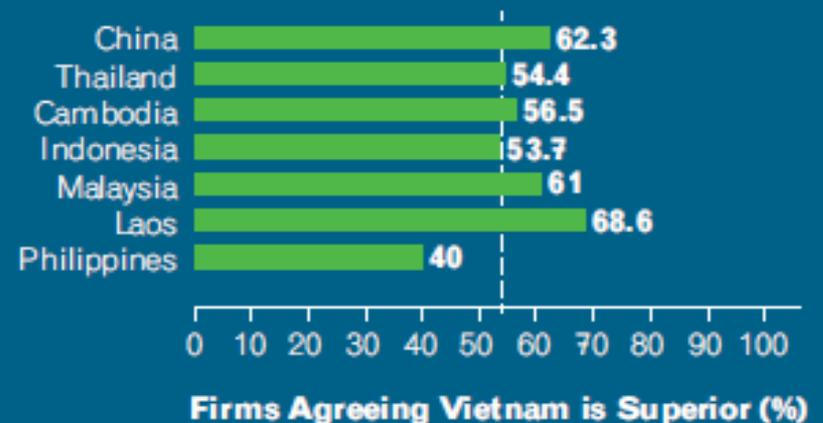
Less Expropriation



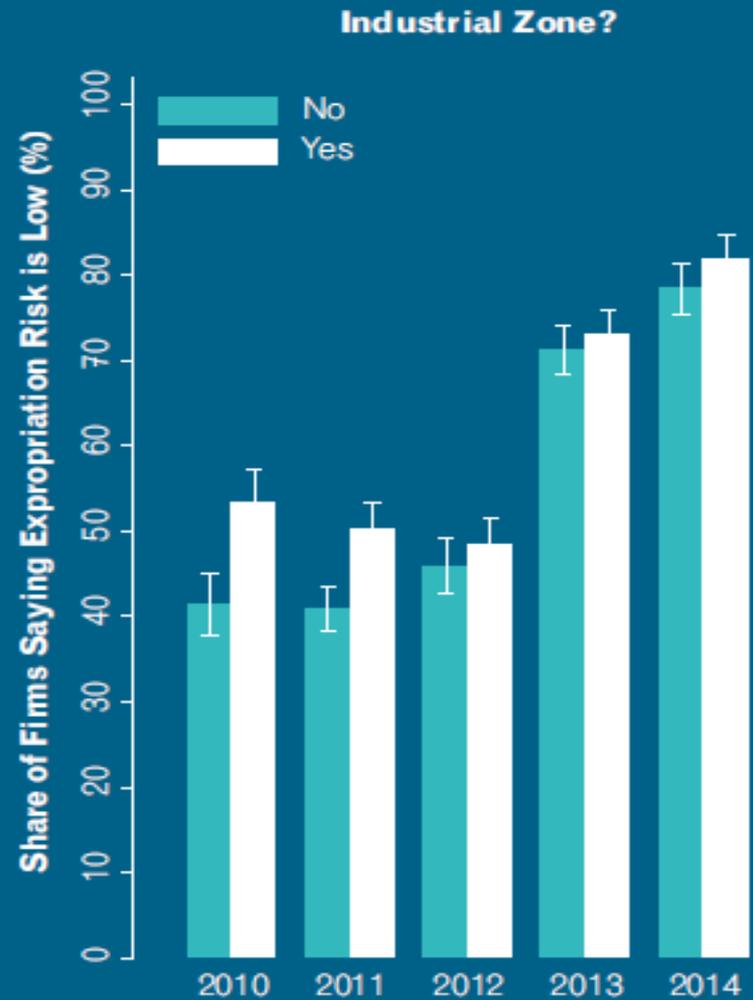
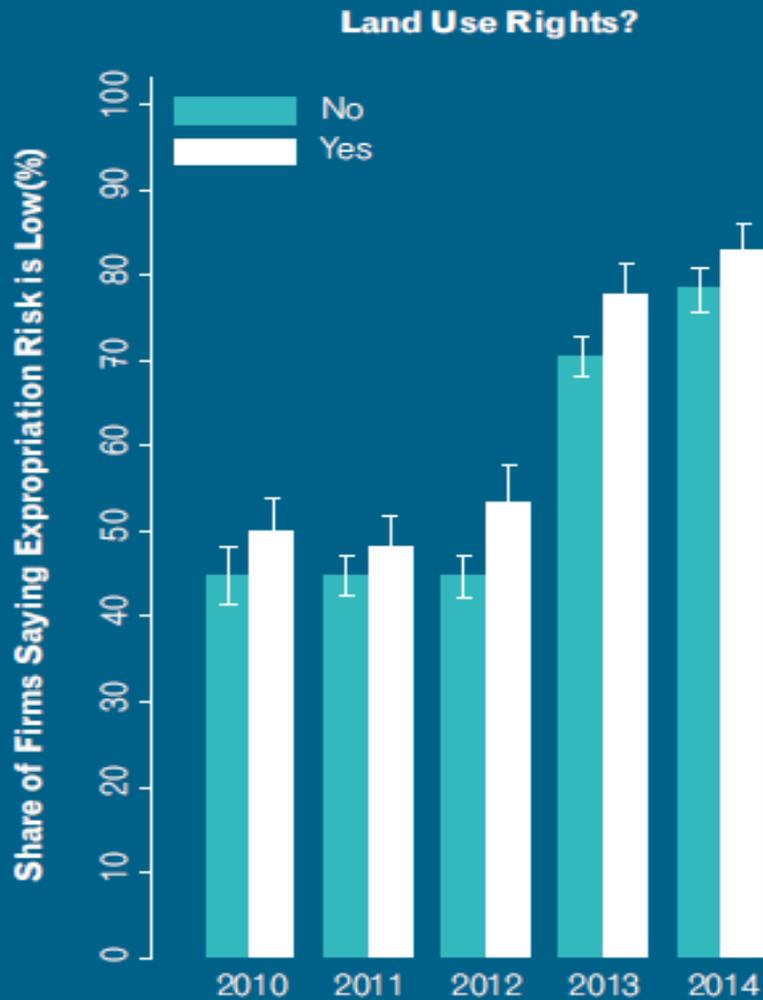
Less Policy Uncertainty



