Vietnam

Ministry of Industry and Trade

Vietnam
Collection/Confirmation Study of Automotive Parts Industry Information
Final report

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Deloitte Tohmatsu Consulting LLC

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Contents

Abbreviation list

#	Abbreviation	Formal Name
1	ASEAN	Association of South-East Asian Nations
2	AED	Agency for Enterprise Development
3	BDS	Business Development Service
4	BKPM	Badan Koordinasi Penanaman Modal
5	CARS Program	Comprehensive Automotive Resurgence Strategy Program
6	CBU	Complete Build-up
7	CIEM	Central Institute for Economic Management
8	CIT	Corporate Income Tax
9	CKD	Complete Knock Down
10	CPK	Capability Process Index
11	DOIT	Department of Industry and Trade
12	DPI	Department of Planning and Investment
13	EEV	Energy Efficient Vehicles
14	EPE	Export Processing Enterprises
15	EPZ	Export Processing Zone
16	EV	Electronic Vehicle
17	EZ	Economic Zone
18	GATT	General Agreement on Tariffs and Trade
19	GDVT	General Department of Vocational Training
20	HS code	Harmonized System Codes
21	IATF	International Automotive Task Force
22	IPSI	Industrial Policy and Strategy Institute
23	ISO	International Organization for Standardization
24	ISO/TS 16949	n/a
25	JBAV	The Japan Business Association in Vietnam
26	JAVADA	Japan Vocational Ability Development Association
27	LCGC	Low Cost Green Car
28	LEs	Large Enterprises
29	MOF	Ministry of Finance of Vietnam
30	MOF	Ministry of Finance of Indonesia

31	MOI	Ministry of Industry of Indonesia
32	MOIT	Ministry of Industry and Trade of Vietnam
33	MOLISA	Ministry of Labor, Invalids and Social Affairs of Vietnam
34	MOST	Ministry of Science and Technology of Vietnam
35	MOT	Ministry of Transport of Vietnam
36	MOT	Ministry of Transport of Indonesia
37	MPI	Ministry of Planning and Investment of Vietnam
38	MFN	Most Favored Nation Treatment
39	OEM	Original Equipment Manufacturer
40	OOG	Office of the Government
41	OT	Ownership Tax
42	PHV	Plug-in Hybrid Vehicle
43	PIKKO	Association of Small and Medium-Sized Automotive Component Companies
44	SCT	Special Consumption Tax
45	SME	Small and Medium-sized Enterprise
46	SMEDF	Small and Medium Enterprise Development Fund
47	TCP	Technical Corporation Project
48	TCVN	Vietnam National Standards
49	TVET	Technical Vocational Education and Training
50	TSL	Two Step Loan
51	VAMA	Vietnam Automobile Manufacturers' Association
52	VASI	Vietnam Association for Supporting Industries
53	VAT	Value Added Tax
54	VJCC	Vietnam - Japan Human Resources Cooperation Center
55	WTO	World Trade Organization

Executive Summary

This study is conducted to consider policy direction and specific measures the Vietnamese government should adopt to develop the automotive industry at a turning point towards survival, anticipating liberalization of Vietnam's Complete Build-up (CBU) market in 2018. As a result of this study, it has been confirmed that Vietnam, with its automotive industry in the Survival Period, needs to steadily implement individual measures including reducing Special Consumption Tax (SCT) on vehicle purchase or parts tariff and facilitating Export Processing Enterprises' (EPEs') domestic sales in order to expand sales market and develop supporting industries.

Annual market size in Vietnam is projected to increase significantly from current 200,000 units as it enters the motorization period after 2020, and domestic automotive industry is expected to grow along with this market expansion. In Thailand, advanced in automotive industry development, its automotive industry has been contributing to economic growth throughout GDP, tax revenue, trade balance and employment; specifically, it has generated annual trade surplus of approximately USD 10 billion from CBU import and created 600,000 employment across the industry from dealers to suppliers, which suggests that economic growth led by automotive industry development can be expected in Vietnam as well.

However, when tariff on CBU imported from Association of South- East Asian Nations (ASEAN) region is removed in 2018 as planned, Vietnam's domestic automotive industry will face competition with CBU imported from neighboring countries with a larger production capacity including Thailand and Indonesia.

In order for the automotive industry to become Vietnam's key industry in the severe business environment to come, it is necessary to manufacture high-quality finished cars at low cost. However, on the contrary, actual production costs of finished car manufacturers [Original Equipment Manufacturers (OEMs)] in Vietnam are currently 5-10% higher (including logistics costs related to CBU import) compared to its neighboring countries, as they need to cover high depreciation costs resulted from small-scale production and packaging / logistics costs incurred by dependence on imported parts. These issues reflect relatively smaller sales market in Vietnam compared to the neighboring countries and insufficient development of supporting industries.

In order to overcome the issue, Vietnam's automotive industry should strive to be globally competitive supported by matured assembly / supporting industries. As previously mentioned, automotive industry has a potential of leading the economy, which, applied to the case of Vietnam, allows to project tax revenue 12 times higher than the current amount by 2035 through successful industry development. Regarding trade balance, deficit will be reduced by half compared to when failed in industry growth, where improvement as high as USD 15 billion can be expected.

Of three growth stages of automotive industry; Survival Period, Development Period and Maturity Period, Vietnam's current automotive industry is in the Survival Period. Among other ASEAN countries, the Philippines is also in the Survival Period, while Indonesia, with production scale of 1 million units and manufacturing costs as competitive as those of imported vehicles, is in the Development Period, and Thailand, boasting production scale of 2 million units, also engaged in exporting, is in the Maturity Period. Different measures should be emphasized in each growth stage; in case of Survival Period, applicable to Vietnam, it is necessary to implement measures to expand sales market and cover the cost difference from imported vehicles.

Specific measure proposals that should be adopted in the Survival Period include: Reduction of SCT (certain compact cars / any compact cars), reduction of parts tariff, supplier support, relaxing import regulations on used machinery, facilitating EPEs' domestic sales, low-interest loans for Small and Medium-sized Enterprises (SMEs), adopting management standards and capacity building. All of these measures are based on the ones that have already been implemented in Vietnam and have a potential of providing greater impact by increasing effectiveness and resolving related issues.

In addition to summarizing the outline of current measures, this study also looks into the issues related to each measure as well as direction of approach towards these issues. In regards to SCT reduction, we compared difference of policy impact based on the scope of target models (only domestic vehicles or both domestic and imported vehicles, etc.) through tax revenue / trade balance simulation. For parts tariff reduction, we have clarified that selecting target parts has been the bottleneck, and also explored developing systems that can contribute to increasing localization rate. Regarding other measures, we have identified that market expansion and localization increase aimed to maintain production, which is a policy objective, have not been achieved because the operation had faced obstacles caused by, for example, a complicated system [approval from multiple organizations including local government in addition to Ministry of Industry of Trade of Vietnam (MOIT) is required to receive investment incentives]. The Vietnamese government and related organizations stated that they will seek to introduce and manage measures taking into consideration these issues and approach direction.

This study also covers considering effects and issues of establishing safeguards and technical barriers the Vietnamese government has been discussing in recent years, which, however, has reached a conclusion that introduction of these protective measures for the domestic industry needs to be reviewed carefully, as they may interfere with sound market expansion expected from Vietnam in the Survival Period, and their feasibility is low.

Chapter1 Purpose and Overview

1-1 Background and Objectives

Vietnam's automotive market has been steadily expanding along with the economic growth and expecting a further growth as the country enters motorization period. On the other hand, from the perspective of local production, import tariffs on finished cars within ASEAN region will decline every year and eliminated in 2018, which indicates that Vietnam's automotive industry will face the competition with low-priced/high-quality imported vehicles from each ASEAN country.

Under such circumstances, the government and enterprises have been facilitating communication aimed at industry growth, however, faced with difficulty in refining/implementing the policies. The government set out Auto Master Plan(Year 2013),Decision 1211(Year 2014), Decision 1829 (Year 2015), Decision 229(Year 2016) encouraging enterprises to develop projects aimed at protecting/developing the automotive industry, however, the government is expected to provide more specific policies that help make investment decisions by enterprises (especially foreign manufactures). Additionally, it is also difficult to harmonize views within the government, as Ministry of Finance of Vietnam (MOF) is concerned about difficulty of securing financial resources and worsening fiscal balance.

The purpose of this study is to support implementation of the policies pertaining to automotive industry's protection/development through policy revision proposals necessary for the development of Vietnam's automotive industry. This study, with focus on feasibility of the policies, will also clarify/address each ministry's interest/concerns so that agreement can be reached among ministries.

1-2 Team Structure

The project team consists of MOIT Heavy Industry Dept./JICA/Deloitte. This team implement the study while involving each ministry, assembly manufacturers/parts manufacturers and facilitating communication among the relevant players. Expecting to implement the project efficiently/effectively through communication with appropriate members in accordance with the activities in each step.

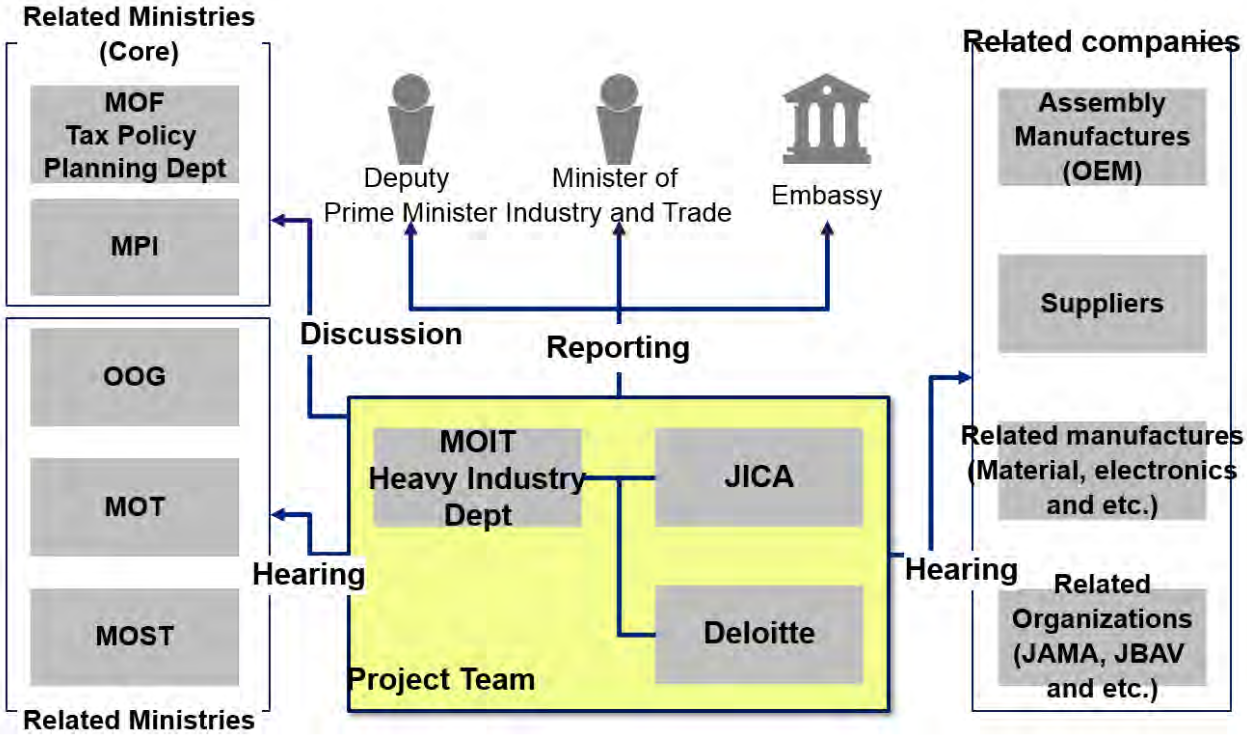


Figure 1-1 Team Structure

1-3 Schedule

This study was conducted in 6 months, during which we obtain comments from the government and make adjustments through seminars/briefing sessions.

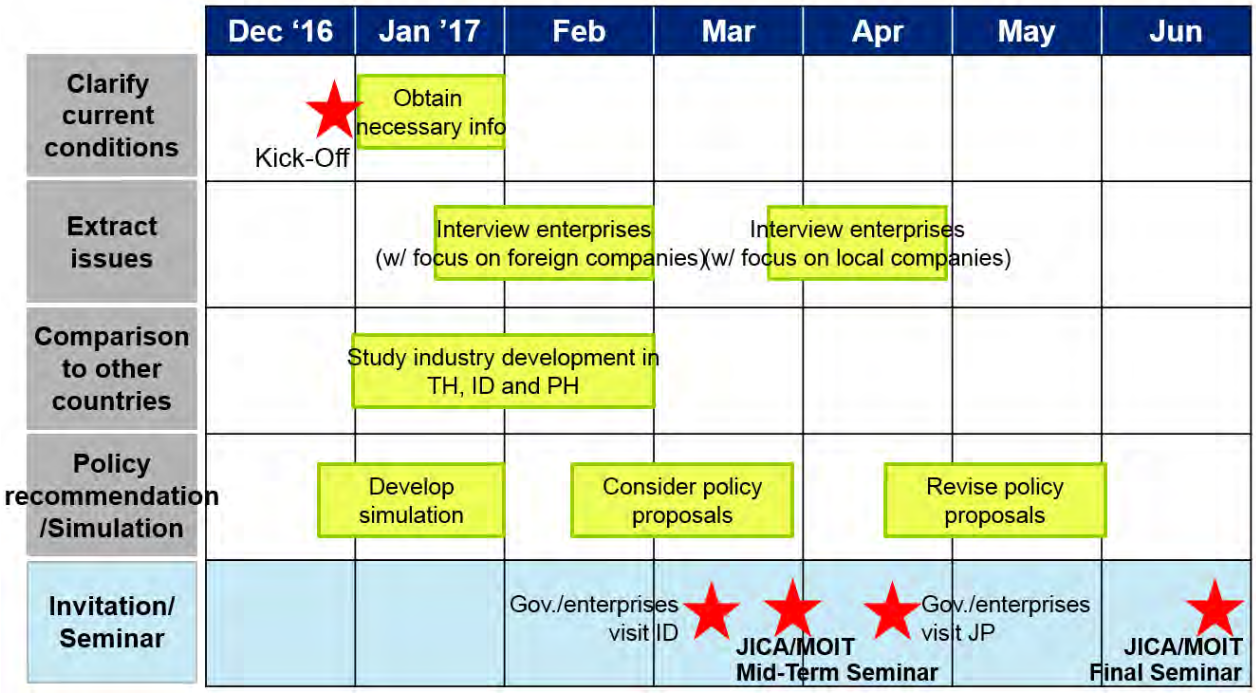
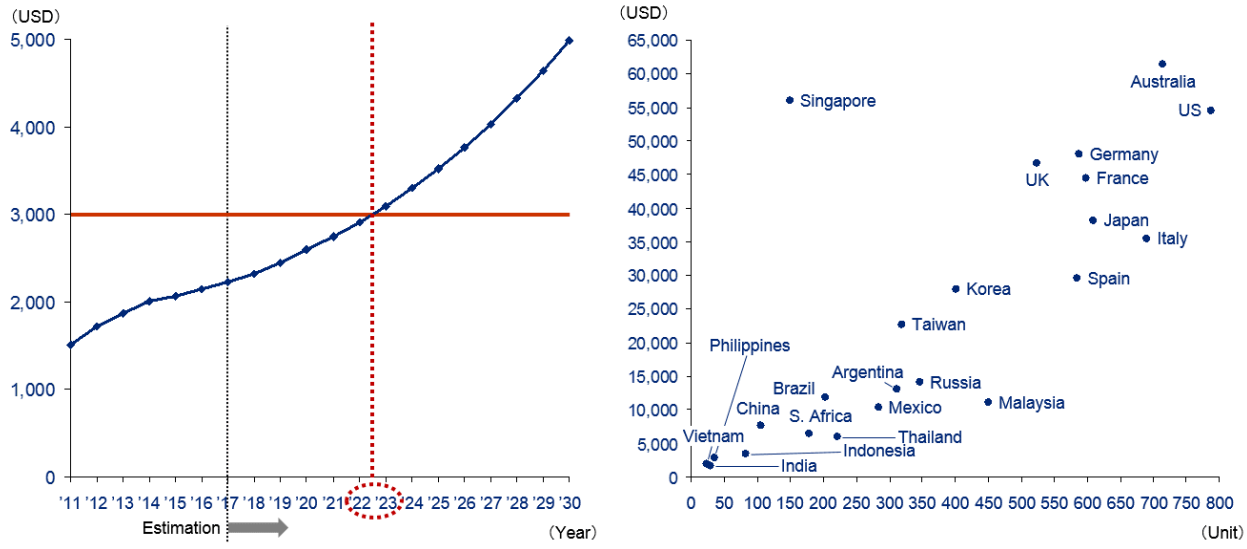


Figure 1-2 Schedule

Chapter2 Current state of Vietnam's automotive industry

It has become clear that the automotive industry in Vietnam is at a crossroads, with its survival at stake. High costs are threatening its existence, and the country should consider the automotive industry as a significant industry that needs preserving.

