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Vietnam's Industrial Policy

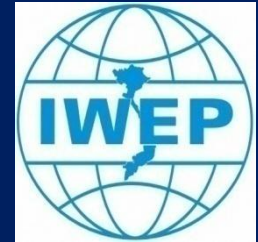
Binh Giang Nguyen

Institute of World Economics and Politics

18. July 2013

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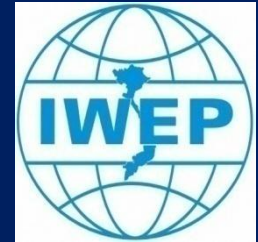


VIETNAM'S INDUSTRIAL POLICY

Nguyen Binh Giang

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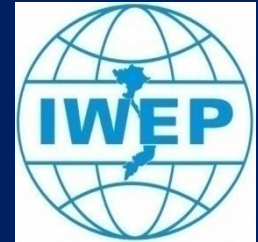
OUTLINE

- Definition
- Overview
- Chronology
- Plans for industry development
- Plans for regional development
- Key 'pro-business' policies
- Challenges to Vietnam's industrial policy



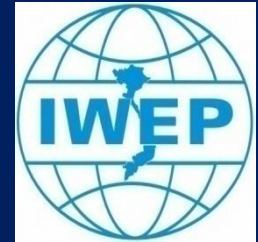
DEFINITION

- **Industrial policy is actions to:**
 - ✓ *Develop the manufacturing sector of the economy*
 - ✓ *Encourage the growth of some specific manufacturing industries*
 - ✓ *Change the structure of the manufacturing sector*
- **Two types of industrial policy:**
 - ✓ *'Pro-business' policy*
 - ✓ *'Pro-market' policy*



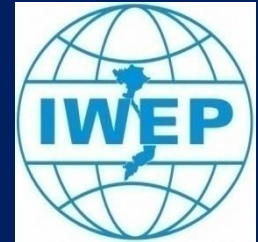
OVERVIEW

- Vietnam's Industrial policy is the strategies and policies for industrialization – modernization.
- ✓ *1991: Industrialization – modernization initiative.*
- Industrial policy is 'pro-business' rather than 'pro-market'.
- Shift from 'pro-business' policy to 'pro-market' policy



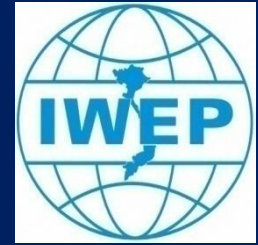
CHRONOLOGY

- 1996: appeal for acceleration of industrialization – modernization:
 - ✓ *The goal is Vietnam's becoming a newly industrialized country with modern physical infrastructure by 2020.*
 - ✓ *In the first years of 1991-2020 period: agro-processing, consumption goods production and export-oriented industries were prioritized; SMEs development were prioritized.*
 - ✓ *Develop electronics and ICT, mechanical engineering, material engineering industries.*
 - ✓ *Establish industrial estates, EPZs, high-tech parks*



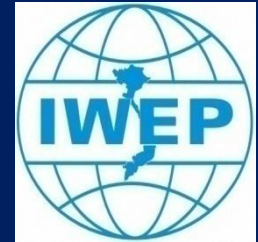
CHRONOLOGY

- 2001: launching the “Strategy for Acceleration of Socialist-oriented Industrialization – Modernization and for Development of Foundation of Newly Industrialised Country by 2020” (a.k.a. the Socio-Economic Development Strategies for 2001-2010 Period)
 - ✓ *Develop the agro-processing, apparel, leather and footwear, electronics and ICT, some specific mechanical engineering industries*



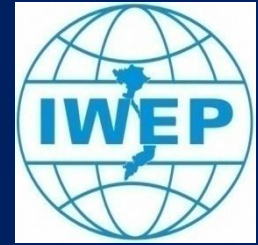
CHRONOLOGY

- ✓ *Selectively develop some projects in petroleum, metallurgic, machinery, basic chemistry, construction material industries*
- ✓ *Strongly develop the high-tech industry*
- ✓ *Plan the industry allocation by region*
- ✓ *Large industrial clustering and establish open economic zones*
- ✓ *Promote the developments of pivotal economic regions*