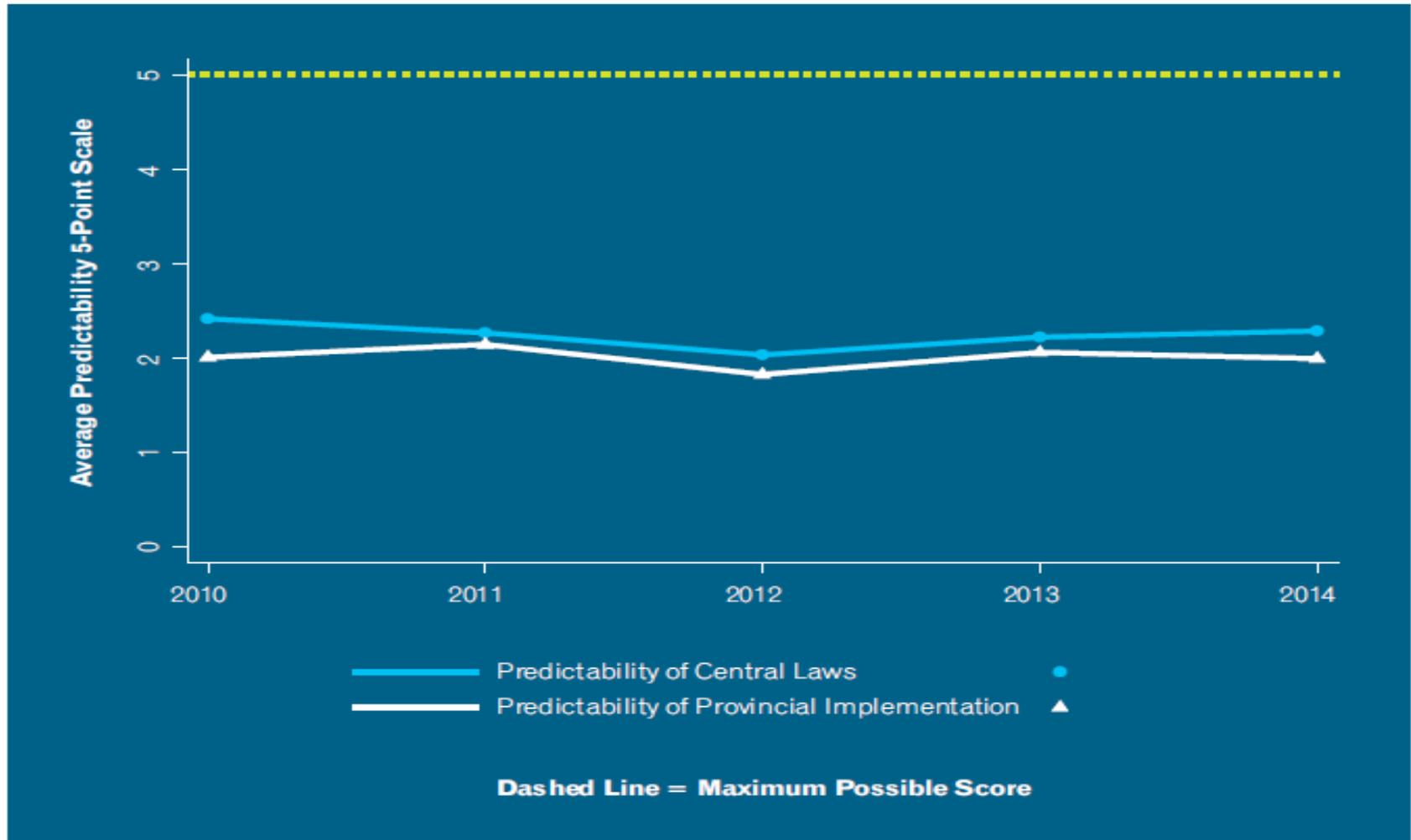
More Policy Influence



3. FIEs Very Confident in Security of Property



4. Predictability Stable, Not Improving.

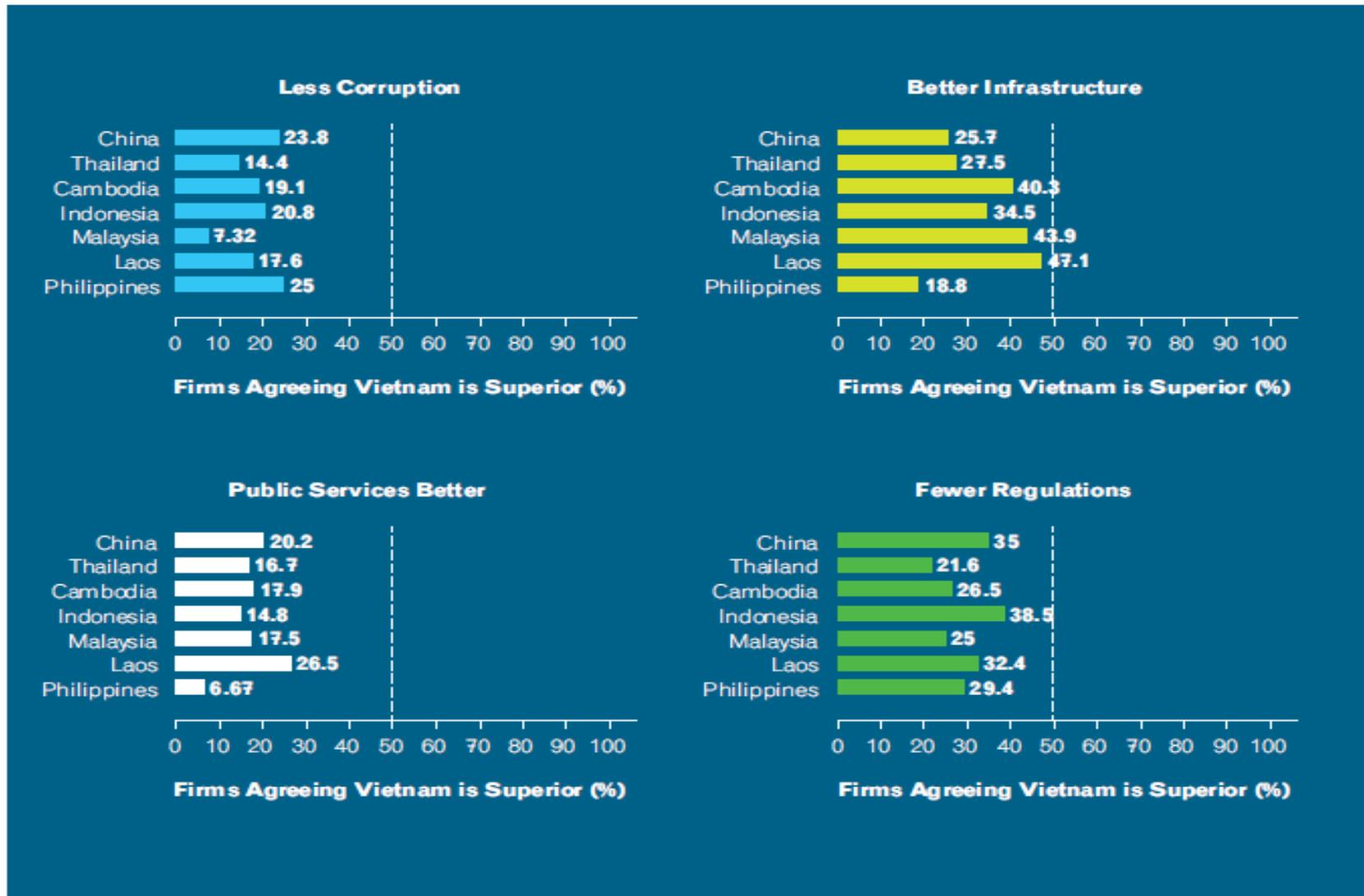


Source: PCI-FDI Survey Question H3 "How predictable are changes in laws at the central level which affect your business?" & H4 "How predictable is the implementation of these rules, laws, and regulations at the provincial level?" Line graphs report the average of a five-point scale for both questions: 1) Never; 2) Seldom; 3) Sometimes; 4) Usually; 5) Always.

4. Predictability Stable, Not Improving.



5. Perceived Weaknesses are Growing



Source: PCI-FDI Survey Question B3A, "How would you compare the business environment in Vietnam to other countries in which you considered investing?"