The market has been growing rapidly since 2012, with sales reaching 200,000 units per year as of 2015. Production is growing in the same way as the market. Furthermore, demand for vehicles is expected to increase given that Vietnam has ASEAN's second largest population, with a young average age, and that per capita income is forecasted to exceed 3,000 USD per year in the first half of 2020, a level at which the vehicle penetration rate is expected to increase.



Source: Euromonitor、FOURIN

Figure 2-1 GDP per capita in Vietnam and GDP per capita & vehicle penetration rate in each country (2014)

On the other hand, Vietnam's production is smaller than other countries'. While Vietnam produced 160,000 units in 2016, Thailand and Indonesia produced 1,920,000 units and 1,070,000 units respectively, roughly ten times more than Vietnam. In addition, the number of suppliers supporting the automotive industry in Vietnam lags behind the other ASEAN nations, as does the variety of such suppliers, as seen in the procurement localization rate.

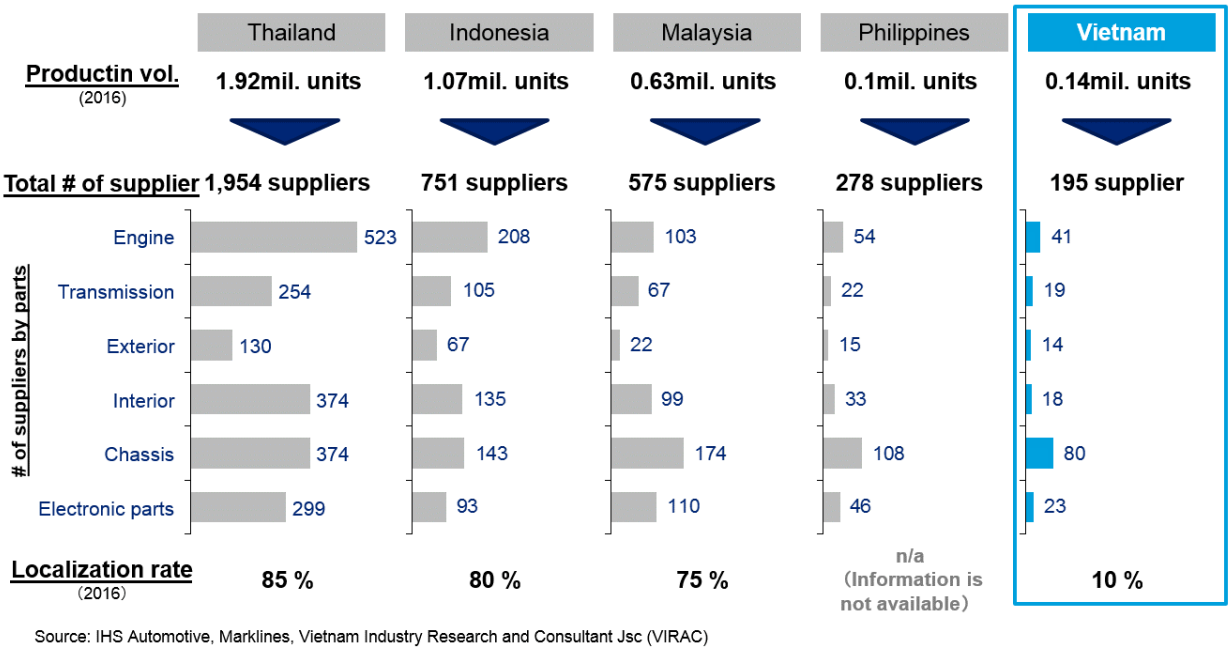


Figure 2-2 Vehicle production size and supplier base in Vietnam

The small scale of production and the weakness of the supporting industries make Vietnam's production costs higher than other countries'. As high costs resulting from the small scale of the industry are offset by high tariff rates, locally produced vehicles are currently more competitive than imported vehicles.

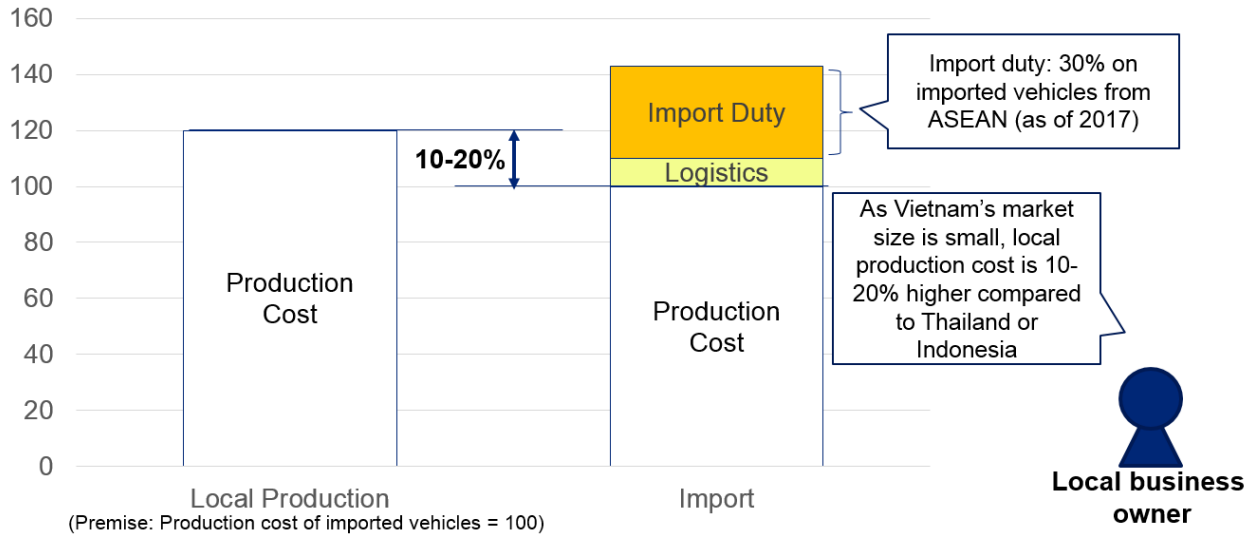
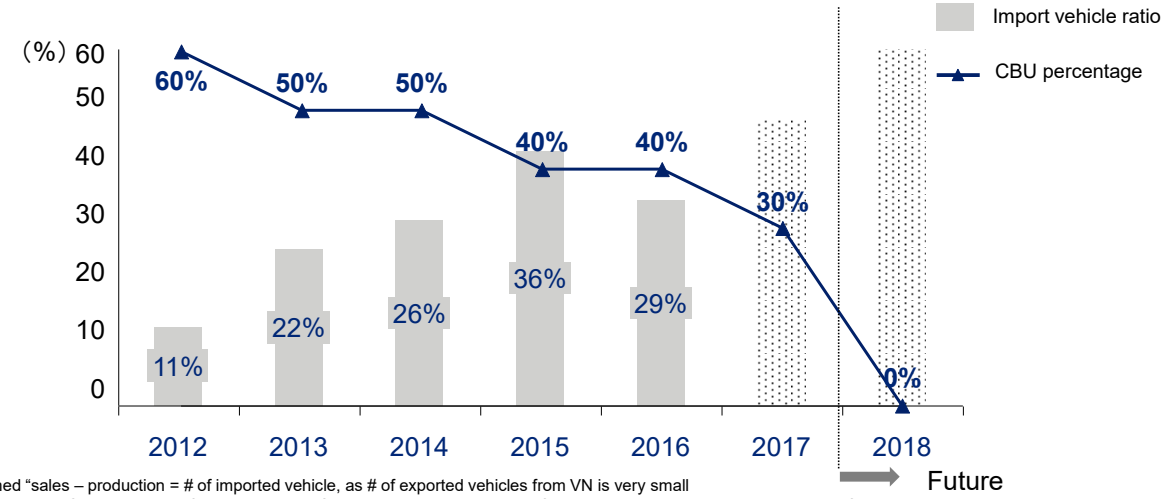


Figure 2-3 Cost image for domestic and import vehicle

Under such circumstances, once import tariffs on CBUs within ASEAN are eliminated in 2018, vehicles produced in Vietnam will lose their cost competitiveness. Given that global OEMs with sites in Vietnam also own multiple sites within ASEAN, it can be assumed that the production function in Vietnam could easily be transferred to other countries. Therefore, it can be said that the continued existence of Vietnam's production function hangs in the balance.



*: Assumed "sales – production = # of imported vehicle, as # of exported vehicles from VN is very small
IHS Automotive forecast is used for sales volume, Simulation value in unsuccessful industry development scenario is used for production volume
Source: IHS Automotive, MOF

Figure 2-4 Import duty (from ASEAN) and rate of imported vehicles in Vietnam

Chapter3 The importance of the automotive industry

The survey examined the importance of the automotive industry from five perspectives (GDP, tax revenue, employment, international trade, and inter-industry links) using Thailand as an example of a leader in automotive industry development.

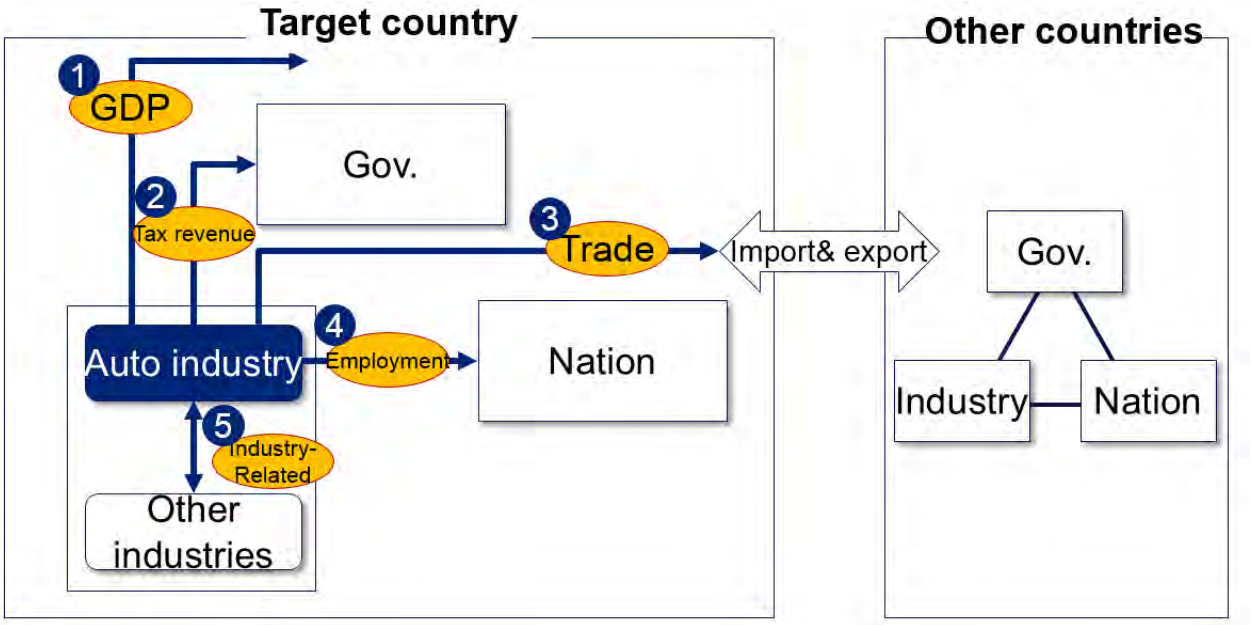
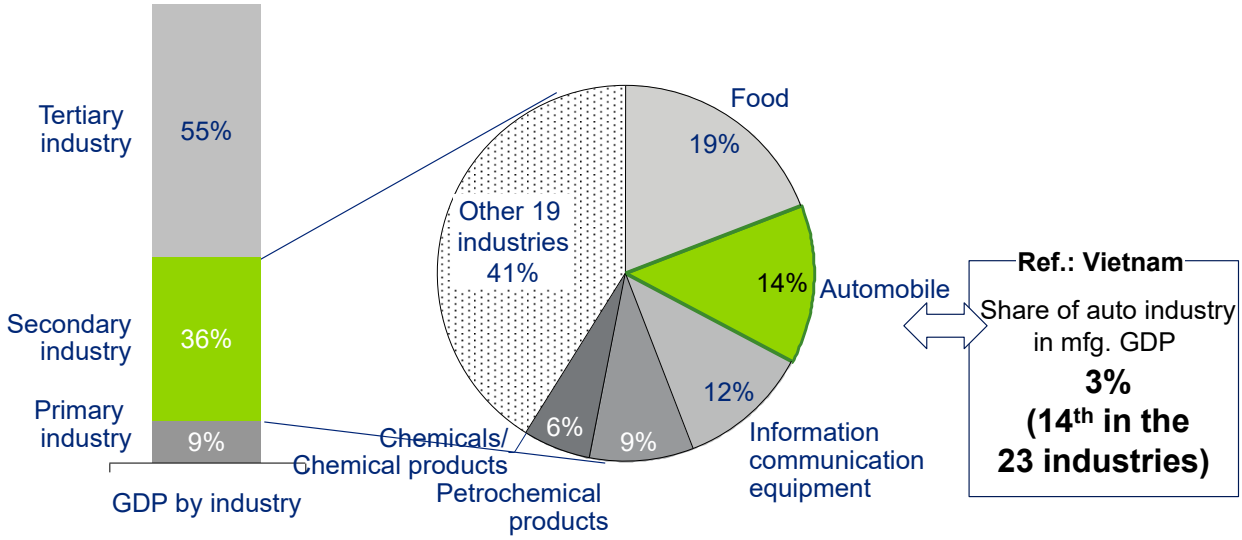