CHRONOLOGY

- 2011: appeal for further accelerating of the industrialization – modernization program so that Vietnam will become a modern industrialised country by the mid of 21st century
 - ✓ *Restructure the manufacturing sector by industry and territory and value*
 - ✓ *Attach special important to developments of heavy and machinery industries*
 - ✓ *Selective develop manufacturing industries, high-tech and energy industries, mineral industries*



CHRONOLOGY

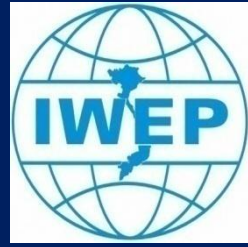
- ✓ *Priority develop the products which have competitiveness and abilities of joining GPNs and GVCs*
- ✓ *Strongly develop the supporting industries*
- ✓ *Promote the manufacturing sector development through industrial clustering*

PLANS FOR INDUSTRY DEVELOPMENT



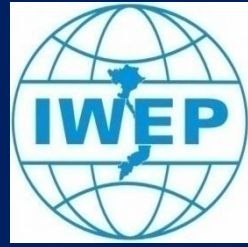
- 15 strategies for development of industries:
 - ✓ *High-tech*
 - ✓ *Textile and apparel*
 - ✓ *Motorcycle*
 - ✓ *Chemical*
 - ✓ *Mechanical engineering*
 - ✓ *Agro-processing: tobacco, rice, maize, soybean, peanut*
 - ✓ *Automotive*
 - ✓ *ICT*
 - ✓ *Pharmaceutical*
 - ✓ *Energy*