5. Perceived Weaknesses are Growing

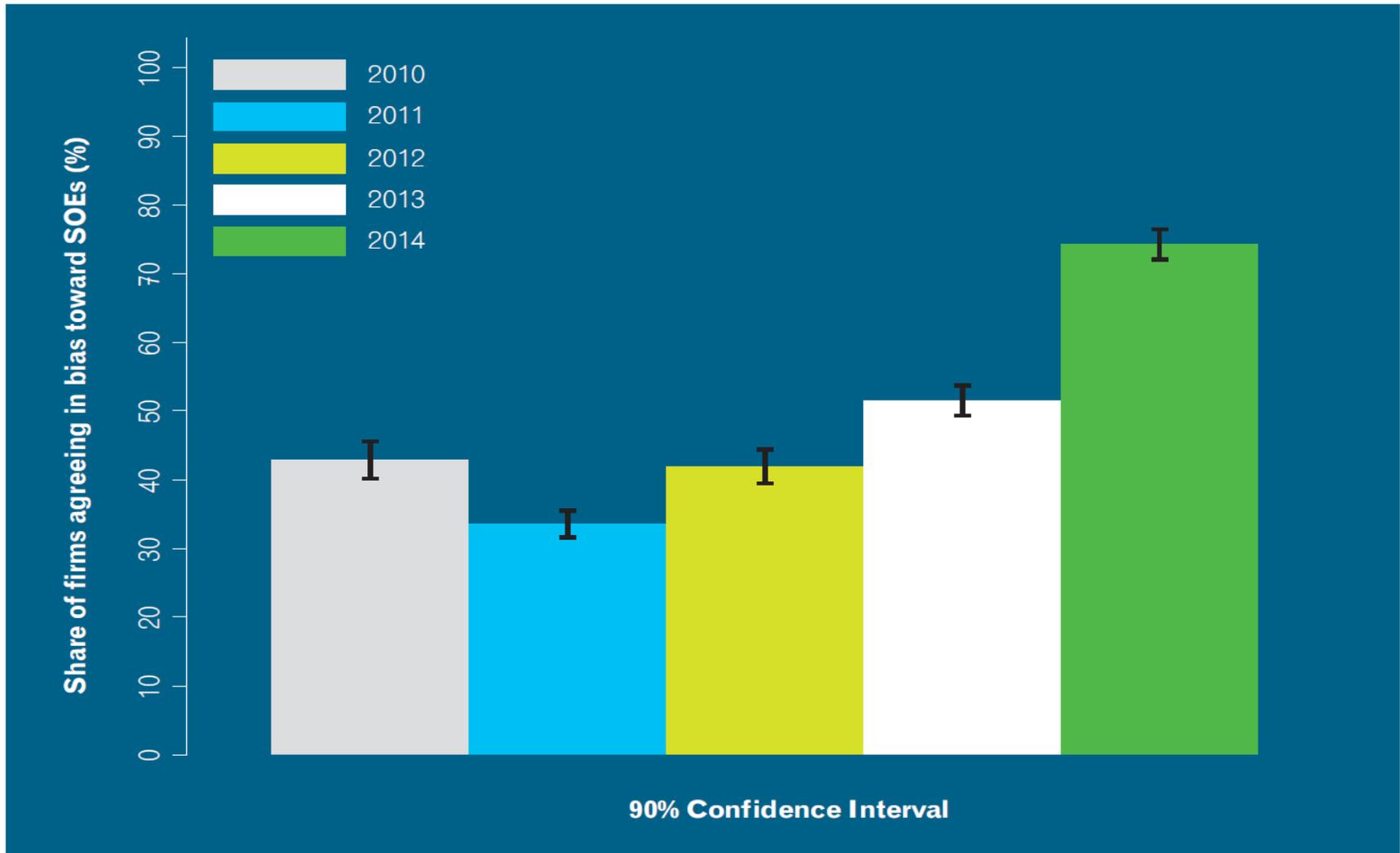
Type of Informal Charge (Share of Firms Paying Bribe or Agreeing Activity is Common)

Year	Informal Charge during Entry ¹	Commission during Procurement ¹	Bribe during Customs Procedures	Regulations are an Excuse for Informal Charges	Bribes Were a Deterrent to Using Court	Service Delivered after Bribe Payment
Question	C6	E11	F9	E5	I3	E10.1
2010	18.5%	NA*	64.4%	31.4%	8.9%	47.3%
2011	9.9%	9.5%	53.3%	23.5%	8.2%	46.2%
2012	9.0%	12.0%	56.2%	24.1%	12.7%	54.5%
2013	19.7%	10.3%	57.4%	43.9%	13.9%	59.2%
2014	17.2%	31.4%	66.2%	60.1%	22.3%	58.2%

Cost of Informal Charges (Amount/Annual Income, Question E10.)

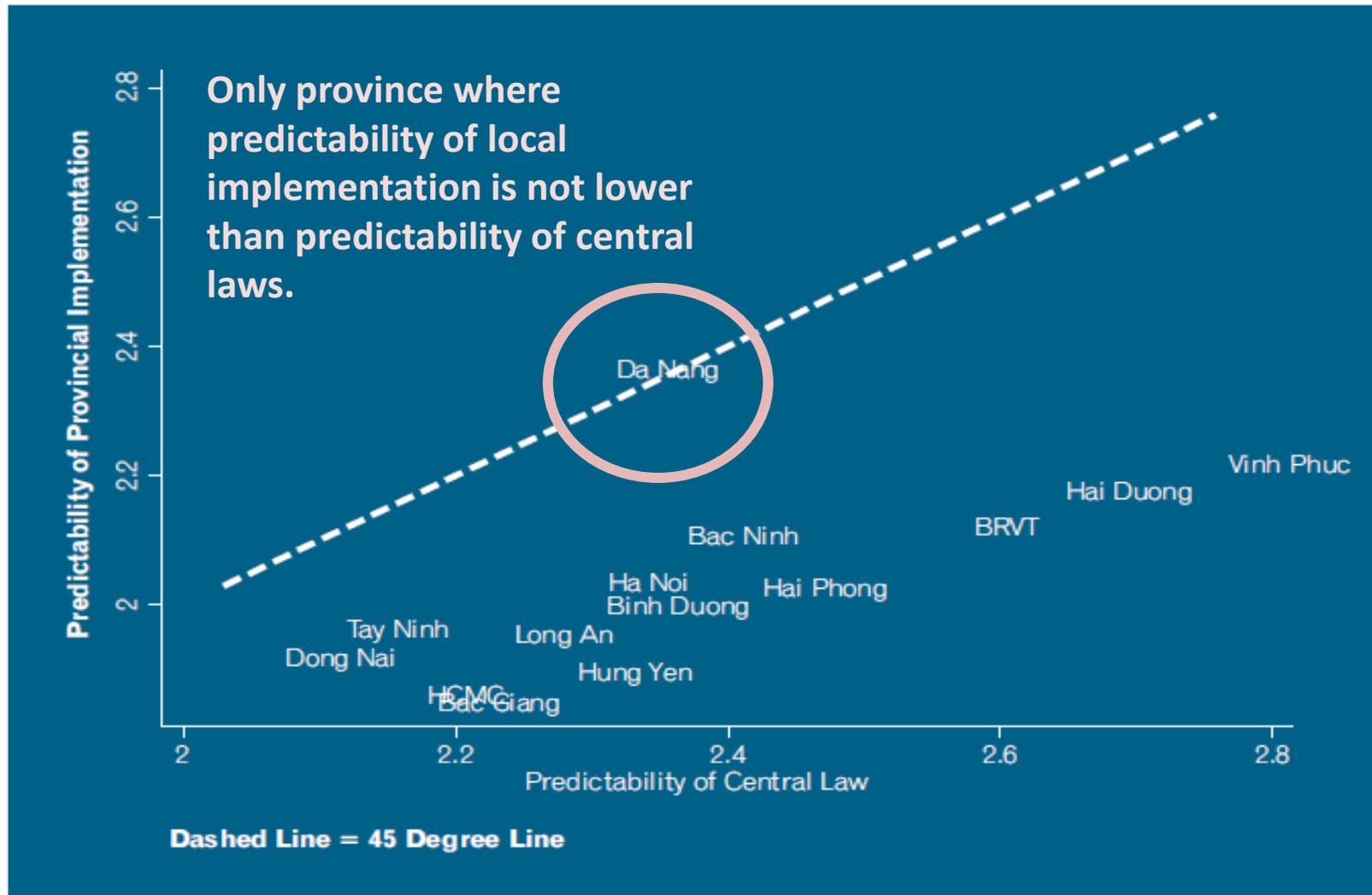
Year	0%	<1%	1-2%	2-5%	5-10%	>10%
2010	22.1%	40.5%	17.0%	10.9%	6.8%	2.9%
2011	31.0%	33.5%	19.7%	7.7%	6.5%	1.6%
2012	30.3%	40.7%	17.4%	8.2%	2.6%	0.9%
2013	19.5%	48.6%	18.4%	8.6%	3.2%	1.7%
2014	18.9%	42.5%	20.1%	11.9%	4.7%	2.0%

5. Perceived Weaknesses are Growing (SOE Bias)



Source: PCI-FDI Survey Question K1: "If there are unclear points in a particular central regulation, provincial People's Committee and provincial departments tend to: (Please check only one)." The figure reports the share of firms in each province that checked a particular item.