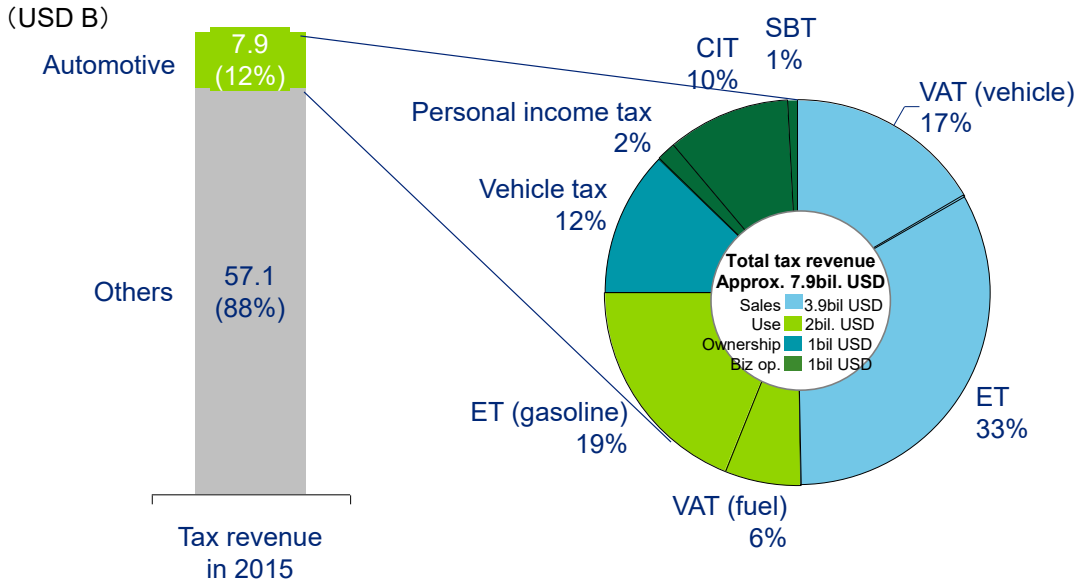
Figure 3-1 Image of contribution indicators of automotive industry in the target country

The automotive industry contributes greatly to Thailand's economy. Large benefits are seen in terms of GDP, related tax revenue, positive contribution to trade balance, and new employment opportunities. Despite the lack of a quantitative examination, a positive effect in terms of inter-industry links is also expected in the form of wide-ranging contributions in both the production and sales areas. The production function is particularly essential to the trade balance and to foreign currency acquisition, and it can be said that the automotive industry makes an important contribution to the country. Taking this survey into account, Vietnam should maintain and develop its automotive industry for economic development, and the government should work on establishing supporting policies.



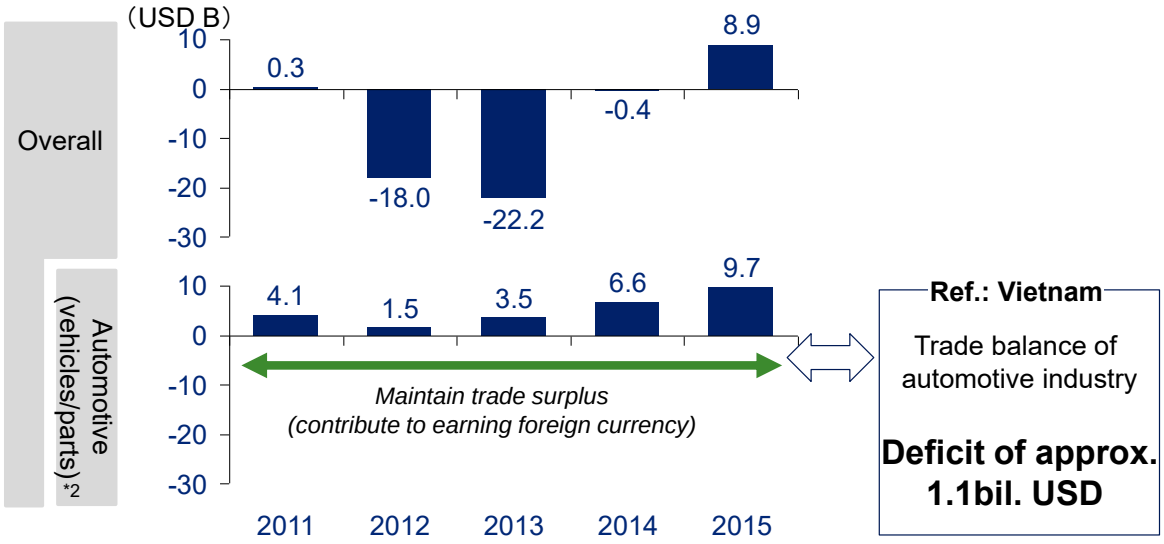
*: Breakdown of Primary/Secondary/Tertiary industries are based on 2015 data, breakdown of 23 mfg. industries, 2011 data (latest available data)
Source: World Bank, Euromonitor, UNIDO

Figure 3-2 Contribution of Automotive industry in TH : GDP



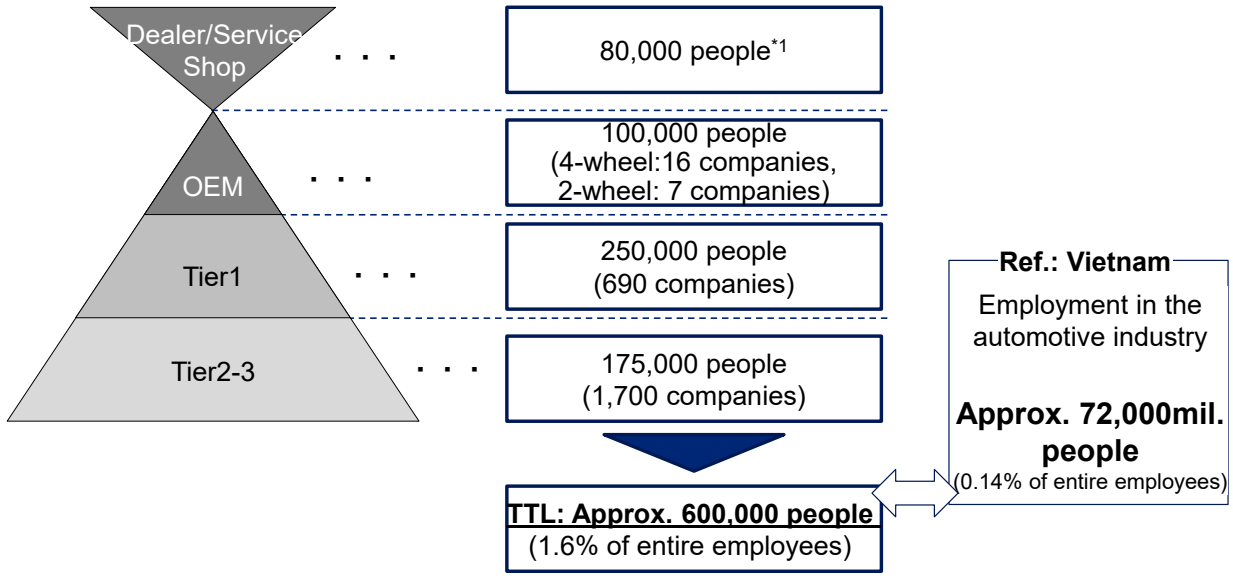
*: Tariff/local tax (land & house tax, local development tax, signboard tax, etc.) are excluded from calculation, as the data is not available or total amount is small
Source: World Bank, Thailand Revenue Department、IHS Automotive、Auto makers' sebsites、Euromonitor、Thai Embassy、Deloitte's calculation based on the values released by index mundi

Figure 3-3 Contribution of Automotive industry in TH : Tax



*: Calculation: Total value of exports/re-export – Total value of imports/re-imports, regarding the target products
*2: Includes the followings: Vehicles; HS code 8703 (motor cars, other PVs, stations wagons, racing cars), Related parts; 8706 (chassis fitted with engines), 8707 (car bodies), 8708 (parts, accessories)
Soure: UN Comtrade

Figure 3-4 Contribution of Automotive industry in TH : Trade balance



*:Estimated from Japanese Dealer/Service shop, number of employees and sales volume in Japan and Thailand
Source: Thailand Board of Investment, Euromonitor

Figure 3-5 Contribution of Automotive industry in TH : Employment

Chapter4 Issues faced by the automotive industry

4-1 Automotive manufacturing cost in Vietnam

The survey identified issues faced by companies involved in the automotive industry in order to consider necessary policies for the development of that industry in Vietnam.

An issue faced by the automotive industry in Vietnam is the increase of both depreciation expenses caused by the small scale of production and distribution-related costs caused by dependence on imported parts. Once import tariffs are eliminated in 2018, production costs in Vietnam will be about 5 to 10% higher than in other ASEAN nations (Thailand in this case).

In order to overcome these issues, both market size and local procurement (attracting new companies and leveraging existing companies) should be increased. Since the number of suppliers in Vietnam is particularly low compared to other ASEAN nations, we believe that local procurement can be expanded along the following axes: promoting the entry of global companies and leveraging existing local companies as well as other industries such as EPE, electronics, and two-wheeled vehicles.

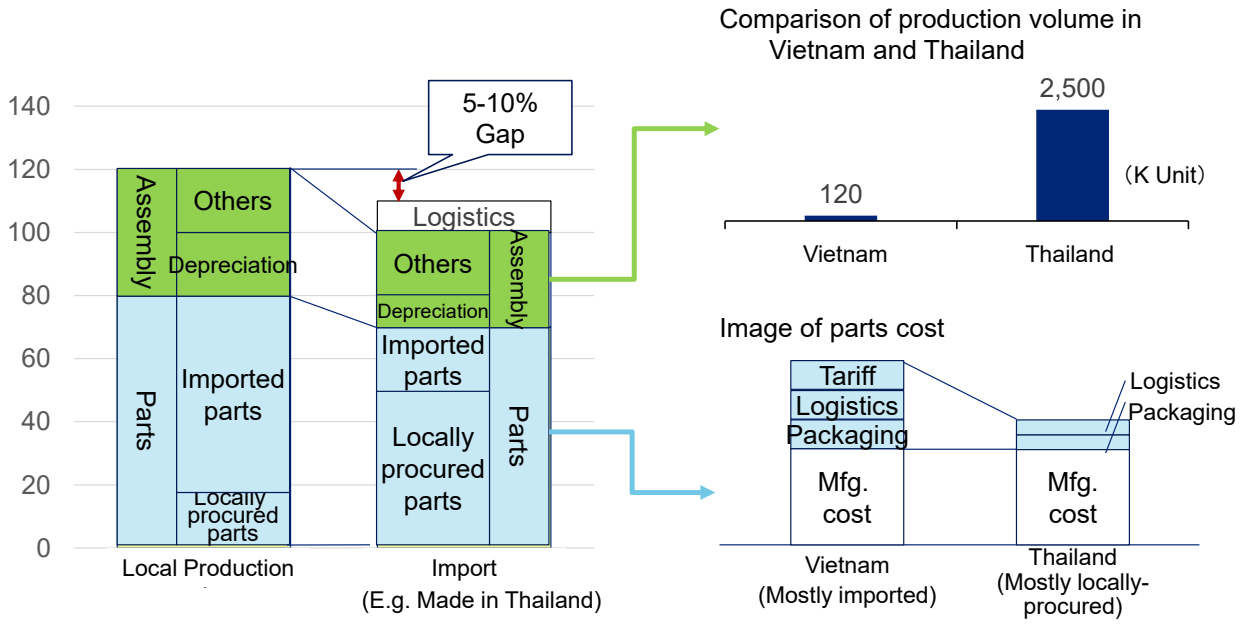


Figure 4-1 Cause analysis of high cost in Vietnam

4-2 Issues for localization

How, then, can we expand the pool of suppliers? The questionnaires conducted as part of the survey showed that larger-scale production, improved productivity of companies/employees, and the establishment of an infrastructural organization to provide information on business-related systems and suppliers, etc. are important elements. With respect to production scale, the requirements are firstly, a market large enough to absorb OEMs' capital investment costs, and then enough demand from OEMs to encourage capital investment by lower-level suppliers. As for improving productivity, the connection between the labor costs, technological skills, and

management skills of suppliers is too weak. When looking at the EPE industry, an under-developed sales system for the domestic market is also a factor discouraging domestic production in Vietnam.

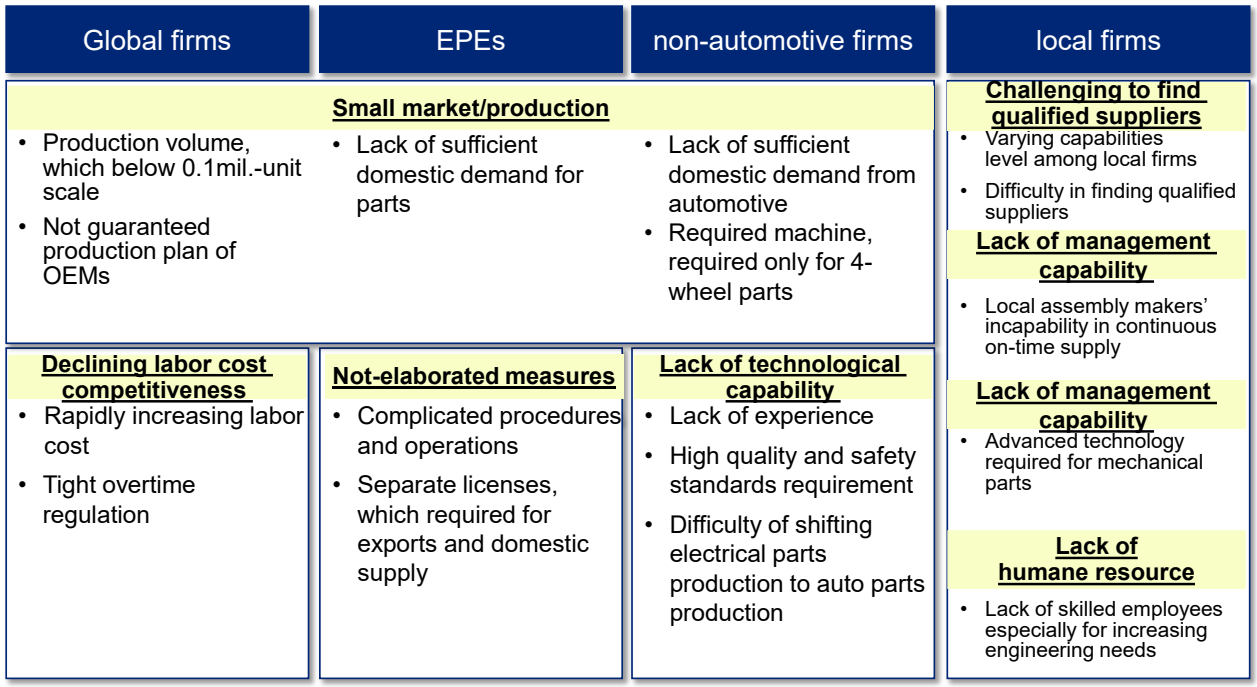


Figure 4-2 Main comments on impediments to suppliers development

4-3 (Reference) Industrial cluster in Vietnam

The JICA study conducted in 2015 ("Basic information gathering / confirmation study on the function / capability enhancement of SME promotion organizations aimed at developing supporting industries in Vietnam") looked at current conditions of industrial clusters in Vietnam. The study shows that Vietnam has several industry clusters including THACO in Chu Lai Economic Zone, which is an automotive industry cluster, while the government has also been supporting cluster development. Especially in the automotive industry, where aggregation of assembly manufacturers and supporting companies in the same area creates a significant cost advantage, support for cluster formation will be effective for the development of supporting industries as well.