PLANS FOR INDUSTRY DEVELOPMENT

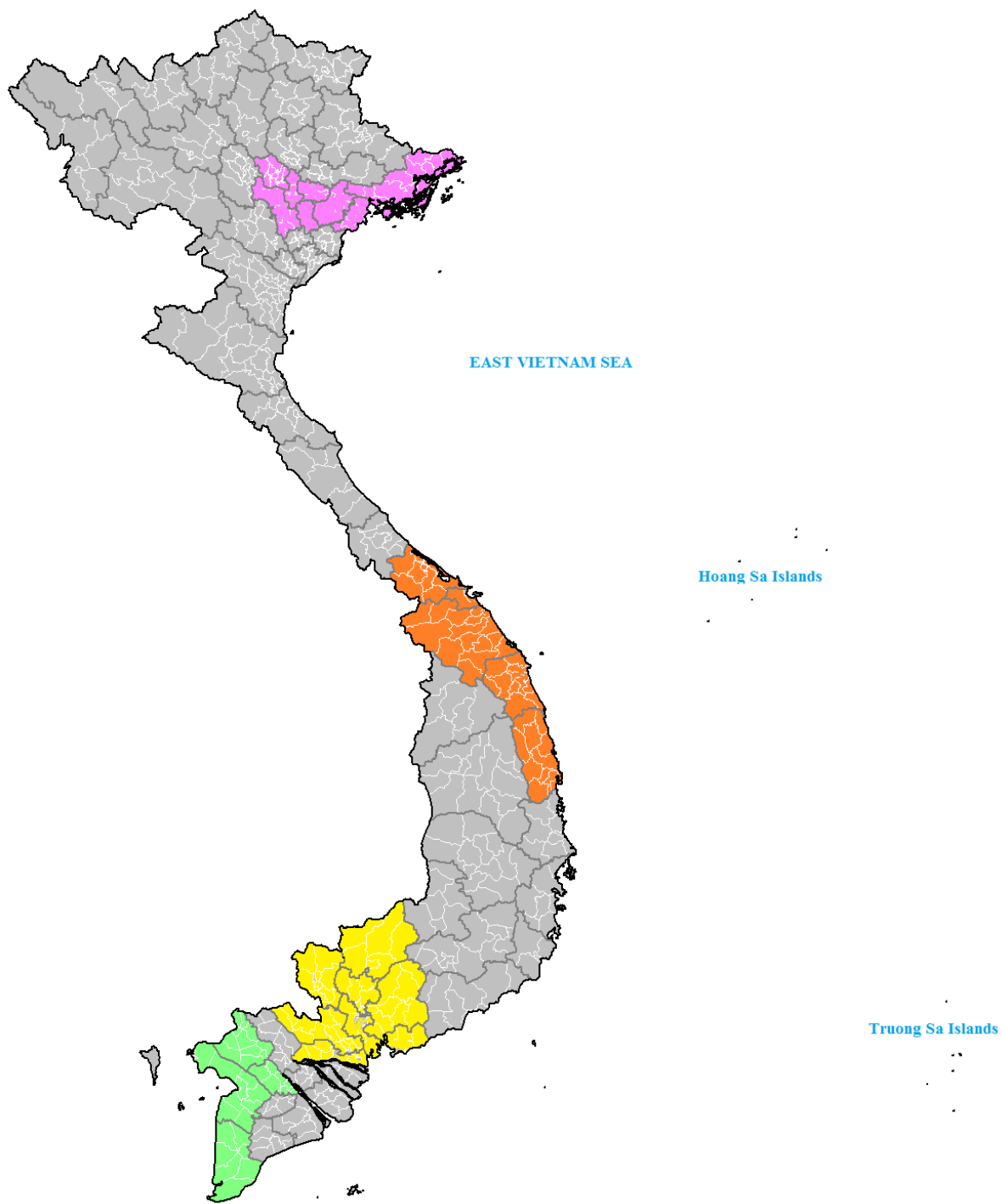


- Master plans for developments of industries:
 - ✓ *Electronics*
 - ✓ *Steel*
 - ✓ *Supporting industries*
 - ✓ *Leather and footwear*
 - ✓ *Construction materials (including ceramic sanitary wares)*
 - ✓ *Mineral processing (coal, bauxite, titan, apatite, lead, zinc)*
 - ✓ *Synchronous equipment production*
 - ✓ *Beverage*
 - ✓ *Dairy*
 - ✓ *Pulp and paper*

PLANS FOR REGIONAL DEVELOPMENTS



- Establishments of three pivotal economic regions (PERs) in 1997-1998
 - ✓ *Northern PER: 7 provinces including Ha Noi and Hai Phong*
 - ✓ *Middle PER: 5 provinces including Da Nang*
 - ✓ *Southern PER: 8 provinces including HCM City*
 - ✓ *Northern and Southern PERs are industrial agglomeration regions*
 - ✓ *Middle PER: New industrial agglomeration*
- Establishment of Mekong delta PER in 2009
 - ✓ *4 provinces including Can Tho*