6. Da Nang is a Special Place for FIEs

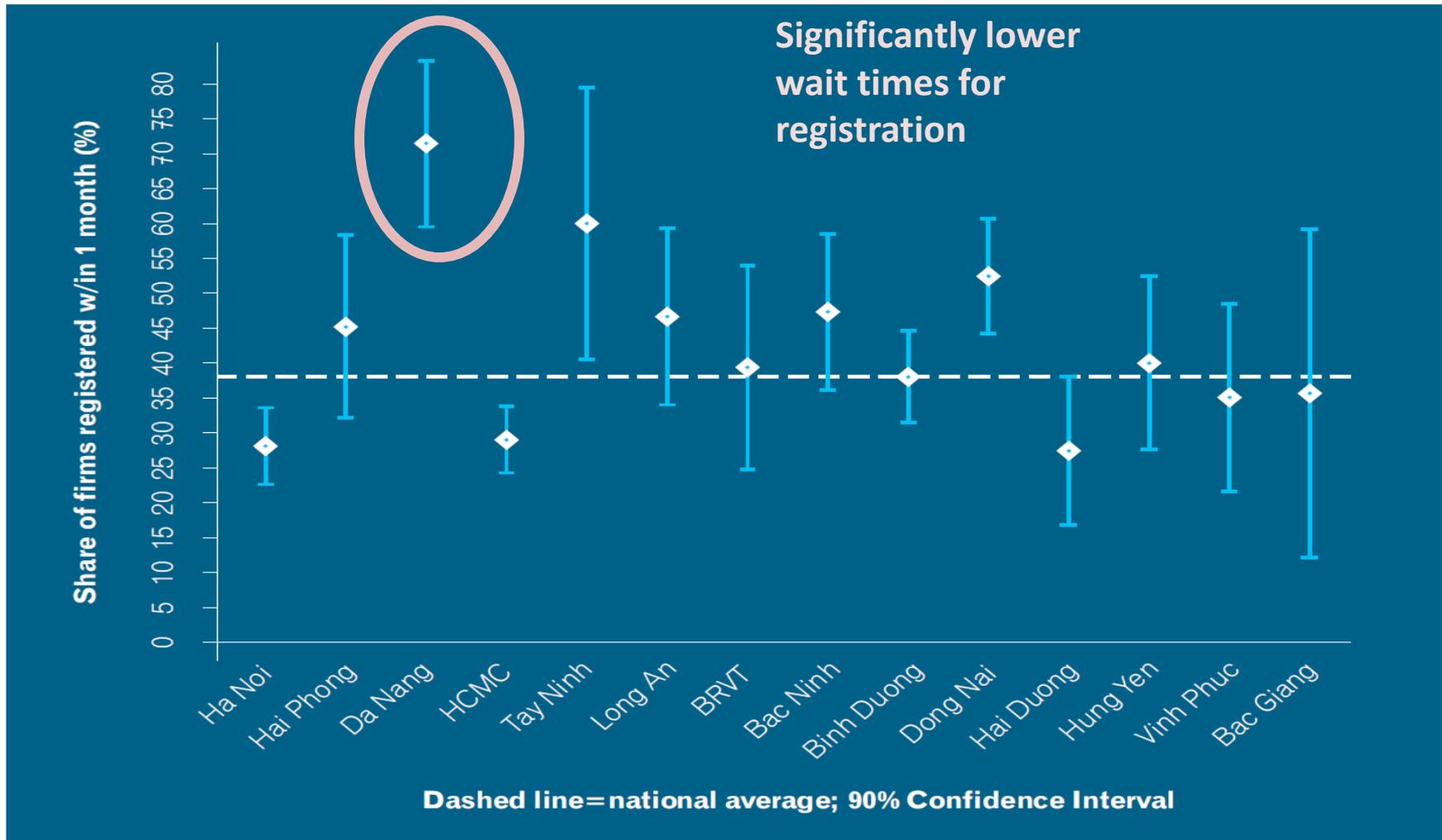


Source: PCI-FDI Survey Question H3 "How predictable are changes in laws at the central level which affect your business?" & H4 "How predictable is the implementation of these rules, laws, and regulations at the provincial level?" Scatter plots report the average of a five-point scale for both questions for each province in 2014: 1) Never; 2) Seldom; 3) Sometimes; 4) Usually; 5) Always.

6. Da Nang is a Special Place for FIEs

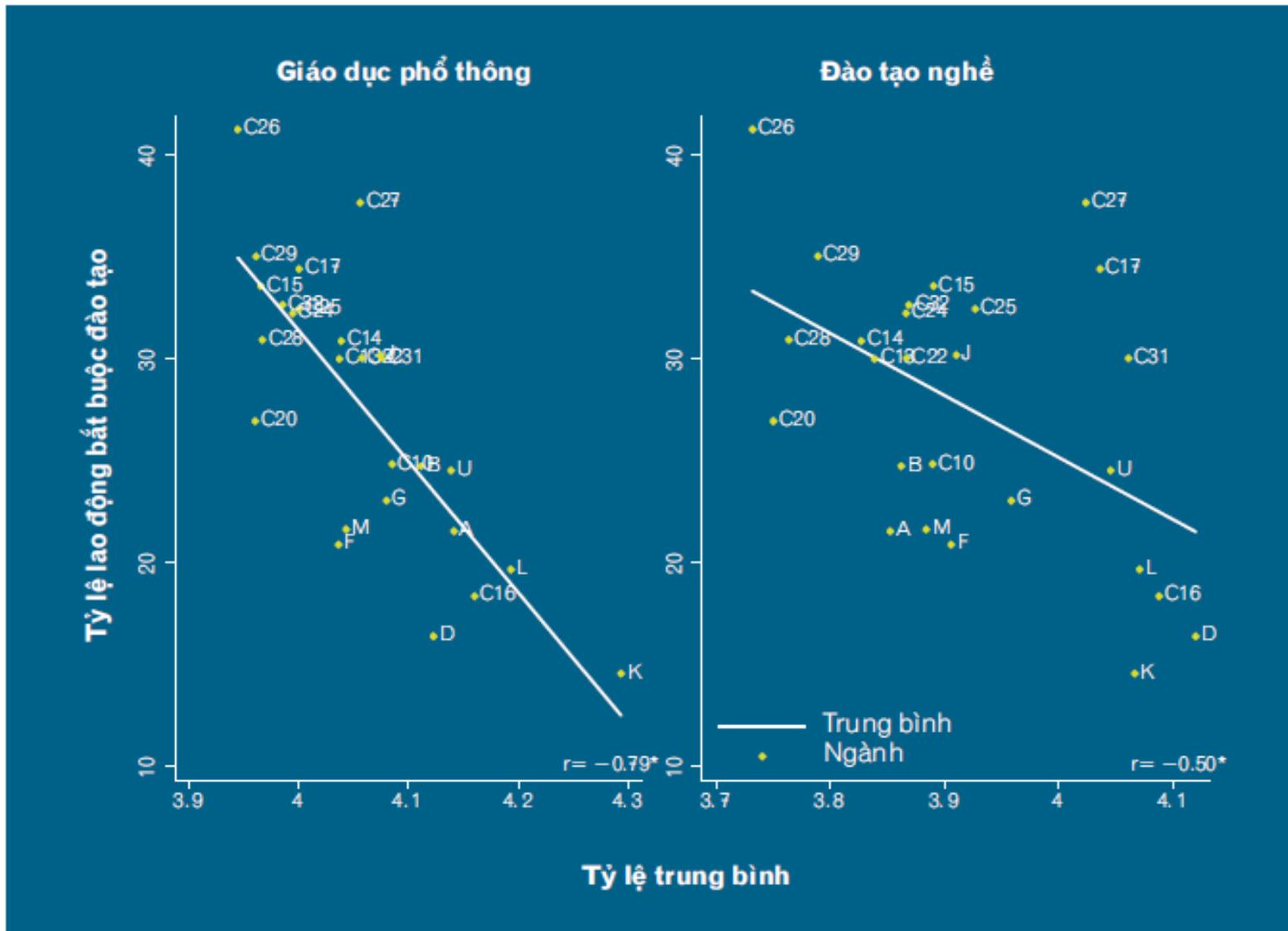
- Predictability results from Da Nang's significantly higher transparency and access to documentation.
- When businesses face difficulties, Da Nang officials find a solution 76% of the time
 - National average is 48%.
- Only province where investors do not perceive declining infrastructure quality between 2013 and 2014
- Significantly lower wait times for business registration.
 - 72% of FIEs in Da Nang fully legal within a month.
 - National average is 38%.
- Only province with less than 2 annual inspections per FIE.
- Easiest location to obtain foreign worker permit.
 - Less than 15 days to receive
 - Less than 20% of FIEs fell obligated to expedite with informal charge.