Table 4-1 Case Study for Industrial clusters in Vietnam

	#	Example details
4-wheel vehicle industry	1	■ **4-wheel vehicle cluster centered on THACO** ➢ Began in 2003. ➢ Following the establishment of THACO's assembly factory, engine factory, and dedicated harbor in the Chu Lai Open Economic Zone, this cluster was formed when suppliers appeared in the surrounding area.
Other industries	2	■ **2-wheel vehicle cluster centered on Honda** ➢ Began in 1997. ➢ When Honda began manufacturing 2-wheel vehicles, it encouraged investment in its subsidiaries and in newly established suppliers, forming this cluster.
	3	■ **The government-led Hoa Lac Hi-tech Park** ➢ Began in 1998. ➢ Established by the government with the aim of creating a model research center for the development and application of advanced technologies.
	4	■ **Electrical and electronic goods industry cluster centered on Canon** ➢ Began in 2011. ➢ Since Canon began production activities, related businesses have gathered in the surrounding area, forming this cluster.

Sources: *For the development of supporting industries in Vietnam: Survey to gather and confirm basic information on the enhancement of functions and abilities of institutions for the promotion of small and medium businesses*, JICA and Mitsubishi Research Institute, Inc., 2015 – http://libopac.jica.go.jp/images/report/12234712_01.pdf
"The Chu Lai Open Economic Zone, toward a concentration of automobile industry players", NNA Asia, 2012 – https://www.nna.jp/news/show/242125

Chapter5 Countermeasures for the issues

5-1 Back ground of suggesting policy

5-1-1 Future scenario

Two future scenarios can be predicted for Vietnam, depending on the policies the government chooses to adopt: successful or unsuccessful development of the automotive industry. Of these two scenarios, Vietnam aspires to follow the scenario of successful development. Amid expectations that the market in Vietnam will expand, the aim is for the supporting and assembly industries of the manufacturing sector to mature together in order to acquire international competitiveness.

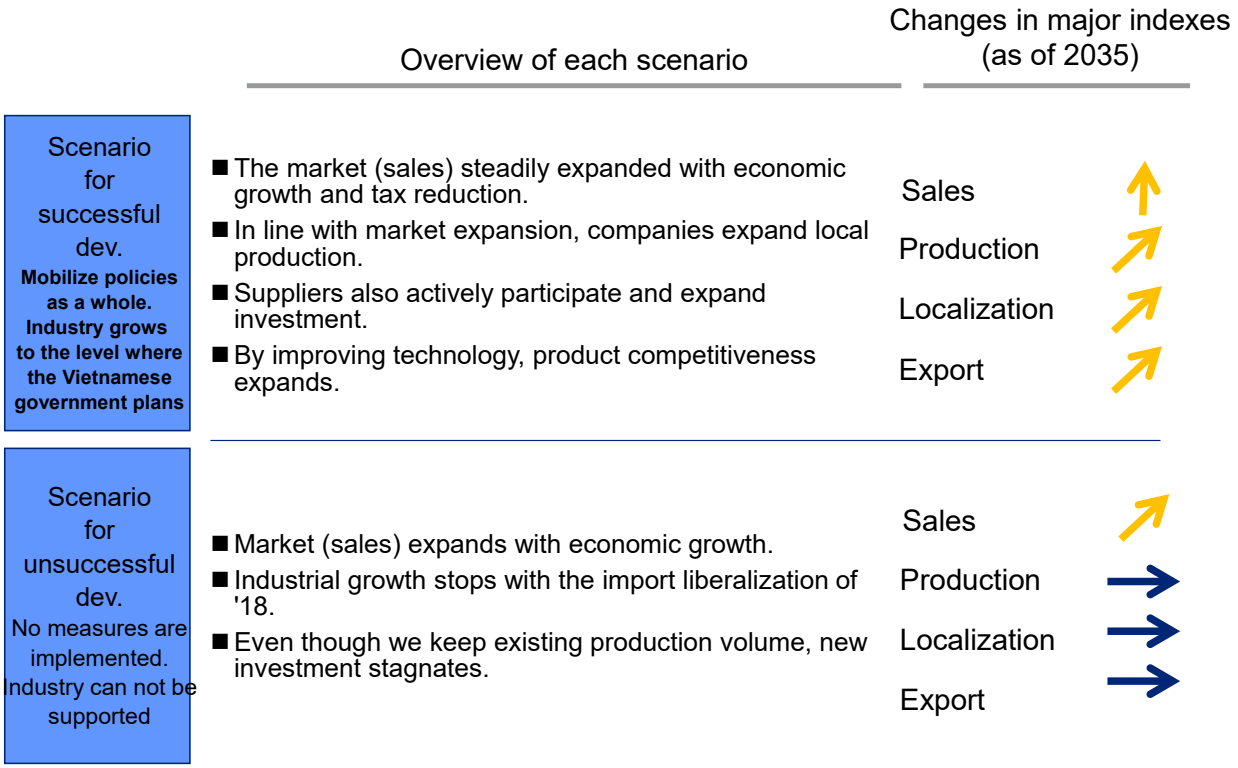


Figure 5-1 Overview of each scenario

5-1-2 Tax revenue and trade balance simulation

In order to understand the previously described two future scenarios (see Fig. 5-1) more quantitatively and predict necessity and effects of policies, we have simulated the impact of each scenario on tax revenue, trade balance and employment (see 6. Policy impact analysis in the appendix for details).

According to the simulation results, successful industry development has significant positive effects, especially on trade balance and employment.

Regarding trade balance, in case industry development has failed, automotive industry will not develop despite the market expansion, which results in increase in imported finished cars, generating major trade deficit of USD 31.2B. Successful industry development, on the other hand, enables reducing trade deficit to USD 15.5B by raising domestic production and localization rate, as well as increasing exports through domestic automotive industry development, which indicates that eliminating trade deficit of USD 14.7B is possible through

successful industry development. Deficit is inevitable in either scenario; however, there is a major difference in the specific amount of deficit; USD 15B in case of successful development, and USD 30B in case of failed development, which suggests that deficit in the failed development scenario has a significant negative impact on trade balance of the entire country (see 6. Policy impact analysis in the appendix for details).

Additionally, possibility of OEMs and suppliers moving their production bases to Vietnam as a result of industry development is not considered in the calculation results based on the successful development scenario; therefore, if industry development is promoted successfully, domestic production rises due to increase in production bases, leading to decline in imports. Furthermore, considering parts exports, trade deficit may be smaller than USD 15B.

Regarding employment, successful development can create 836,000 job opportunities, while failed development creates 472,000 job opportunities. This difference of 364,000 job opportunities comes from employment increase in the manufacturing processes due to successful development.

Tax revenue simulation is based on the premise that decreased tax revenue caused by reduction of SCT and parts tariff, or financial resources of other measures in the successful development scenario is covered by raising existing ownership-related taxes (road use tax / environmental tax) or imposing new taxes (various vehicle use taxes). As a result, tax revenue in the successful development scenario is USD 50.6B slightly exceeding tax revenue in the failed development scenario, USD 50.0B.

The reason for setting the above premise is that securing financial resources by reducing SCT / parts tariff is necessary, and increasing taxes imposed after sales is considered to be effective. In the current tax system in Vietnam, taxes imposed upon vehicle sales make up a large ratio, while the ratio of taxes imposed after sales (during vehicle ownership) is extremely small compared to other countries (see 6. Policy impact analysis in the appendix for details). Reducing SCT / parts tariff imposed at the time of vehicle sales is effective to lower the vehicle sales price and expand the automotive sales market; which, however, needs to be promoted along with increasing taxation after sales, as with other countries, in order to complement tax revenue decline resulted from reduction in SCT / parts tariff. Increase in tax revenue can also be expected in a long term through automotive industry development by increasing taxation related to ownership and driving after sales, using tax systems in other countries including Japan as a reference.

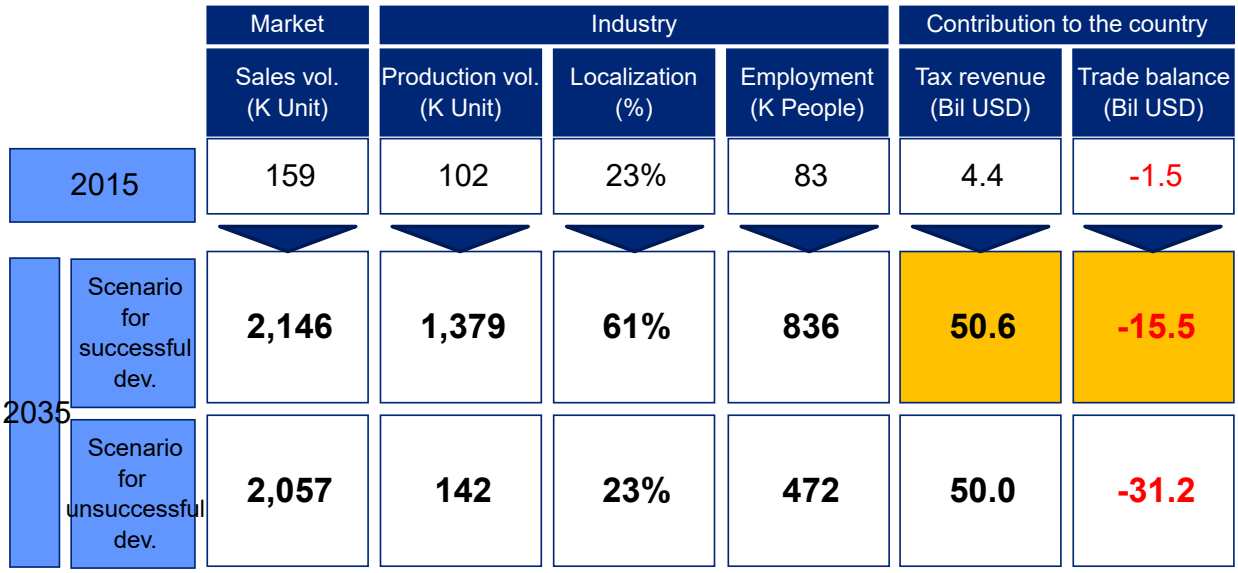


Figure 5-2 Major indexes for Vietnam's automotive industry

5-1-3 Case of other countries

In order to realize the scenario of successful development, government policies tailored to each stage of it are necessary. The survey uses the following countries as benchmarks to analyze what policies are necessary for each stage of industry development: Thailand, Vietnam's predecessor in automotive industry development; Indonesia, another predecessor of Vietnam that is currently working to support the automotive industry through the Low Cost Green Car (LCGC) policy; and the Philippines, which opened its market in the same way as Vietnam.

Each industry development scenario is divided into three stages: the survival stage, the development stage, and the maturity stage. The following policies are required for each stage: during the survival stage, policies to offset cost differences and to protect locally-produced vehicles, and policies to expand the market size; during the development stage, policies to promote investment; and finally, during the maturity stage, policies to promote exports and investment in high-value-added products.

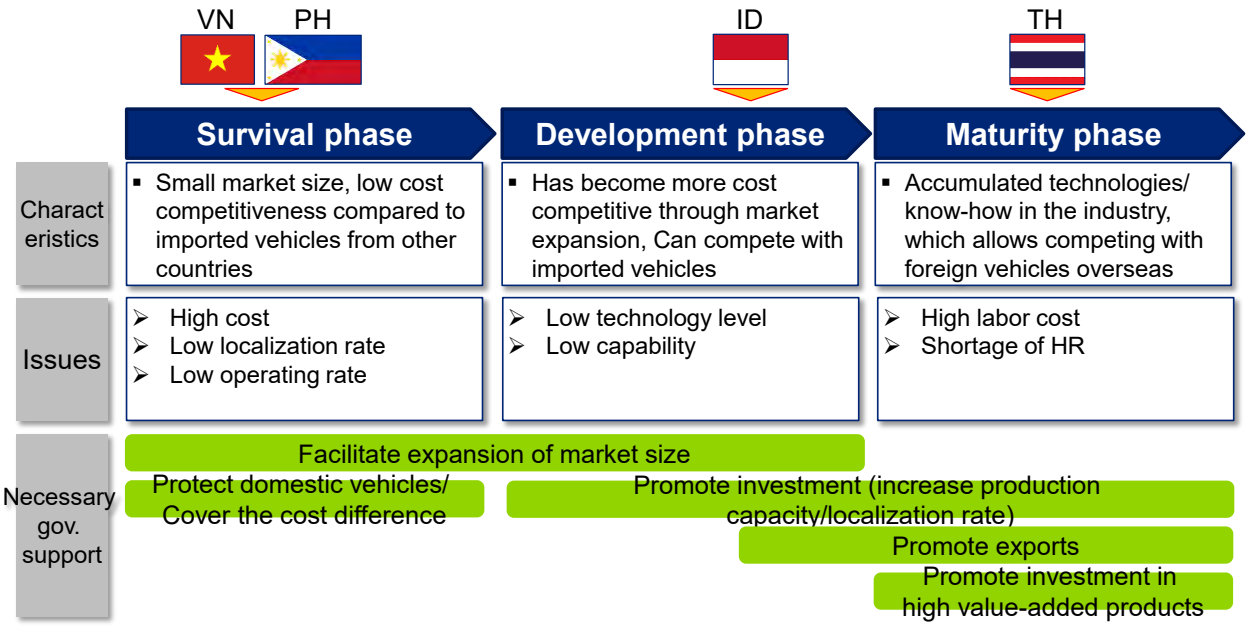


Figure 5-3 Development stage of automotive industry

Thailand, which is currently at the maturity stage, adopted policies to protect domestic vehicles and opened its market after acquiring sufficient industrial competitiveness to strengthen sales-boosting during the survival stage. Then, after building up industrial competitiveness and securing a certain level of domestic sales, the Thai government began encouraging investment in exports and high-value-added products (see Fig. 5-4).

Although it is difficult nowadays to protect locally produced vehicles and to offset cost differences through tariffs and import regulations, the case of Thailand is a good example of how a government adapted its policies to each stage the industry went through.