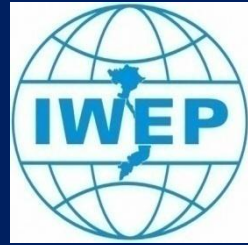


EAST VIETNAM SEA

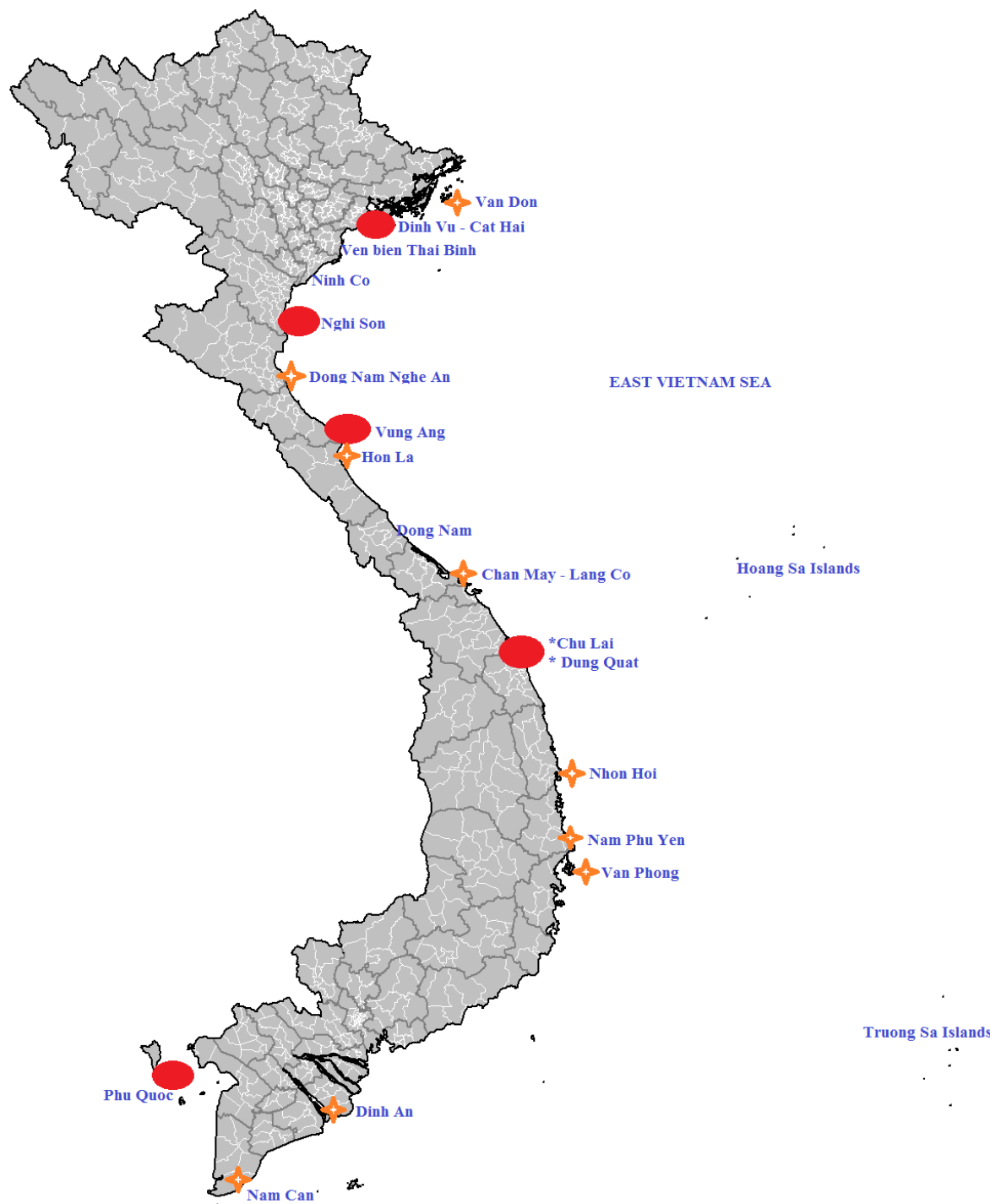
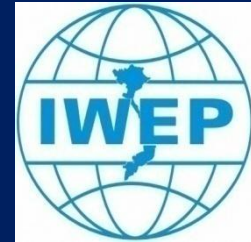
Hoang Sa Islands