6. Da Nang is a Special Place for FIEs



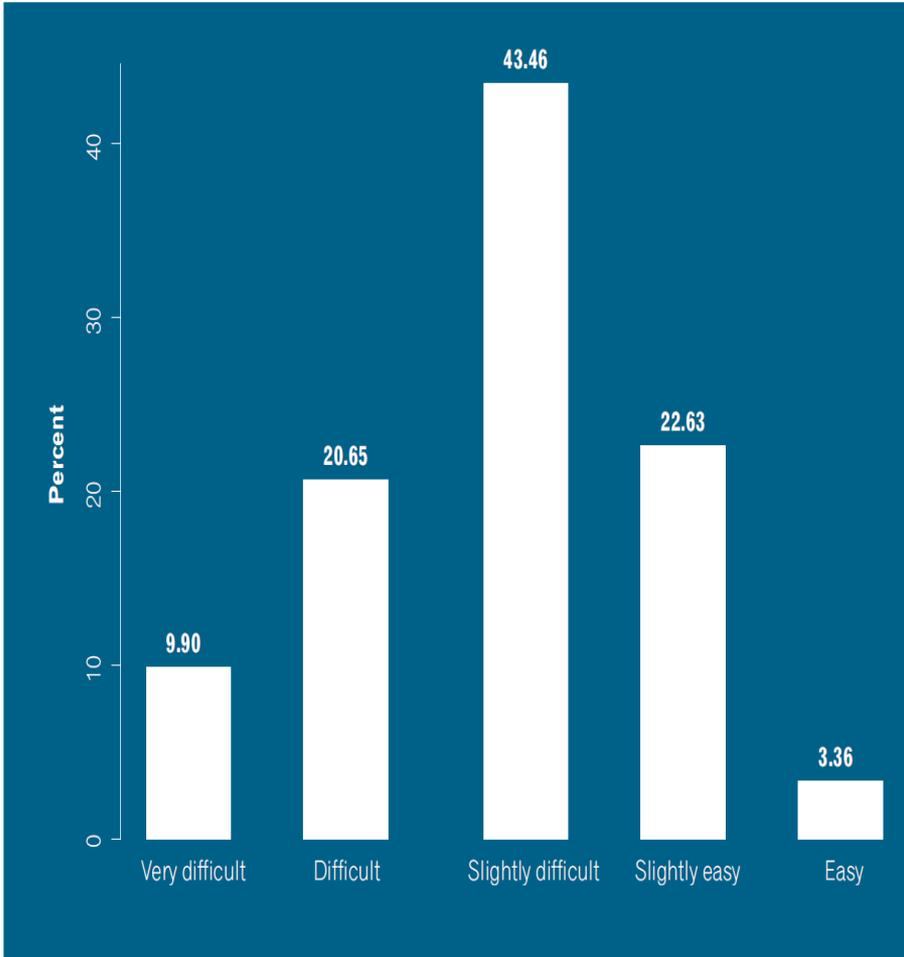
Source: PCI-FDI Survey Question C4: "Considering all your documentation, how long did it take you to get all required registration certificate, licenses, and stamps to be a fully legal business in your province?" Range bars depict the percentage of respondents who answered less than one month (≤ 3 on the 7-Point Scale).

7. Accessing Talented Workers is a Challenge



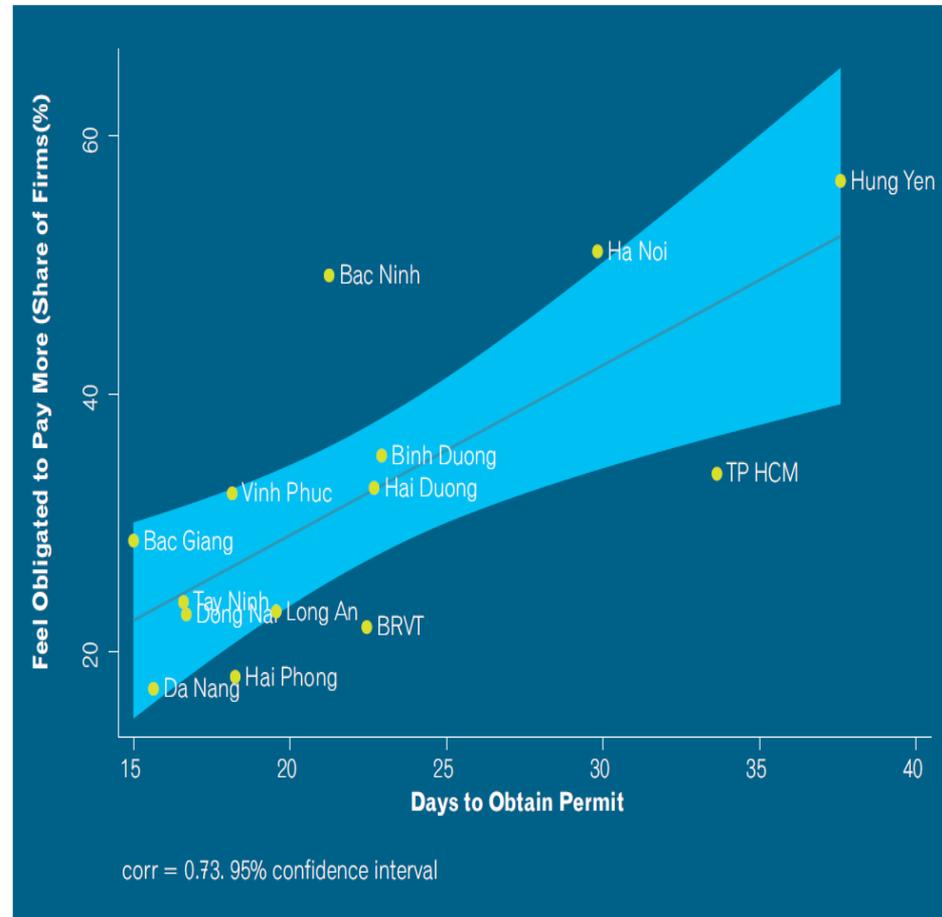
7. Accessing Talented Workers is a Challenge

