



Brussels, 25 November 2010
JM/JJ

Mr. Karel de Gucht
Commissioner for Trade
European Commission
BE-1049 Brussels
Belgium

Letter sent by e-mail: karel.de-gucht@ec.europa.eu

Dear Commissioner,

We understand that technical work is underway with a view to launching negotiations for a Free Trade Agreement with Vietnam.

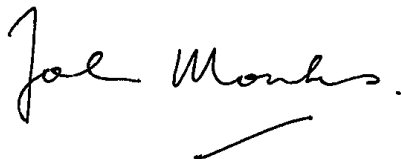
In that context, I am writing to draw to your attention the totally unacceptable position of the European Chamber of Commerce in Vietnam (EuroCham) set down in its letter of 20 October to the Vietnamese Ministry of Labour advising it against a minimum wages increase and threatening a withdrawal of investment to even cheaper labour sources in the region. We agree with the view of the Asian-European Dialogue Forum for Labour Think Tanks / Research and Training Institutes (letter attached) that:

- Vietnam has one of the lowest minimum wages in the region which is not sufficient to tackle basic living costs;
- regular increases of minimum wages above the inflation rate are necessary in order to make sure that all workers participate in productivity gains and receive a decent wage;
- decent minimum wages are an important instrument to increase the productivity of the Vietnamese economy; they will also help companies to recruit more qualified employees;
- minimum wages can contribute to reduce wage dispersion and the overall level of inequality;
- empirical research on the link between minimum wage increase and employment does not support the hypothesis that reasonable minimum wage increases drive workers out of the formal sectors or altogether reduce the number of employed persons, while international competitiveness is primarily an exchange-rate issue;

- and minimum wages are an important factor to stabilise domestic demand in order to allow for a more balanced and sustainable economic development.

We expect European companies to contribute to decent work and a sustainable development in their host countries. The EU has consistently pressed for sustainable development chapters to be included in FTAs in line with those objectives. While reserving the possibility of our raising wider issues in relation to this FTA, we would ask your services now to ask EuroCham, who we understand receives support from the Commission, to desist from making such statements which can only undermine the development of proper trade relations with Vietnam.

Yours Sincerely,

A handwritten signature in black ink that reads "John Monks." The signature is written in a cursive style with a long horizontal stroke at the end.

John Monks
General Secretary