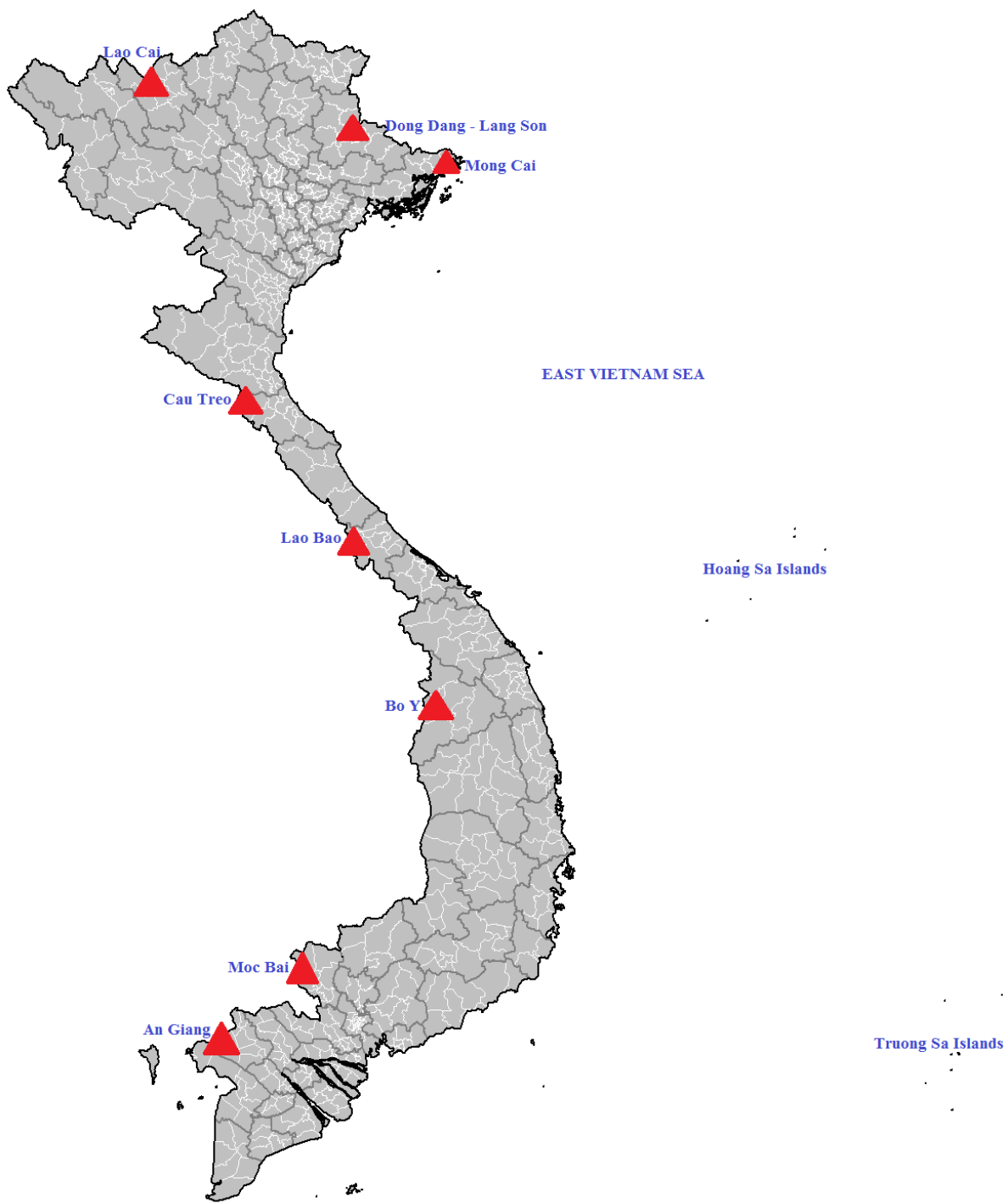
Trung Sa Islands

PLANS FOR REGIONAL DEVELOPMENTS



- Outside of industrial agglomeration regions, coastal economic zones (a type of SEZs) were established to become growth 'engines'
 - ✓ *1999 - 2011: Inaugurations of 17 SEZs. Most of them locate in the Middle region.*
 - ✓ *Aug. 2012: The issuance of an official note by the PM on 6 SEZs to be invested by the State budget (they are 5 of above 18 SEZs plus a new SEZ named Phu Quoc)*
 - ✓ *10 June 2013: Inauguration of Phu Quoc EZ*