Work Permit for Foreigners



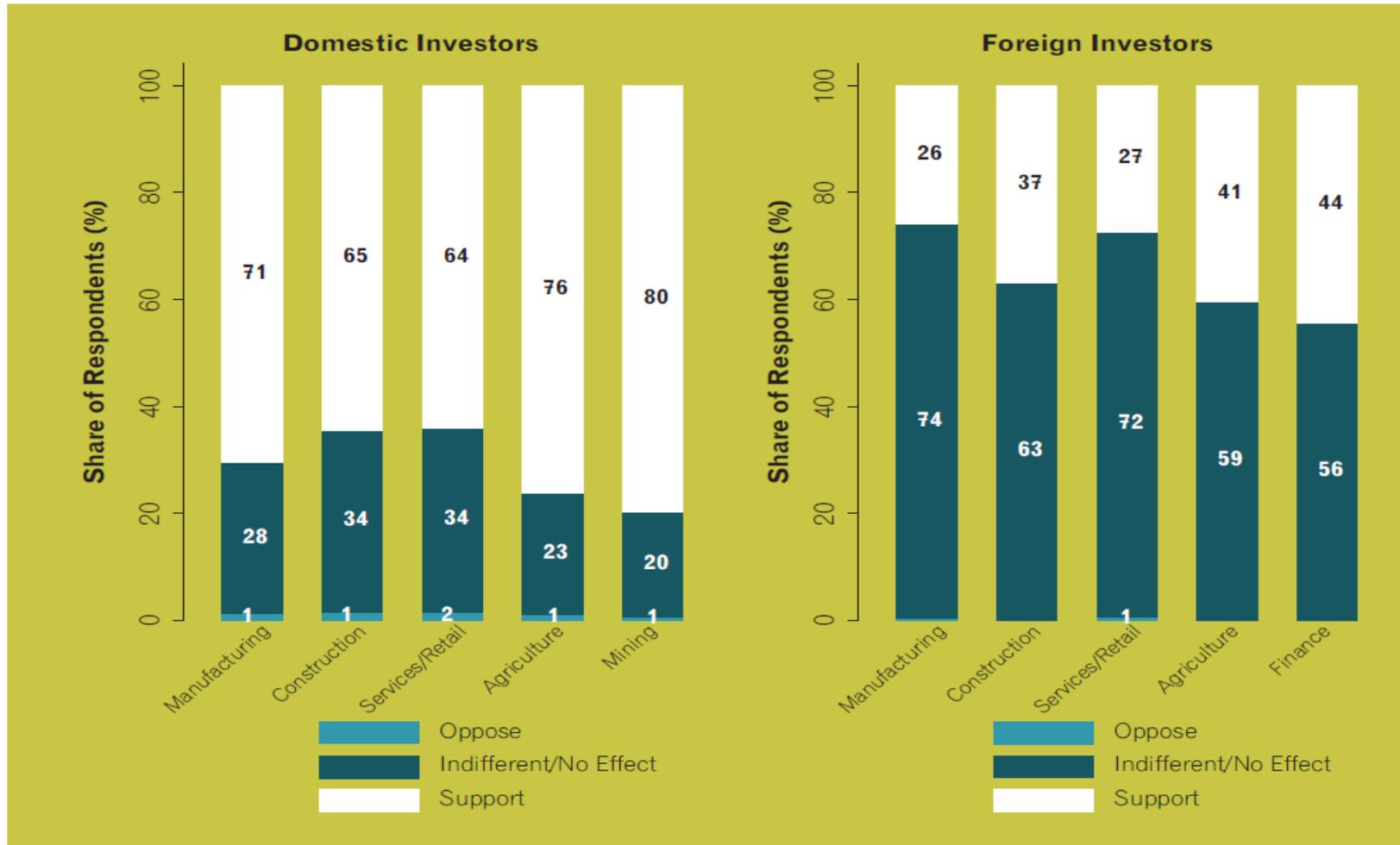
Source: PCI-FDI Survey Question G8: "How do you rate the difficulty level in acquiring the work permit for your non-Vietnamese workers?"

Wait Time Associated with Informal Charge



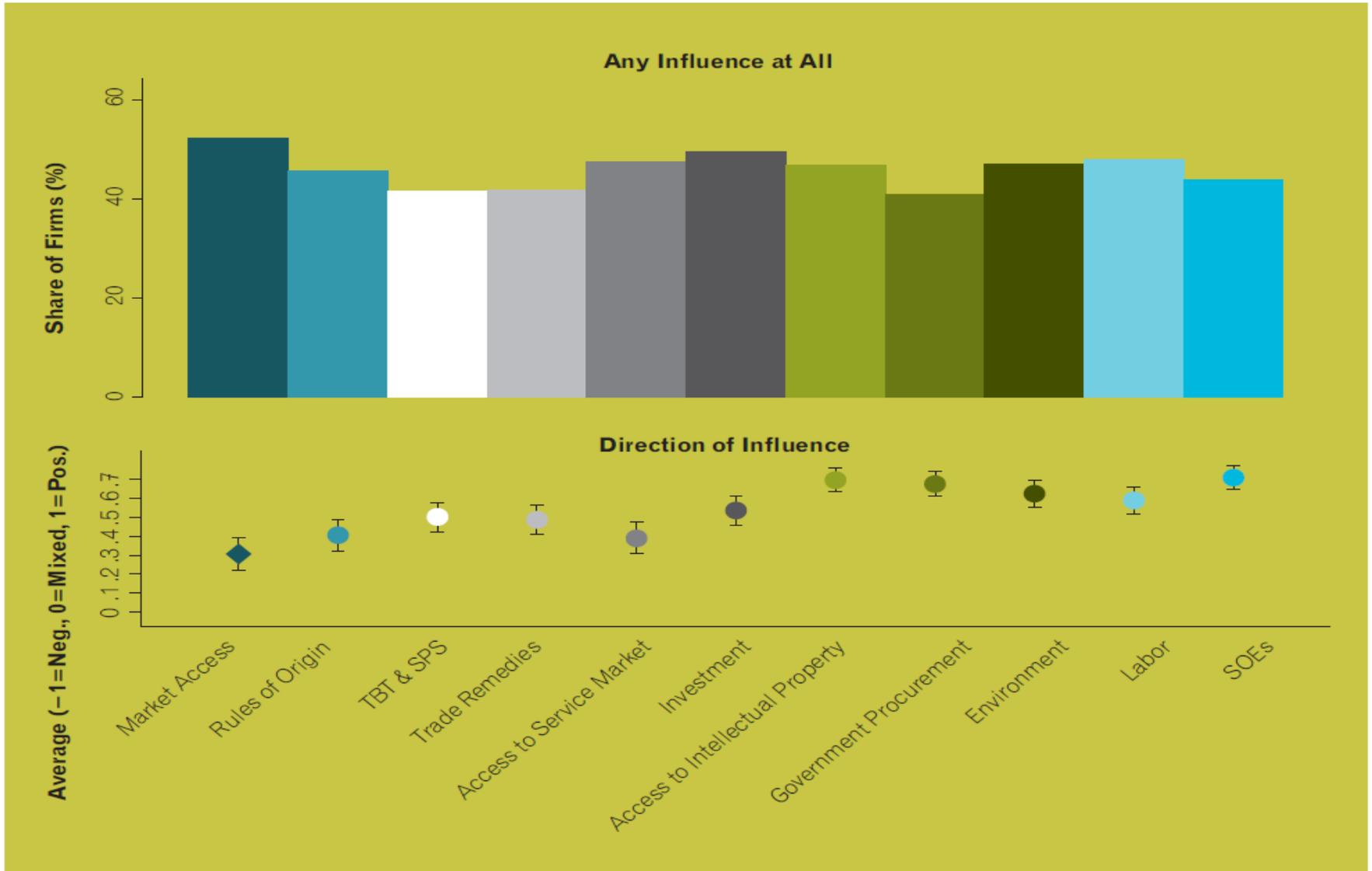
Source: PCI-FDI Survey Question G8.1: "How long did it take you to receive the work permit for your non-Vietnamese workers from the day you submit the application?" G8.2: "Did you feel obligated to pay more to have the application processed faster?" Points represent provincial averages.