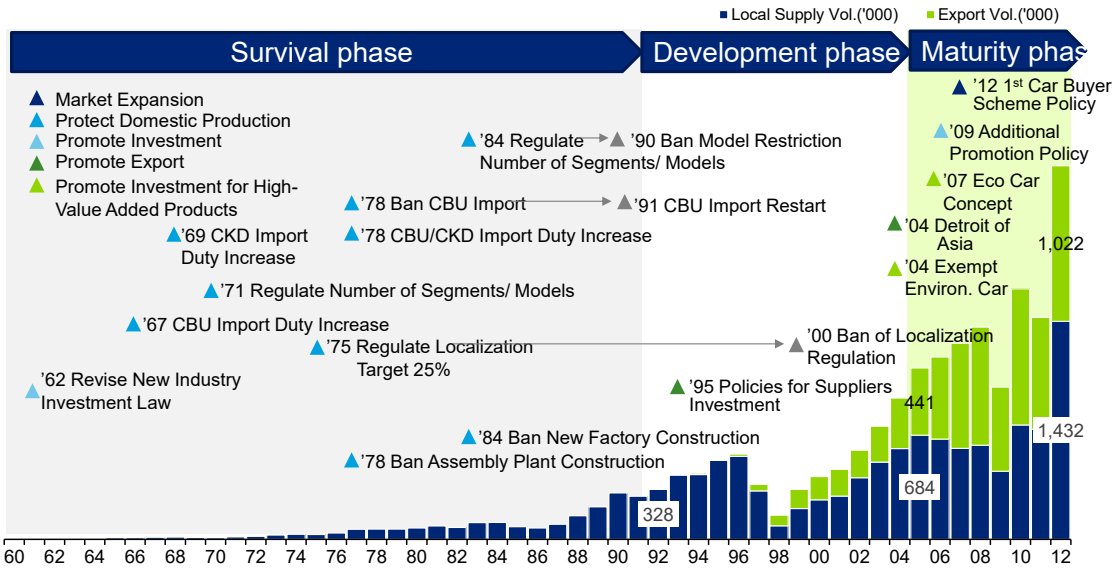
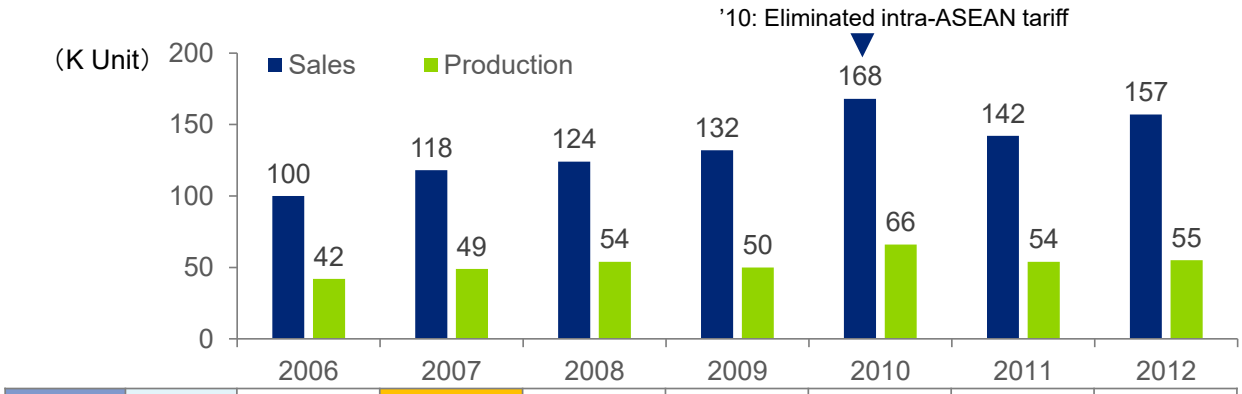


Figure 5-4 Example of Thailand automotive industry development

On the other hand, the case of the Philippines shows how the absence of policy caused delays in industry development. In the Philippines, CBU tariffs were eliminated in 2010 (earlier than in Vietnam), leading to an increase in the ratio of imported vehicles in domestic sales and to a transfer of OEMs' manufacturing functions to countries outside the Philippines (see Fig. 5-5). The government proposed a Comprehensive Automotive Resurgence Strategy Program (CARS) policy to protect locally produced vehicles and offset cost differences requiring up to 9 billion PHP (approximately 24.8 billion JPY) worth of investment in 2015, and the country can now expect a future transition into the development stage.



OEMs' movements	2006	2007	2008	2009	2010	2011	2012
Toyota		Drop Model					
Honda			Drop Model			Drop Model	
Nissan					Drop Model		
Ford						Drop Model	Close production
Mazda					Drop Model	Drop Model	Close production

Source: Marklines, FOURIN

Figure 5-5 Trend of automotive makers in Philippine

In light of the examples of Thailand and the Philippines, it is essential that the Vietnamese government and local companies launch an integrated effort to prepare for the elimination of tariffs in 2018. As mentioned earlier, given the recent trend toward free trade, it is impossible to replicate the Thai example. Meanwhile, it is necessary to understand the needs of the Vietnamese government and Vietnamese companies, to analyze the feasibility of proposed solutions at each stage, and to implement appropriate measures, since the absence of policy results in sluggish industrial development as seen in the Philippines.

5-2 Policy direction and measure

5-2-1 Policies in the Survival Period

Provided recommendations for policy direction the Vietnamese government should promote, based on understanding of current situation and issues of Vietnam's automotive industry, comparison with other countries (case studies of industry development in other countries), and simulation results. Vietnam's automotive industry, currently in the Survival Period of the 3 development periods, needs measures that contribute to accelerating market expansion, covering the cost difference and promoting investment, in a short term (see Fig. 5-6)

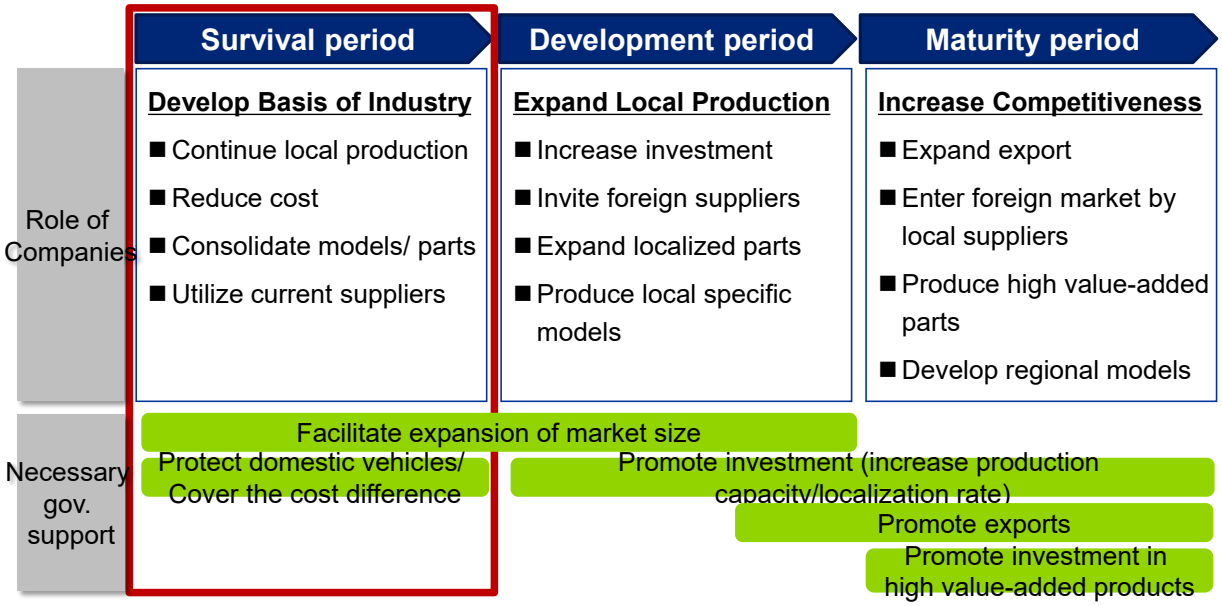


Figure 5-6 Role of companies/ government in each period

Development of supporting industries in Vietnam is necessary to increase localization which plays a key role in a policy to cover the cost difference. Top-down approach built on market expansion and OEMs' production increase is effective for developing supporting industries. In bottom-up approach, which promotes capability improvement of Tier 2 manufacturers, effects of supporting industry growth are limited due to the small number of clients as not enough Tier 1 manufacturers have entered the market. Vietnam should implement policies that prioritize market expansion, as development of Tier 2 or lower-tier local suppliers is achieved by production increase of assembly manufacturers through stable sales market expansion and Tier 1 suppliers' entry in the Vietnamese market.

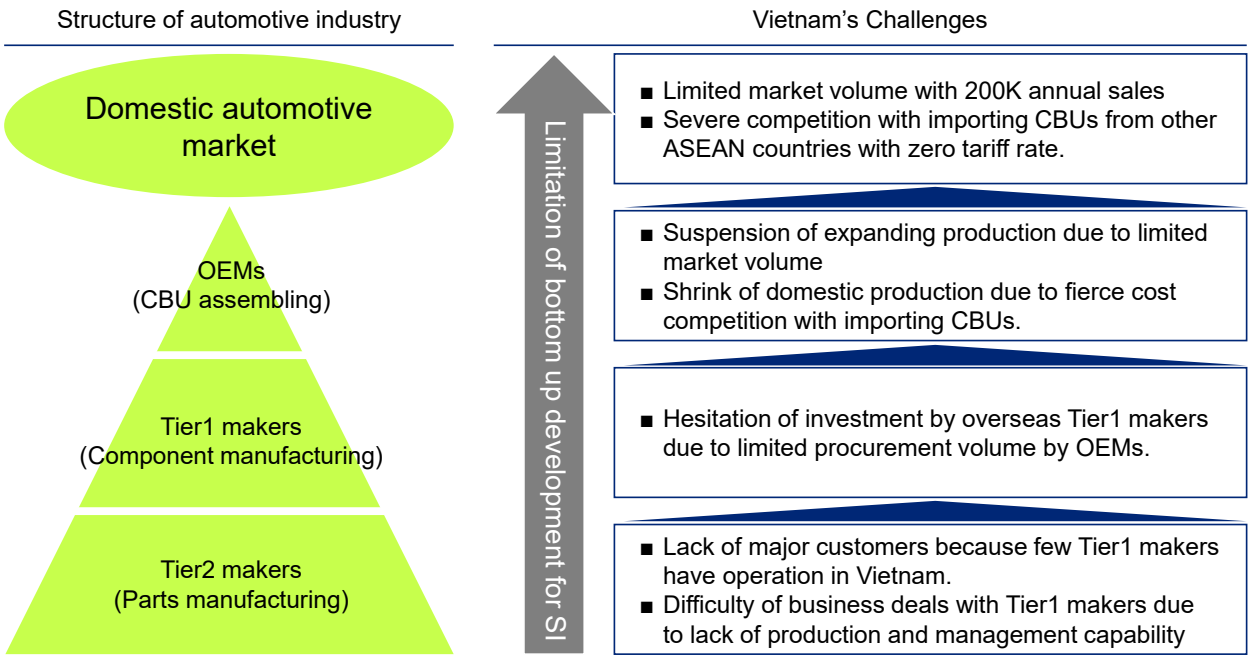


Figure 5-7 Direction of supporting industry development: Bottom-up approach

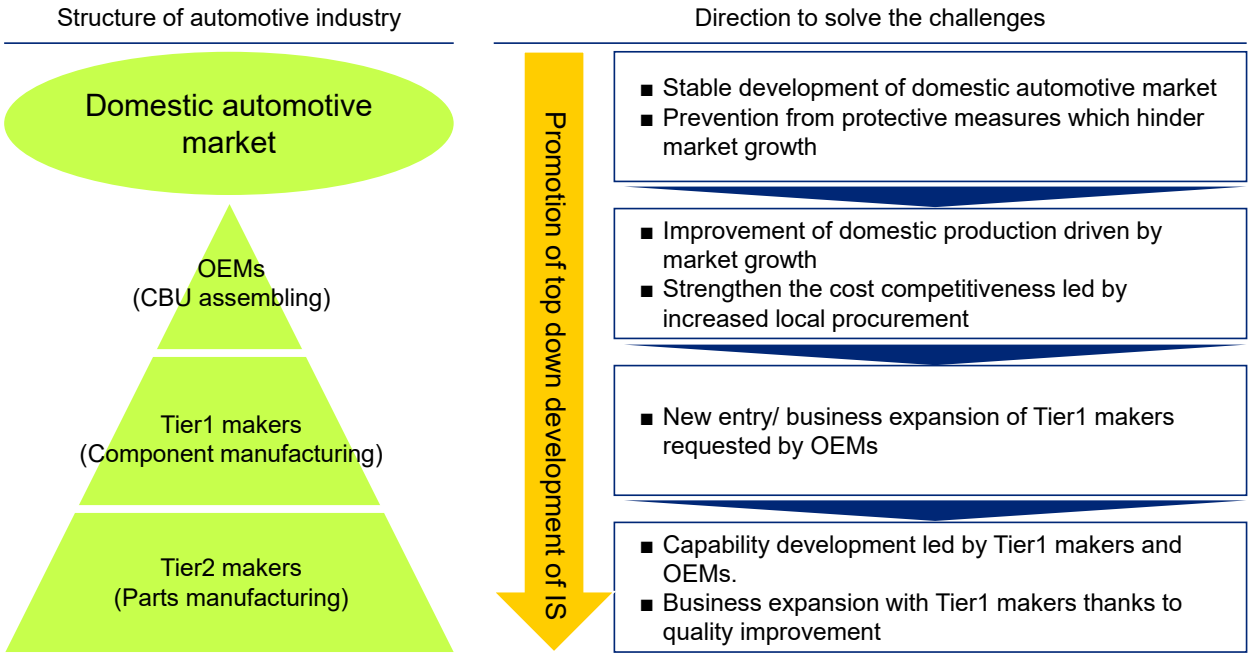


Figure 5-8 Direction of supporting industry development: Top-down approach

Specific and effective measures required in Vietnam's current automotive industry include; "SCT reduction (for limited vehicles)", "parts tariff reduction", "relaxing import regulations (e.g. used machinery)", and "preferential treatment for EPEs' domestic sales" (see Fig. 5-9). The industry is expected to make it through the Survival Period and shift to the Development Period as early as possible by implementing these measures.

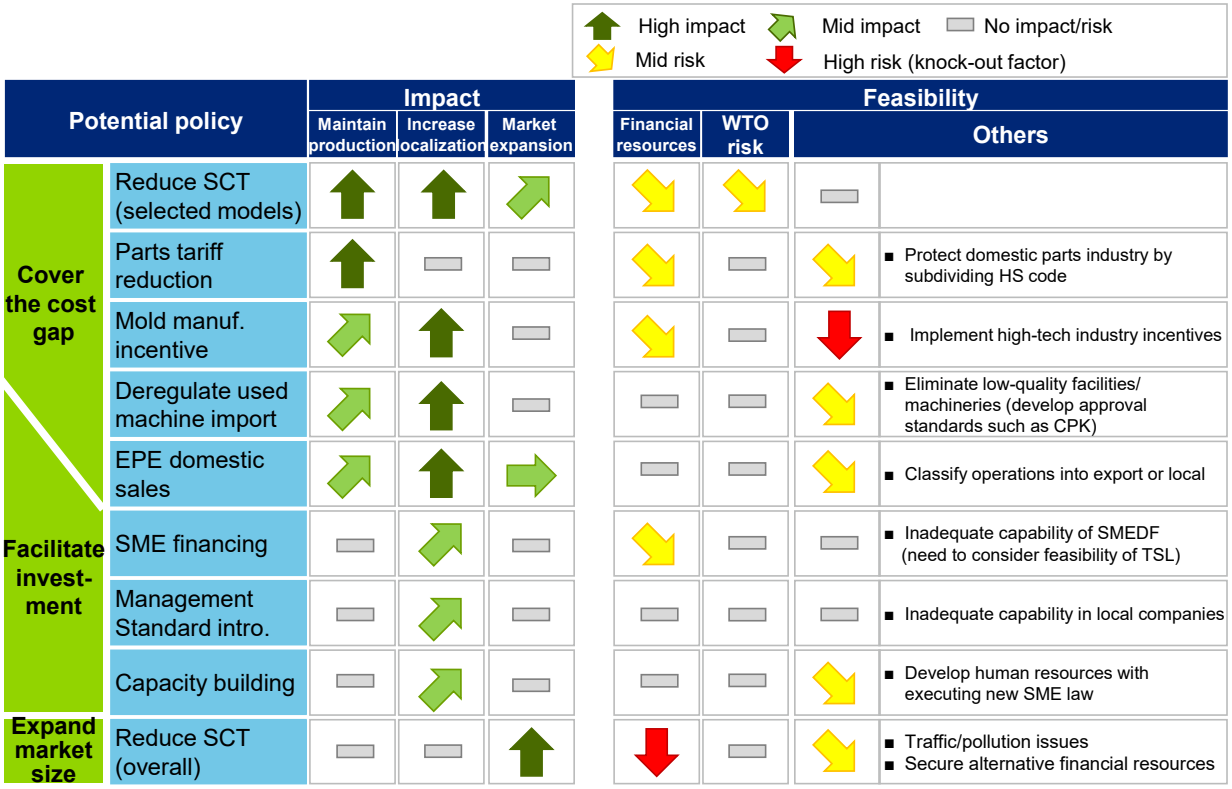


Figure 5-9 List of potential measures in the Survival Period

In addition to providing policy direction, we have also evaluated import regulations by means of safeguards, objection against certificate of origin, and non-tariff barriers Vietnamese government is very interested in, from perspectives of policy impact and feasibility (see Fig. 5-10). Evaluation results show that import regulations may not be effective, as they have high risks in terms of feasibility regardless of which potential measure is adopted.

