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
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  ✓ Beverage
  ✓ Steel  ✓ Dairy
  ✓ Supporting industries  ✓ Pulp and paper
  ✓ Leather and footwear
  ✓ Construction materials (including ceramic sanitary wares)
  ✓ Mineral processing (coal, bauxite, titan, apatite, lead, zinc)
  ✓ Synchronous equipment production
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