8. Support for TPP is Moderate

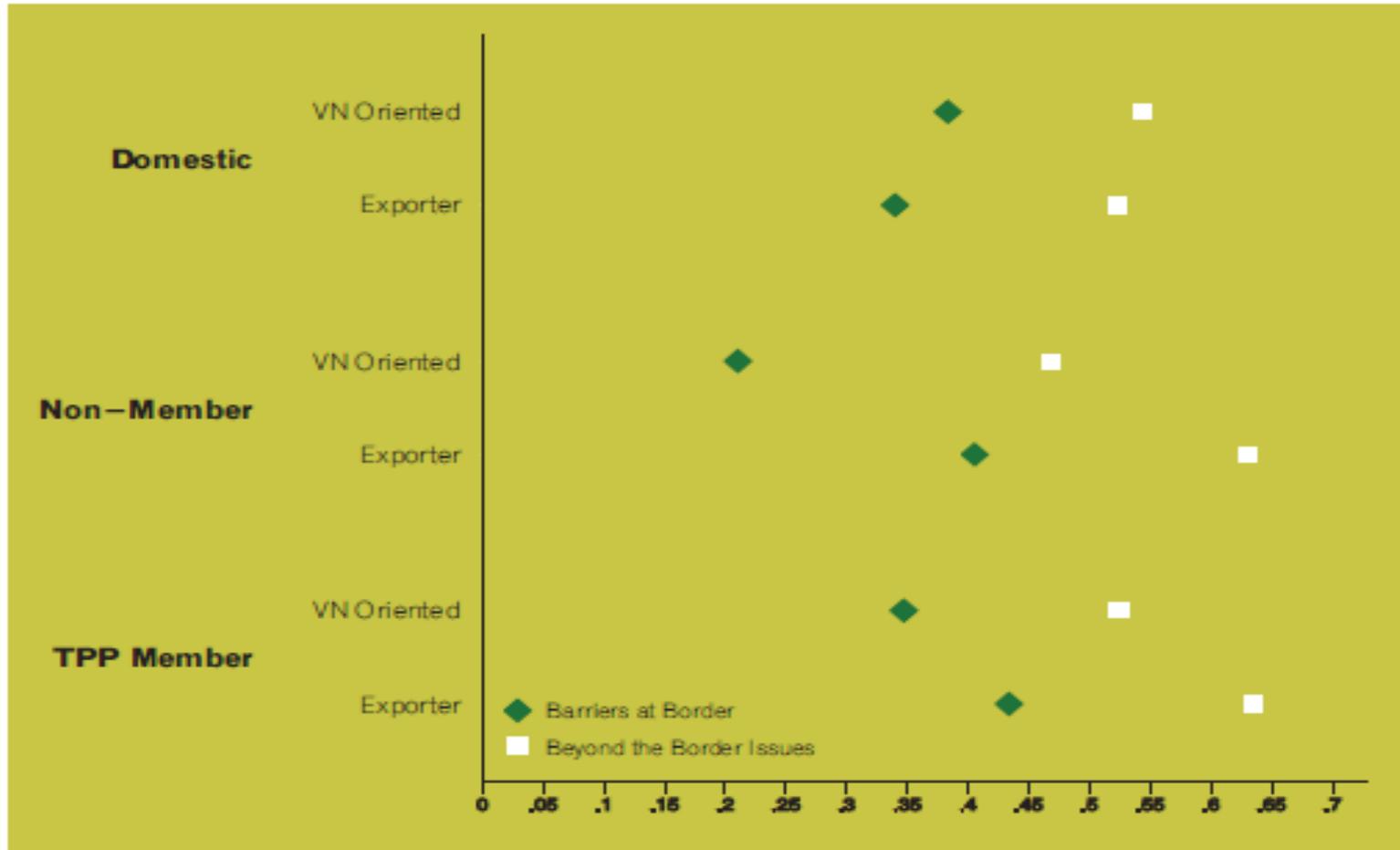


Source: PCI Survey I2 & PCI-FDI Survey Question L12, "How does your firm feel about Vietnam's signing of the Trans-Pacific Partnership Agreement?"