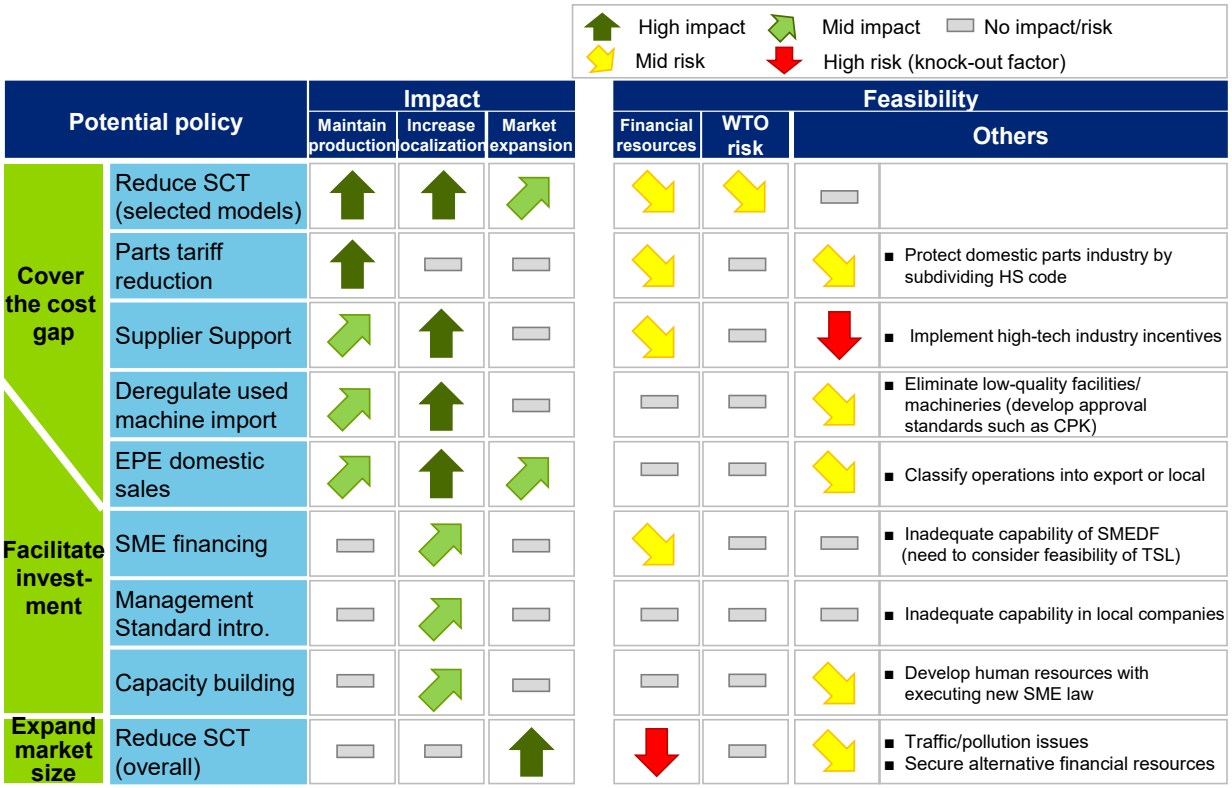


Figure 5-10 Potential measures for import regulations and their evaluations

5-2-2 (Reference) How to collect financial resources

Furthermore, with respect to the additional financial resources necessary for policy implementation, we introduced an example from Japan and suggested ways to secure financial resources. There are two main ways to do that: taxes and fee collection from users through other systems. The Japanese government has established various taxes and special revenue sources in order to secure automobile-related budget, including ownership-related taxes (expenses associated with owning vehicles), fuel taxes (expenses associated with driving), as well as fees associated with license renewal, compulsory liability insurance, and vehicle inspection (approval and maintenance) (see Tab. 5-1). Vietnam could learn from this example and find new opportunities to secure tax revenue, as the country does not currently impose taxation in a systematic manner.

Table 5-1 How financial resources for automotive PJTs are secured in JP

Gov. revenue items		Gov. revenue (M USD)	Composition ratio	Implementation in VN	Issues faced by policy implementation
Tax revenue	Automobile acquisition tax	988	1%	Already implemented in full scale	n/a
	Consumption tax (total of tax for vehicle/fuel)	18,757	27%		n/a
	Gasoline tax	24,278	35%		n/a
	Automobile weight tax	5,967	9%	**Not implemented, or implemented in small amount**	✓ Organize vehicle registration information
	Automobile tax	16,260	24%		✓ Organize vehicle registration information
Other revenue	**License issuance/ renewal fee**	190	0.3%		✓ Evaluate/select driving schools
	Vehicle inspection registration fee	314	0.5%		✓ Organize vehicle registration info ✓ Evaluate/select service shops
	Compulsory insurance fee	2,125	3%		✓ Follow traffic/accident processing rules

*1: License issuance/renewal: 2008 data, Other items: 2015 data, Earnings (revenue – insurance payment) are listed only for compulsory insurance
All items: Converted from JPY⇒JSD at 1USD＝109JPY (average exchange rate in 2015)
Source: JAMA, MOF, GIROJ, MPD

5-2-3 (Reference) Initiatives toward higher-value-added products

Besides, with regard to possible policies to encourage production of electric automobile parts, we examined policy examples from China and Malaysia (cf. Tables 5-2 and 5-3).

As a result, it is clear that both countries began to invest in the development of the Electronic Vehicle (EV) industry earlier than Vietnam. If Vietnam is to start establishing and promoting EV policies now, it will need large investments and long-term initiatives to develop an EV industry comparable to those of China and Malaysia.

Table 5-2 Case Study for EV Policy : China

Purpose		Aiming for 5 M units usage in China by 2020.			
Policy Overview	Area	Manufacturing	Sales		Usage
	Name	■ **Program 863**	■ **“十城千両” Plan**	■ **“関於開展私人購買新能源汽車補貼試点的通知”(Support for private purchase of EV)**	■ **-（Charging infrastructure maintenance）**
	Time	■ 2001～	■ 2009～2011	■ 2010～2012	■ 2009～2020
	Contents	■ Basic research ■ Applied research / demonstration experiment ■ Commercialization of accumulation technology ■ Funding for promoting industrialization	■ Promotion of trial for energy conservation and new energy vehicles in **public transportation** ➢ Place：25 cities ➢ Target vehicles：Vehicles for public service (bus, taxi, public vehicle, garbage collection car, postal car etc.)	■ Support for **private purchase of EV and PHV** ➢ Place: Shanghai, Changchun, Shenzhen, Hangzhou, Hefei ➢ Target Vehicles：EV with battery of 15 kWh or more, PHV with battery of 10 kWh or more (excluding EV nor PHV equipped with lead acid battery)	■ State Grid Corporation of China (China transmission and distribution company) will build **10,000 charging stations and 12,000 charging stands** by 2020 (In Japan, there are 7,000 charging stations in 2017) ■ Also, Central and local governments, EV related companies (finished cars, parts, charging equipment manufacturers) cooperate to support EV dissemination
	Volume	■ More than USD 180 M	■ Approx. USD 2,400 M	■ -（USD 440/ kWh. For per unit, up to PHV：USD 7,400, EV：USD 8,800）	■ -

Table 5-3 EV policy in Malaysia

Policy name		■ National Automotive Policy：NAP 2014
Time		■ From 2014 to 2020
Purpose		■ By 2020, achieve 85% level of EEV (High energy efficient vehicles) manufacturing (unit base, out of all types of vehicle manufacturing) ■ To become a ASEAN’s manufacturing hub for EEV
Contents	Manufacturing	■ Provide **tax reduction and financial support** with manufactures, who achieved required **environmental performance** for each vehicles’ segments
	Sales	■ By 2020, introduce **2,000 units of EV buses and 100,000 units of EV** passenger vehicles
	Usage	■ By 2020, provide **25,000 EV charging spots** in public area ➢ **MGTC (a governmental org.)** plans to spend **USD 82B (JPY 9B)**

Furthermore, we also studied the possibility of utilizing the electrical and electronic parts industry, which is showing recent growth in Vietnam, toward automobile manufacturing (including gasoline and EV vehicles). There are limits to the possible utilization of electrical and electronic parts industry development toward the

development of the automobile parts industry, because in the current Vietnamese electrical and electronic parts industry, the manufacture of parts that could be a shared target of investment with the automobile parts industry is limited, and because we forecast that meeting the quality standards required of automobile parts would be difficult. On the other hand, we expect that an improvement in the capabilities of Vietnamese companies resulting from developing the automobile industry would spread to the electrical and electronic parts industry and lead to improved capabilities in that industry as well (cf. Figure 5-11).

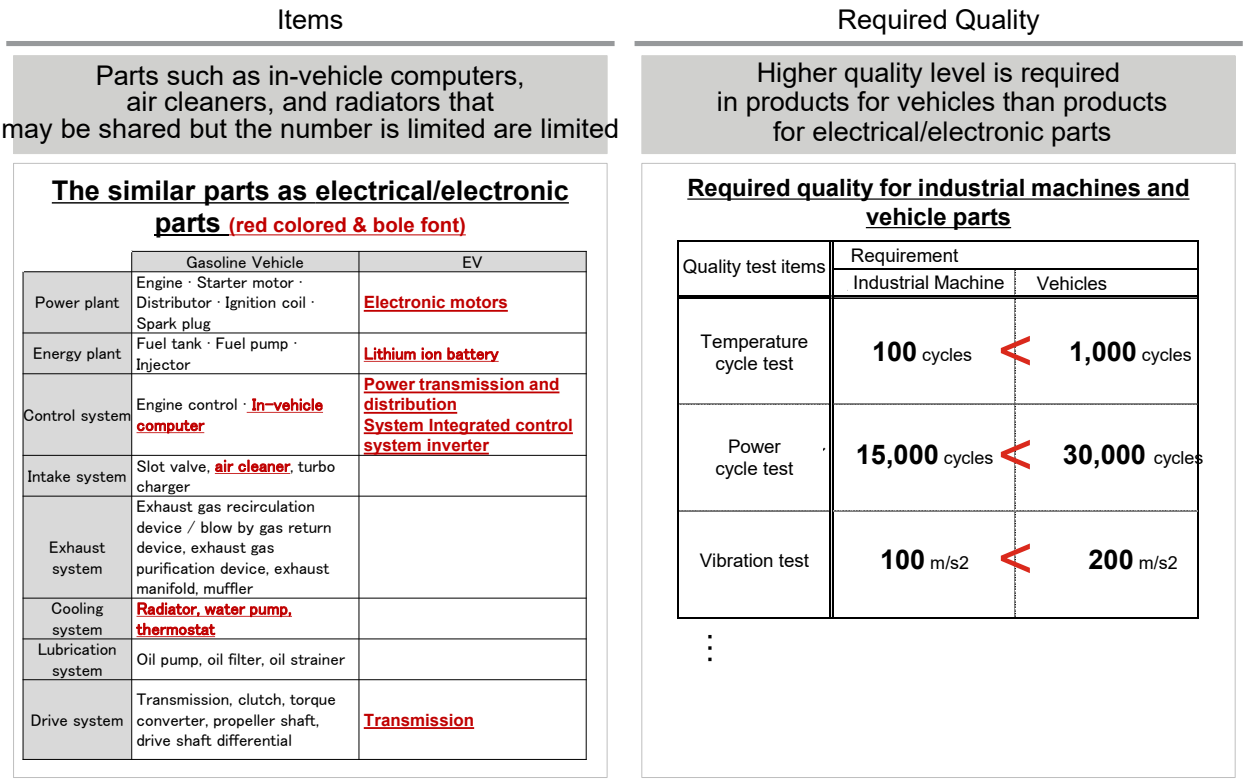


Figure 5-11 Possibility of introducing electrical/electronic parts industry for EV

5-3 Concretization of individual measures

5-3-1 SCT reduction (specific to small vehicles)

As for measures using SCT reduction for small vehicles, we can put forward the following two key plans, each with different purposes and targets: 1) measures aimed at expanding the market by incentivizing all small vehicles regardless of whether they were locally produced or imported; 2) measures aiming not only to expand the market but also to maintain production and increase local procurement, by incentivizing only small vehicles assembled in Vietnam that also meet a certain procurement localization rate.

