Vietnam’s Industrial Policy

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VIETNAM’S INDUSTRIAL POLICY

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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.


• Industrial policy is ‘pro-business’ rather than ‘pro-market’.

• Shift from ‘pro-business’ policy to ‘pro-market’ policy
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.
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
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