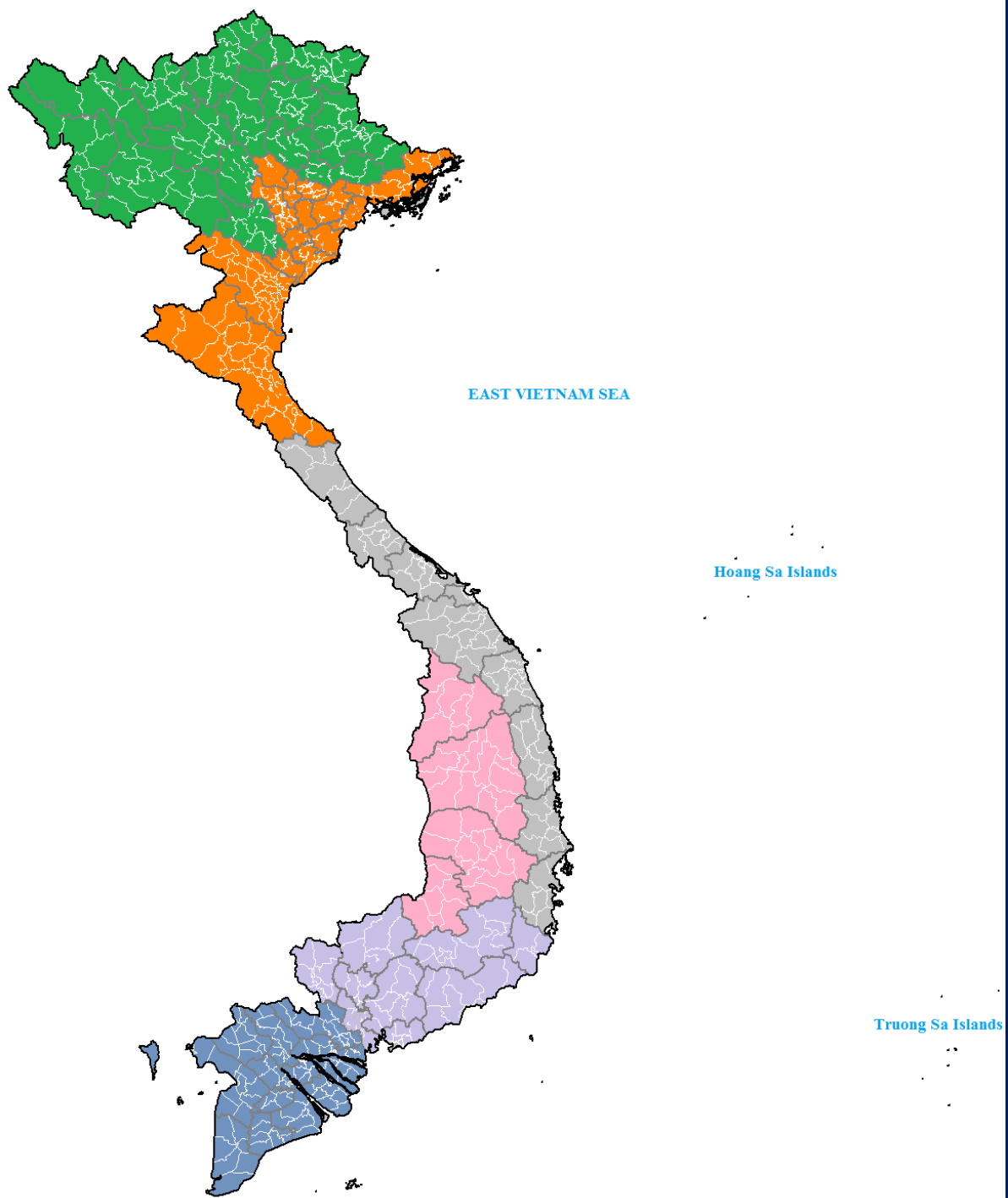




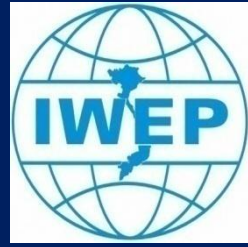
PLANS FOR REGIONAL DEVELOPMENTS



- In 04/4/2006, the PM approved the master plan for the development of Vietnam's industry sector by territory regions until 2010 with the vision to 2020
- Vietnam is divided into 6 industrial regions (numbered from #1 to #6)