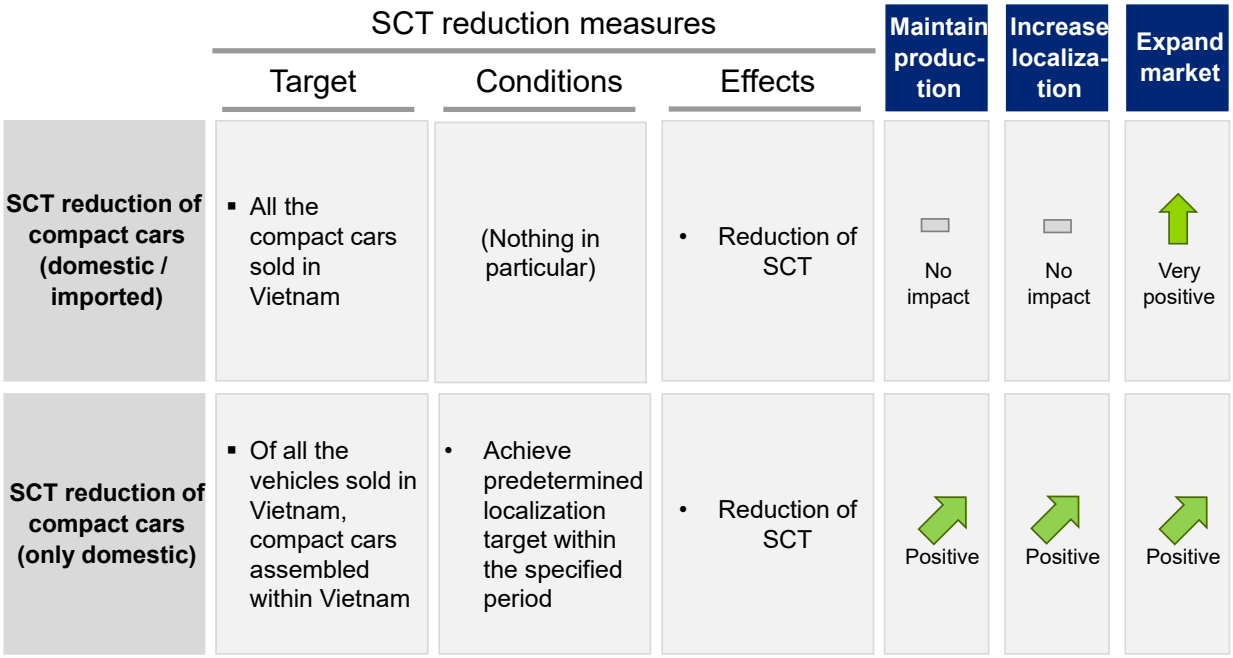
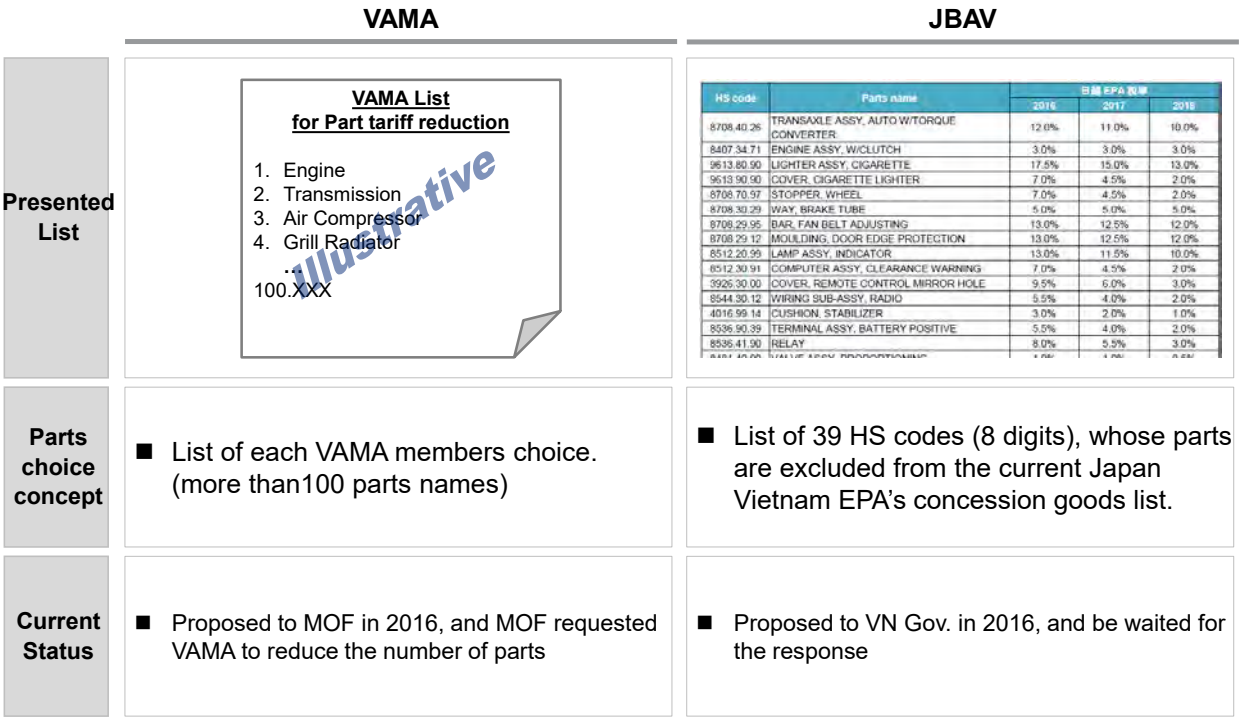


Figure 5-12 Options for SCT reduction

5-3-2 Reduction of tariffs on parts

For reduction of tariffs on parts, Vietnam Automobile Manufacturers' Association (VAMA) and The Japan Business Association in Vietnam (JBAV) has proposed the list of parts for the policy target. However, the discussion for how to implement the policy is under difficulty because the industry cannot get consensus to prioritize the parts in the list (see Fig. 5-13).



Source: VAMA, JBAV

Figure 5-13 Activity for Part tariff reduction by each orgs.

Also, in order to promote localization, we have proposed 3 options for parts tariff reduction and discussed how to choose the policy target parts to promote localization (see figure 5-14). However, each options have issues for implementation, so further discussion will be required.

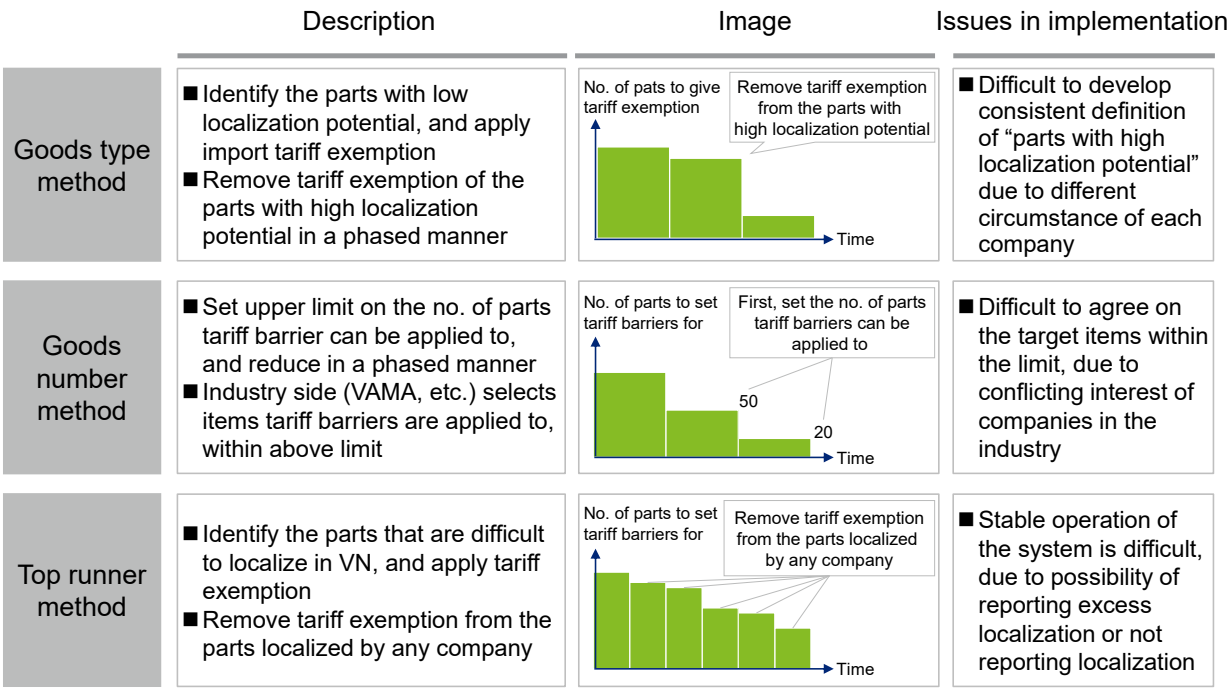


Figure 5-14 Options for how to select target parts for tariff reduction

5-3-3 Assistance to suppliers

Regarding incentives for mold makers, we studied the possibility of utilizing the measures implemented by MOIT to assist the supporting industries. The result showed that the issues to work on are the simplification of the process required to receive the incentives and the clarification of the applicable criteria. We predict that resolving these issues would enable the measures to be further employed to assist the supporting industries.

Table 5-4 Overview and issues for supplier support

Purpose	■ To **encourage supporting industry** sector development
Foundation	■ Decree 111/2015/ND-CP*1 issued in 2015 by GOV ■ Circular 55/2015/TT-BCT*2 initiated by Ministry of Industry and Trade
Function	Key requirements: ■ Projects with productivity growth at least 20% *(Decree 111)* ■ Manufactured products meet the following requirements*:* *(Circular 55 - see [Ref.2] page)* ➢ Have been manufactured before January 01 2015 and granted a Certificate of Conformity to EU technical Regulations; or ➢ Listed in Annex from Decree 111 Incentives to Supporting Industry manufacturers: ■ General: CIT*3 reduction, Import duties exemption for fixed assets, VAT declaration options, State credit financing for investment Environmental protection loans*4 at reduced rate ■ SMEs only: **70% investment loan and land rents reduction**
Activity record	■ **20 projects have been approved** by MOIT

Mold manufacturers can use the MOIT's incentive to expand their business activity.

*1: Decree 111/2015/ND-CP Development of supporting industry; *2: Circular 55/2015/TT-BCT Regulation on procedures for incentive certification and verification of projects for manufacturing of supporting products on the list of prioritized supporting products;
*3: Corporate Income Tax; *4: Loans at the concessional rate from Vietnam Environmental Protection Fund for pollution treatment and environmental protection items of the projects within supporting industries
Source: MOIT, IPA Da Nang, VCCI News, Vietnam net

Unclear Application criteria	■ Enterprises are confused with eligibility **criteria in Circular 55/2015/TT-BCT**: (See details in the ref. page) ➢ Unclear additional eligibility criteria for manufacturers in VN with products in Appendix 1 up to Jan 1 2015 and adopting EU technical standards ➢ Criteria from Appendix 1 in Circular 55 are detailed industry sub-sectors compared to a list of industries in the Annex of Decree 111, however, does not include certain industries from Decree 111 and are subject to future amendments
Coordination of multiple authorities for improved incentive	■ Multiple ministries and local governments are responsible for the incentive scheme (See details in the ref. page) ➢ **MOIT** determine incentive policy scheme including requirements and procedures for the application ➢ **MOF** allocate budgets and provide guidance on tax incentive policies ➢ **Local provinces** make decision on each incentive application ■ Investment incentive decisions are inconsistent among local provinces depending on local economic circumstances and agenda

Clearer guidelines and coordination of authorities are key to the measure's effectiveness

Source: MOIT, VCCI News, IDE

5-3-4 Relaxation of restrictions on imports (e.g. second-hand machinery)

With regard to restrictions on imports of second hand machinery, we reviewed the current legal systems, etc. The current conditions and unclear guidelines have hindered attempts by Vietnamese companies in the supporting industries to reduce costs by making use of second-hand machinery. Improved guidelines, regulations, and conditions would reduce capital expenditures in the supporting industries.

Table 5-5 Issues and overview of second-hand machinery's imports

Purpose	■ Regulation to prevent importation of low quality used machinery
Foundation	■ Circular 23/2015/TT-BKHCN[*1] effective 1 Jul 2016 ■ Prepared by Ministry of Science and Technology
Function	■ Used machines aged less than 10 years demonstrated in manufacturer certificate (exceptions are admitted with certain conditions (see next page)) ■ Manufactured according to standards consistent with Technical Regulations (National Standards of Vietnam (TCVN) or in accordance with standards of G7 countries demonstrated in assessment certificate)
Activity record	■ 90% utilized machineries in VN are imported ■ There are requests from enterprises who prefer to have choice of using imported machineries aged 10 years or more which are still in good condition and more reasonable

More flexible but clearer regulations will help local companies in supporting industry and promote localization

*1: Circular 23/2015/TT-BKHCN Import of used machinery, equipment and technological lines
Source: Ministry of Science and Technology, baomoi.com,

Rigid standard by age of machines	■ The standard is **"one size fits all" rule** for a variety of machineries in different industries with different life expectancies ■ 10 year limitation applies any machines, including a case where a global manufacture import useable machines from their overseas bases.
Unclear regulations	■ Quality standard as "Standards adopted by G7 countries" is not specific ■ **Lack of guidance on exemptions for machines over 10 years** ➢ Investment projects under Investment Law are exempt ➢ MOST and other ministries can allow exceptions case by case ➢ No request form specific to import machineries over 10 years age ■ Certain legal documents are replaced within a short period: "10 years of age" requirement (Circular 23/2015/TT-BKHCN) replaces "5 years of age" requirement (Circular 20/2014/TT-BKHCN[*1] and Announcement 2527/2012/TB-BKHCN[*2])
Technical difficulties in setting standards	■ It is not easy to set specific quality standards for a variety of machines which have specialized purpose, functions and characteristics ■ Lack of human resource with qualified technical expertise to examine ■ An idea for improvement is to set the standard criteria (including performance as well as considerations for health, safety and environment) and age limit by category of machineries

Effective standards and decision criteria will increase the use of reasonable machineries with appropriate quality

[*1] Circular 20/2014/TT-BKHCN Regulations on the importation of used machinery, equipment and production line
[*2] Announcement 2527/2012/TB-BKHCN on suspension of the import of used machinery, equipment, and technology lines
Source: Ministry of Science and Technology, baomoi.com,

5-3-5 Preferential treatment of domestic sales of EPEs

EPE companies are required to limit their sales in Vietnam to a low volume, and restrictions such as requiring EPE companies to follow import- or export-duty-related procedures upon trading with other companies in Vietnam are also in place. In order to improve the procurement localization rate by making use of EPE companies that are already engaging in production activities in Vietnam, it is necessary to shift to a system that facilitates domestic sales.

Table 5-6 overview and issues of EPE's domestic sales

Purpose	■ Encourage EPE **produce for exports**
Foundation	■ Decree 118/2015/ND-CP*1(GOV) ■ Decree 29/2008/ND-CP*2(GOV); Decision 72/2013/ND-TTg*3(Prime Minister); Decree 114/2015/ND-CP*4(GOV); Decree 164/2013/ND-CP*5(GOV) ■ Circular 38/2015/ND-BTC*6(MOF)
Function	■ Allows EPEs to get **tax incentives and simplified imports/exports process** ➢ Conditions: Companies operating in export processing zones (EPZ) or economic zone (EZ) and export their products. ➢ Incentives: No VAT, SCT, import and export tax; corporate & personal income tax reduction; No Inspection procedure for custom clearance, response to "275-days rule"*7 and no monthly VAT declaration ■ **Manages EPE's activity of both foreign sales and inland sales**: Requires EPEs to separate accounting and storage for domestic sales outside EPZ
Activity record	■ **344 Economic Zones** (325 Industrial Parks, 16 Special Economic Zones and **3 Export Processing Zones** in Vietnam, holding **116,000 employment** (2014) ■ **Auto-parts EPEs** include Denso, Bridgestone, Yazaki, Nihon Densan, Canon, Samsung, Nokia etc…

EPEs' auto-parts sales to domestic market as industry may contribute to auto supporting industry development in Vietnam

*1 Decree 118/2015/ND-CP Detailing and guiding the implementation of a number of articles of the Investment Law; *2 Decree 29/2008/ND-CP Issuing regulations on industrial zones, export processing zones and economic zones; *3:Decision 72/2013/ND-TTg Providing for the financial mechanism and policies applicable to border-gate economic zones; *4 Decree 114/2015/ND-CP Amending article 21 of decree no. 29/2008/nd-cp dated march 14, 2008 by the government on industrial parks, export processing zones, and economic zones; (Cont'd to next page)
Source: MPI, MOF, Vietnam Customs, JETRO, UNIDO

Compliance with Imports, Exports Custom duties	■ EPEs received many favorable incentives to produce exports cheaply so need to comply with imports/exports & custom duties in domestic sales ■ EPEs operate within EPZ which is a special administrative zone subject to customs' supervision, no unauthorized access or sales activity is allowed ■ **Customs declaration** is required to complete the import-export relationship when selling to domestic markets ■ Certain goods are required to obtain permits ■ The import-export relationship and custom duties in domestic sales result in the following administrative requirements: ➢ **Separate accounting** for domestic sales ➢ **Storage area** only for the domestic sales products **outside the export-processing enterprises and zones**
EPEs' focus on exports	■ Draft revision for Decree 29 and 114, planned to be issued in 2017, will **eliminate sales quantity restrictions to domestic market for EPEs** ■ However, EPEs in essence produce to export so only **small amount is expected to sell to domestic market**

Structural support for EPEs may allow auto-parts EPEs to contribute to the domestic manufacture in Vietnam

(Cont'd from previous page) *5 Decree 164/2013/ND-CP Amending and supplementing a number of articles of the government's decree no. 29/2008/nd-cp dated march 14, 2008, providing for industrial parks, export processing zones and economic zones; *6 Circular 38/2015/ND-BTC On customs procedures, customs supervision and inspection, export tax, import tax, and tax administration applied to exported and imported goods; *7 Manufactures have to pay import duty for raw materials if the material is not exported as a product within 275 days
Source: Ministry of Planning and Investment, JETRO

5-3-6 SME financing

Vietnam currently has SME finance called Small and Medium Enterprise Development Fund (SMEDF). While development of supporting industries can be expected by utilizing the fund, there are issues such as insufficient recognition / accessibility to many SMEs and complicated application process. Increasing access opportunities based on the characteristics of SMEs, as well as reviewing and simplifying application documents / process will be effective to resolve these issues.