9. TPP Support Varies by Issue Area

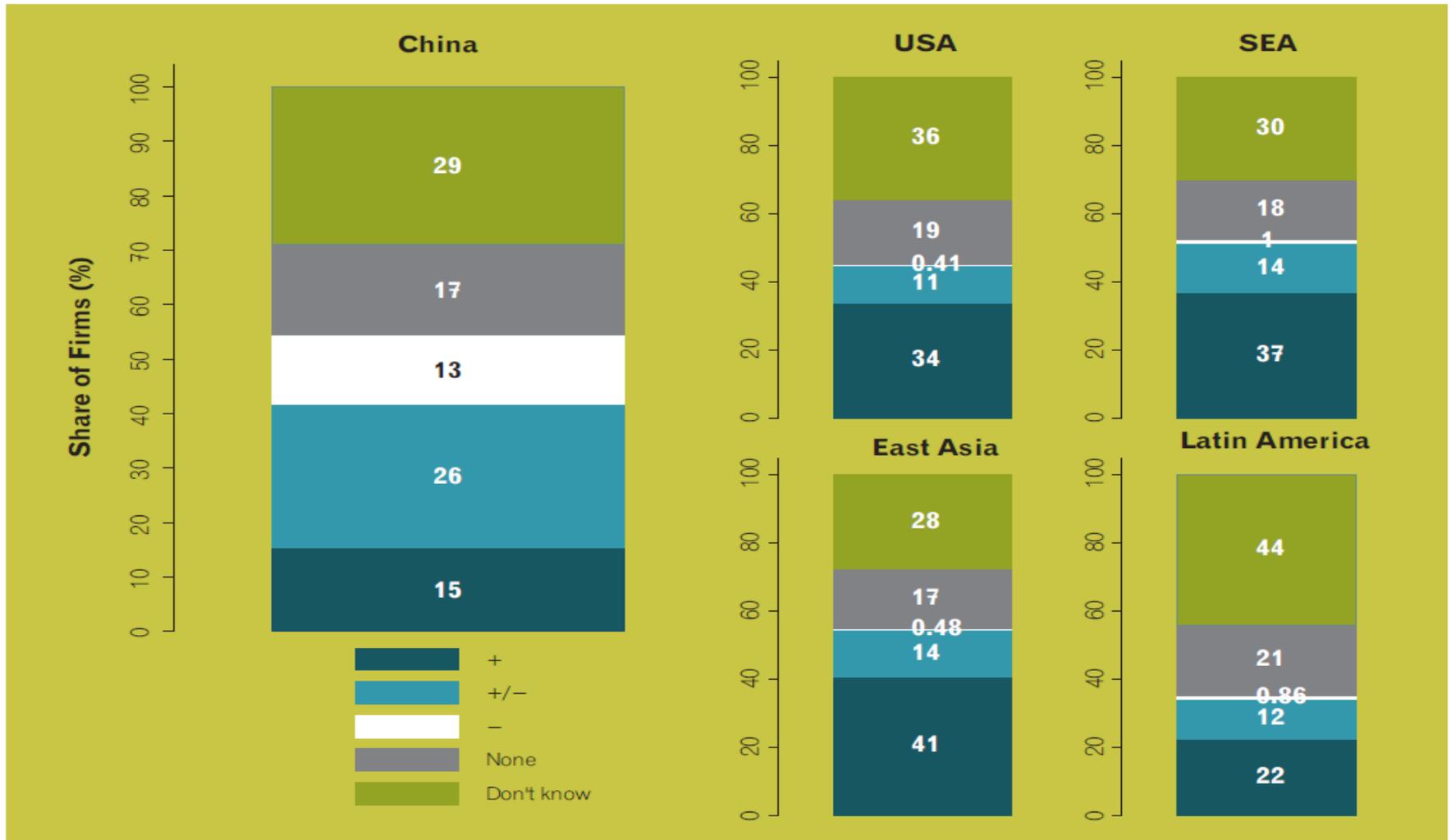


9. TPP Support Varies by Sector



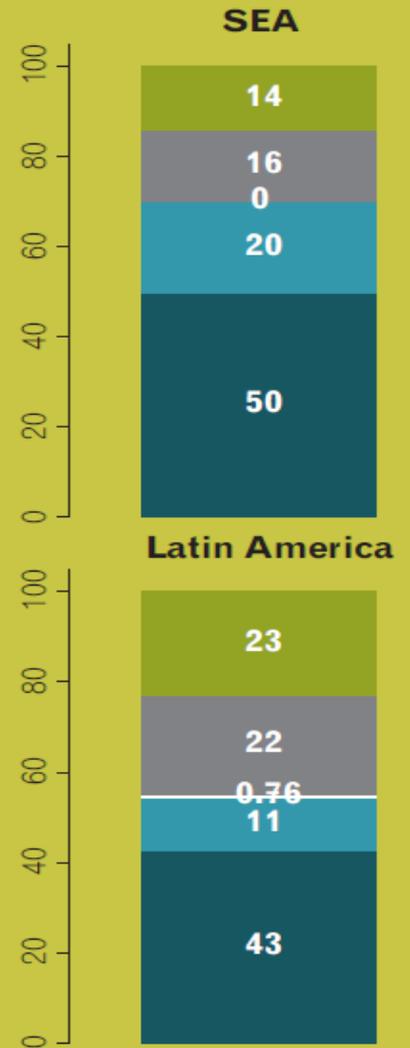
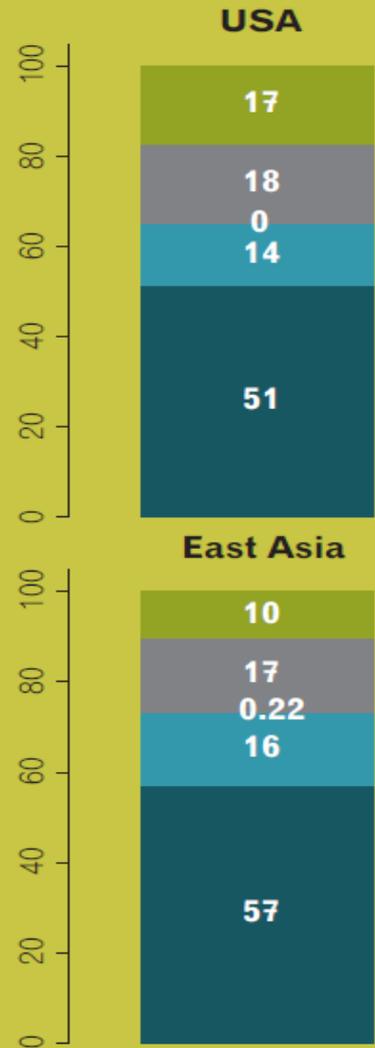
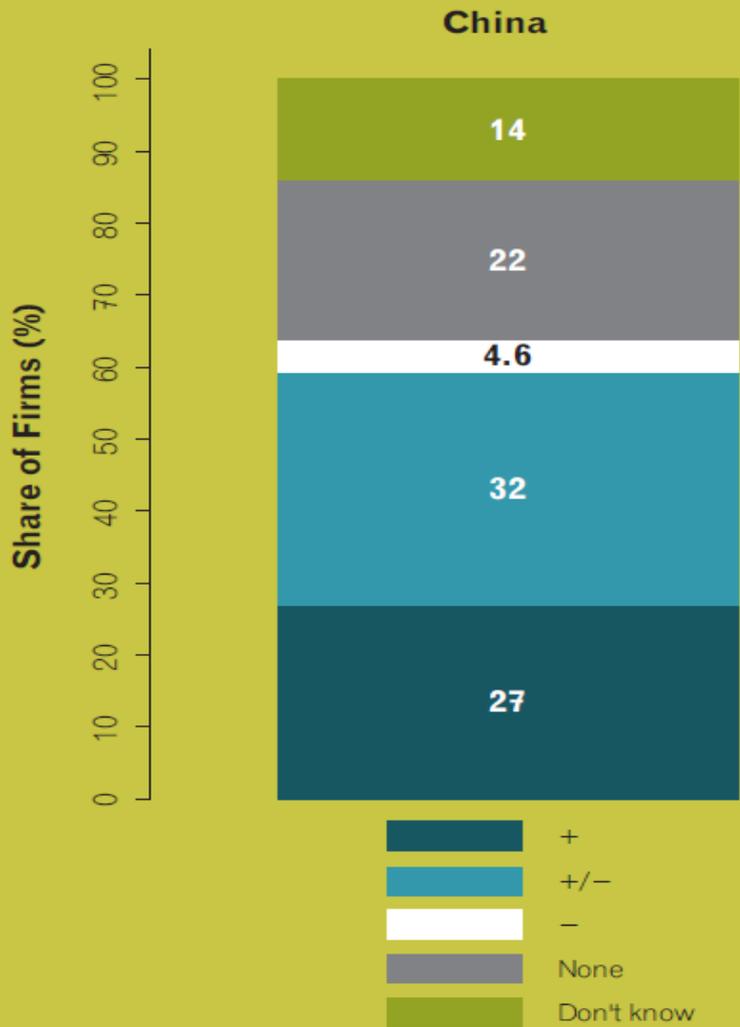
Source: PCI Survey I4.1 to I4.11 & PCI-FDI Survey L4.1 to L4.11, "Please assess how the TPP's following contents influence your business operation?" Dark green diamonds represent the average influence score on the barriers-at-the-border issues, (I4.1 to I4.5) while white squares represent the average score on the behind-the-border issues (I4.6 to I4.11). Scores are reported for private, domestic firms, FIEs from TPP states, and FIEs from TPP non-member states, with each of those groups subdivided by whether the firm exports or not.

10. Trade Diversion is a Possibility (Domestic Firms)



Source: PCI Survey I5.1 to I5.16, "In the case that Vietnam becomes a TPP country, how will your business opportunities with such partners be affected?"

10. Trade Diversion is a Possibility (Foreign Firms)



THANK YOU!