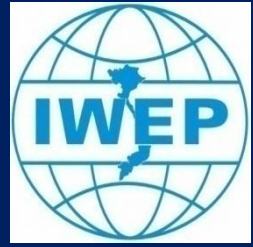


PLANS FOR REGIONAL DEVELOPMENTS



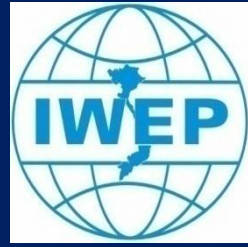
- **Region I:** hydropower, agro-processing, mineral processing, chemical, fertilizers, metallurgic, construction materials, mechanical engineering for agro-industry
- **Region II:** mechanical engineering (ship building, electric equipments, transport equipments), thermal-power, electronics and ICT, chemical, metallurgic, mineral processing, construction materials, apparel, leather and footwear, agro-processing

PLANS FOR REGIONAL DEVELOPMENTS

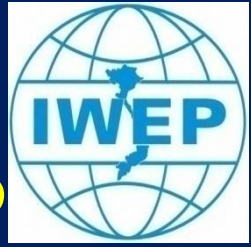


- **Region III:** agro-processing, petrochemical, ship building, mechanical engineering industry, machine tool, construction materials, apparel, leather and footwear, electronics and ICT industries
- **Region IV:** hydropower, agro-processing, mineral processing industries

PLANS FOR REGIONAL DEVELOPMENTS

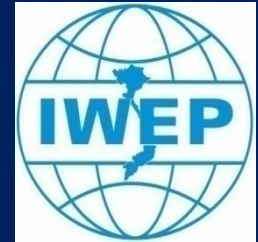


- **Region V:** petrochemical, power, agro-processing, mechanical engineering , electronics, software, chemical and pharmaceutical, apparel, leather and footwear industries
- **Region VI:** agro-processing, natural gas utilized, engineering for agro-industry, ship building industries



KEY 'PRO-BUSINESS' POLICIES

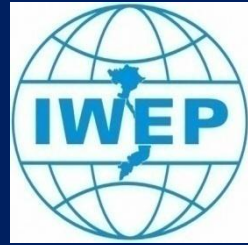
- Request SOEs to play the leading role.
- Provide credits to firms, especially to SOEs.
- Provide some types of incentives: land rent, corporate income tax, VAT, job training assistance, etc.
- Protective custom and tariff measures.



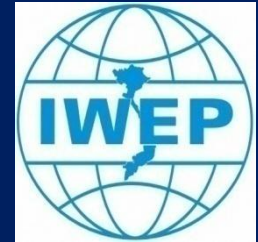
TRADE LIBERALISATION

- WTO member since 2007 with 'WTO-plus-plus' commitments
- 8 FTA were signed:
 - ✓ AFTA, 5 ASEAN+1 FTAs
 - ✓ Vietnam – Japan, Vietnam – Chile
- Under negotiation:
 - ✓ Vietnam – EU, Vietnam – Korea, Vietnam – EFTA, Vietnam – Customs Union of Belarus, Kazakhstan, and Russia
 - ✓ TPP
 - ✓ RCEP

CHALLENGES TO VIETNAM'S INDUSTRIAL POLICY



- **Traditional challenges**
 - ✓ *Fierce competition from neighbors, especially from China*
 - ✓ *Sluggish upgrading of innovation and technology capacities*
 - ✓ *Persistent shortage of skilled manufacturing workers*
- **New challenges**
 - ✓ *Intl. production sharing and intl. production networks*
 - ✓ *Industrial clusters and intl. networks of clusters*
 - ✓ *Climate change*



THANK YOU FOR YOUR ATTENTION