Table 5-7 Overview and issues for SME financing

Purpose	■ Enhance enterprise competitiveness of SMEs ■ Income improvement of SMEs ■ Job creation through cultivating SMEs' business
Foundation	■ Decision No.601/QD-TTg*1 to establish SMEDF in April 2013 ■ Public financial institution fund administered by MPI with chartered capital of VND 2,000 bn. (US$88m)
Function	■ **Debt financing scheme for SMEs** with feasible project plans in the prioritized sectors ➢ Prioritized sectors: Agriculture, forestry, fisheries, manufacturing and processing, water supply, waste management, innovation ■ Fixed rate: 5.5% for short term loans 7% for 7 years not exceeding VND 30bn (US$1.32m) ■ Four banks: BIDV, HD Bank, Vietcombank, and VP Bank are entrusted to underwrite debt financing under SMEDF's supervision
Activity record	■ **Only 12 projects among 30 candidates** nominated by trusted banks are received capital disbursement since its establishment in 2016. ■ 1,000 out of 450,000 SMEs have requested information.

Local suppliers have access to funding that meets capital requirement to scale up their projects

*1 Decision 601/2013/QD-TTg On establishment of Small and Medium Enterprise Development Fund
Source: SMEDF, Ministry of Planning and Investment, Vietnam Investment Review Exchange rate: USD/VND=22,600

Presence recognition and Accessibility	■ Recognition of SMEDF is low. (only 3 events have been held.) ■ For SMEs, it is difficult to access to SMEDF. ➢ SMEDF is a small organization, and it is difficult to set offices in all areas in VN. ➢ Only few commercial banks are loan window now, and these commercial banks are not so popular among SMEs. (70% of SMEs are not capable of collateral requirements so have few chance to use the banks.)
Complex process through entrusted banks	■ Each application is reviewed by trusted banks then SMEDF ■ Trusted banks review projects' financial capability and feasibility, however, ➢ it takes 1-3 months to collect all application documents ➢ SMEs accepted by trusted banks did not meet SMEDF's criteria for example Vietcombank tends to miss SME definition criteria

SMEDF can consider expanding its eligibility criteria,
increasing the number of entrusted banks and financing options to eligible SMEs

5-3-7 Management standard introduction

It is expected to use ISO/ TS16949, a quality management standard for automotive industry, to promote OEM to use local suppliers. However, the management level in SMEs in Vietnam is still low, so supports for SMEs to develop their management skills are required.

Table 5-8 Overview and issues for management standard

Purpose	■ **Adopt international quality standards for automotive industry supply chain** ■ Defect prevention, variation reduction and waste reduction
Foundation	■ Developed by International Automotive Task Force and ISO technical committee ■ All businesses are required to adopt 2016 version by Sept 2018
Function	■ Process-oriented approach based on the quality management system standard ISO 9001 with additional specific requirements to automotive industry ➢ Control of documents (customers, engineering standards, specs) ➢ Control of records (statutory requirements, regulations) ➢ Responsibility for quality (managers to correct non-conformity) ➢ Competence and training need (product design, employee motivation) ➢ Contingency planning, personnel safety, cleanliness ➢ Product specific and laboratory requirements
Activity record	■ **VASI is assisting local suppliers to attain ISO/TS16949** (Decision 68/2017/QD-TTg*1) ■ 2-3 electronic suppliers achieved ISO/TS16949, 5 looking to achieve in 2018 and 8 suppliers in 2019

Automotive OEMs can trust ISO/TS16949 qualified auto-parts suppliers

*1 Decision 68/2017/QD-TTg Approves sustained assistance to the industry over the next 10 years (2016-2025)
Source: IATF, VASI, 16949store.com, advisera.com <advisera.com/9001academy/blog/2014/10/01/iso-9001-vs-isots-16949/>

Strict & costly requirements	■ Set up costs of up to VND 600m. (US$13.6m.) for advisors and certification are high for 80% of suppliers who are SMEs ■ Maintenance costs to ensure the following are also significant ➢ Documentation of processes, activities, customer service ➢ Commitment to quality by top managements through documents & records in planning and implementing strategic quality management policies
Suppliers' capability & competitiveness	■ The following impediments to local suppliers' competitiveness resulted in low penetration into the automotive supply chain: ➢ Informal business plans and processes ➢ Lack of industry cluster support for quality and timely delivery ➢ Lack of management skills, technical and commercial expertise
Lack of demand from automobile OEMs	■ Local supplier's weak penetration into automotive supply chain is due to specific requirements from OEMs. ■ Local suppliers, which are mainly SMEs, consider TS16949 is significant for automotive sector but have yet realized in demand ■ Lack of automotive demand causes lack of qualified TS advisors in VN

Requirements of ISO/TS 16949 is too strict for many suppliers in VN. Management standards, which has appropriate requirements for VN's situation, is needed.

5-3-8 Capability building

Raising awareness of technical skill certifications and their utilization is considered important for the development of human resources in Vietnam. That is why we examined the status of Japanese technical skill certifications (for a total of 4 occupations: cf. Table 5-9) that are strongly related to the previously mentioned automotive area, in addition to the technical skill certifications (for a total of 22 occupations) that are already being offered in Vietnam. Given that these occupations (26 in total) include a large number of occupations related to the automotive industry, it is important to promote effective use of these certifications in order to develop human resources in the supporting industries. In the future, Japanese technical skill certifications are scheduled to be integrated into their Vietnamese counterparts.

Table 5-9 Overview of Japanese skill tests

Objectives	■ Promote workers' interest in skill acquisition and improve their social status ■ Stabilize employment and eliminate the mismatch of demand and supply for workers' skills
Foundation of government	■ "Strategy for vocational training development (2011 - 2020)" *1 The Ministry of Labor: the General Department of Vocational Training (MOLISA/GDVT) (2009)
Functions	■ Workers' skills are approved by Japanese-style skill tests (the test is held by different framework of that of VN (2017), but will be united with VN's framework so the test is more suits to the VN situation.) The tests are performed by evaluation centers with 34 locations nationwide ■ The tests target **four occupational types related to manufacturing** ➢ Milling machines (third grade) ➢ Lathes (second grade and third grade) ➢ Information wiring constructions (third grade) ➢ Machinery inspections (second grade and third grade)
Track record of activity	■ **Employees in automotive OEMs/suppliers and other electronics manufacturers took and passed the tests** ■ In 2016, the number of examinees was 95 and the number of examinees who passed the tests was 38 (total of four occupational types)

Expansion of occupational tests enables enhancement of human resources in the industries supporting the automotive industry

*1 The national project for vocational training reform and development by 2020, the national strategy for vocational training reform by 2020, and the national project for vocational training development for farmers

Sources: "Overseas Vocational Training Association", website <http://www.ovta.or.jp/info/asia/vietnam/07policy.htm>
"Japanese-style skill tests in Vietnam", website <http://jp.skilltest.vn/index.html>

Table 5-10 Summary of skill tests system

Vietnamese-style skill tests	■ Skill tests are performed by the General Department of Vocational Training (GDVT), a subsidiary of MOLISA ■ Currently, an annual budget of 8.2 billion VND (approx. 41 million JPN) is used to perform the tests for a total of 22 types of businesses

	Type of occupation	Track record of implementation							
		Year of implementation of tests						Cumulative number of examinees	
		11	12	13	14	15	16	Examinees	Number of examinees who passed
1	Mine drilling skills	●						1,187	658
2	Mine electrical engineering	●						378	238
3	Mine construction skills	●						225	134
4	Graphic design	●						150	86
5	***Mechatronics***	●						75	29
6	***Industrial electronics***		●					1,184	724
7	***Welding***		●					1,170	271
8	***Automotive technology***		●					1,135	540
9	***CNC metal processing***		●					919	369
10	***Industrial sewing***		●					625	349
11	***Industrial electronics***		●					160	83
12	***Power systems***		●					79	67
13	Setting up transmission lines and substations		●					50	25
14	***Electrical inspections***		●					25	17
15	Repairing refrigeration units			●				300	161
16	Assessment of quality and quantity of coals			●				135	77
17	***Lathes (trial runs with JICA's support)***					●		150	15
18	Frameworks & scaffolds					●		125	117
19	Plastering (finishing)					●		124	118
20	***Information technology (trial runs with JICA's support)***					●		60	49
21	Cultivation and preservation of gum trees					●		50	49
22	Cultivation and preservation of coffee plants					●		50	45

JICA has been implementing a variety of study / technological cooperation projects related to capacity building in Vietnam. Major projects related to human resource development especially in the automotive supporting industries include; “The Project for Human Resource Development of Technicians at Hanoi University of Industry” and “Information Gathering / Confirmation Study for Enhancement of Industry Development Base”.
“The Project for Human Resource Development of Technicians at Hanoi University of Industry” is a project implemented between January, 2010 and January, 2013 (3 years) through collaboration among Hanoi University of Industry, Vietnamese government, Japanese government and JICA, with the objective of developing vocational training curriculum according to human resource needs in the industry, as well as improving implementation capability. This project is focused on career training that helps participants acquire skills, serving as a core measure of human resource development along with previously mentioned skill certificates.
“Information Gathering / Confirmation Study for Enhancement of Industry Development Base” is an ongoing study as of July, 2017, which provides multilateral support to SMEs in Vietnam as a pilot approach, with the objective of enhancing supporting industries across Vietnam, during the period of June, 2017 to September, 2018. This project has been implemented with a view to launching a technological cooperation project after September. The target industries of this study are not necessarily limited to automotive-related industries; however, automotive industry, boasting by far more extensive supporting industries than other industries, should naturally be included in the target of the study, and thus, along with the follow-up technological cooperation project, contribution to enhancement and development of automotive supporting industries can be expected.

Period	■ Mostly after 2011 (after introduction of “Vocational Training Development Strategy 2011-2020”)
Objective	■ Increase students’ motivation to acquire skills, by having them understand the skills required by companies ■ Prevent the students from leaving work in an extremely short period after getting a job by giving explanation of career path from companies themselves
Leading party	■ Technical and vocational education and training (TVET) institute, companies, government, etc.
Target	■ Students of TVET
Description	■ Provide career counseling ➢ Establish a career support center ➢ Hire career counselors ➢ Obtain information on job offers / descriptions, etc.

HaUI-JICA Project Phase II
Career counseling pilot PJT provided by Hanoi University of Industry, VN / JP govt. & JICA

Source: Promoting Tripartite Partnership to Tackle Skills Mismatch, Policy paper 2014
<https://www.jica.go.jp/vietnam/english/office/others/c8h0vm00008ze15n-att/policy_paper.pdf>

Figure 5-15 Career training in Vietnam

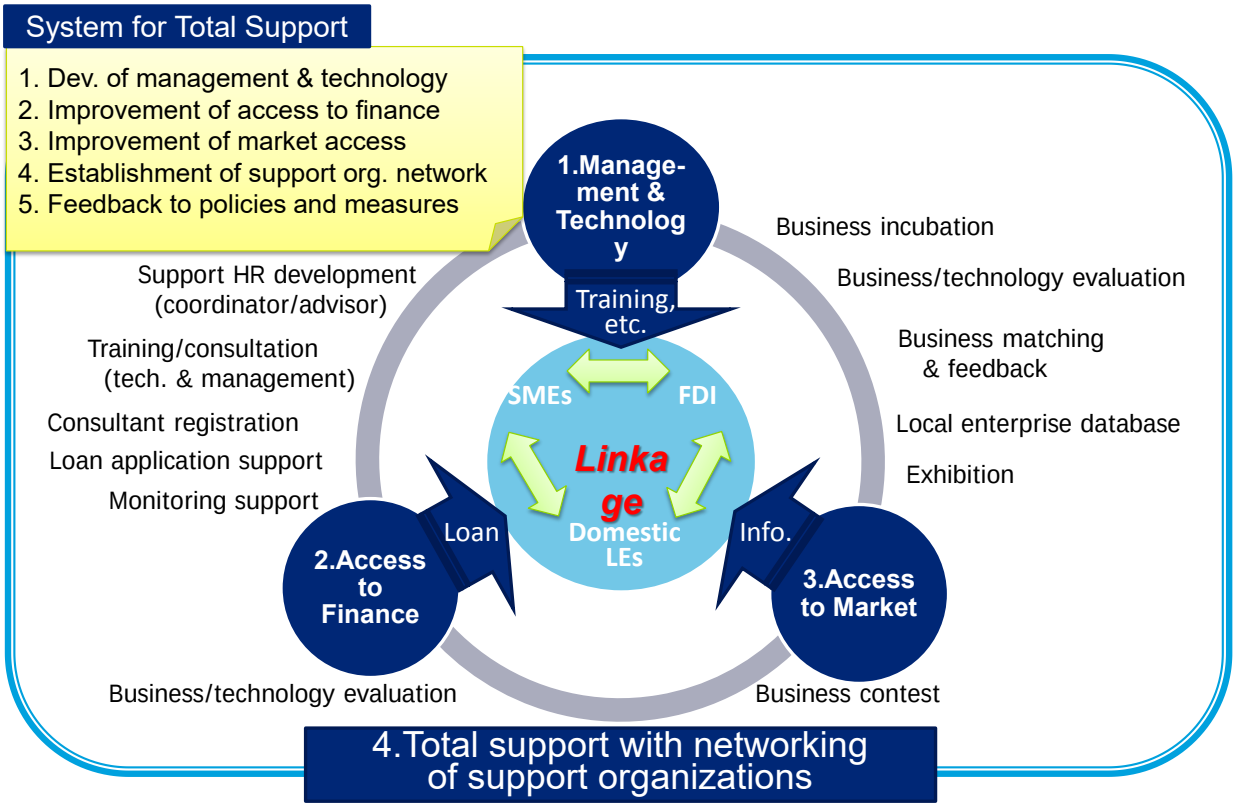


Figure 5-16 Proposed implementation scheme for "Information gathering and confirmation survey on strengthening industrial promotion foundation"

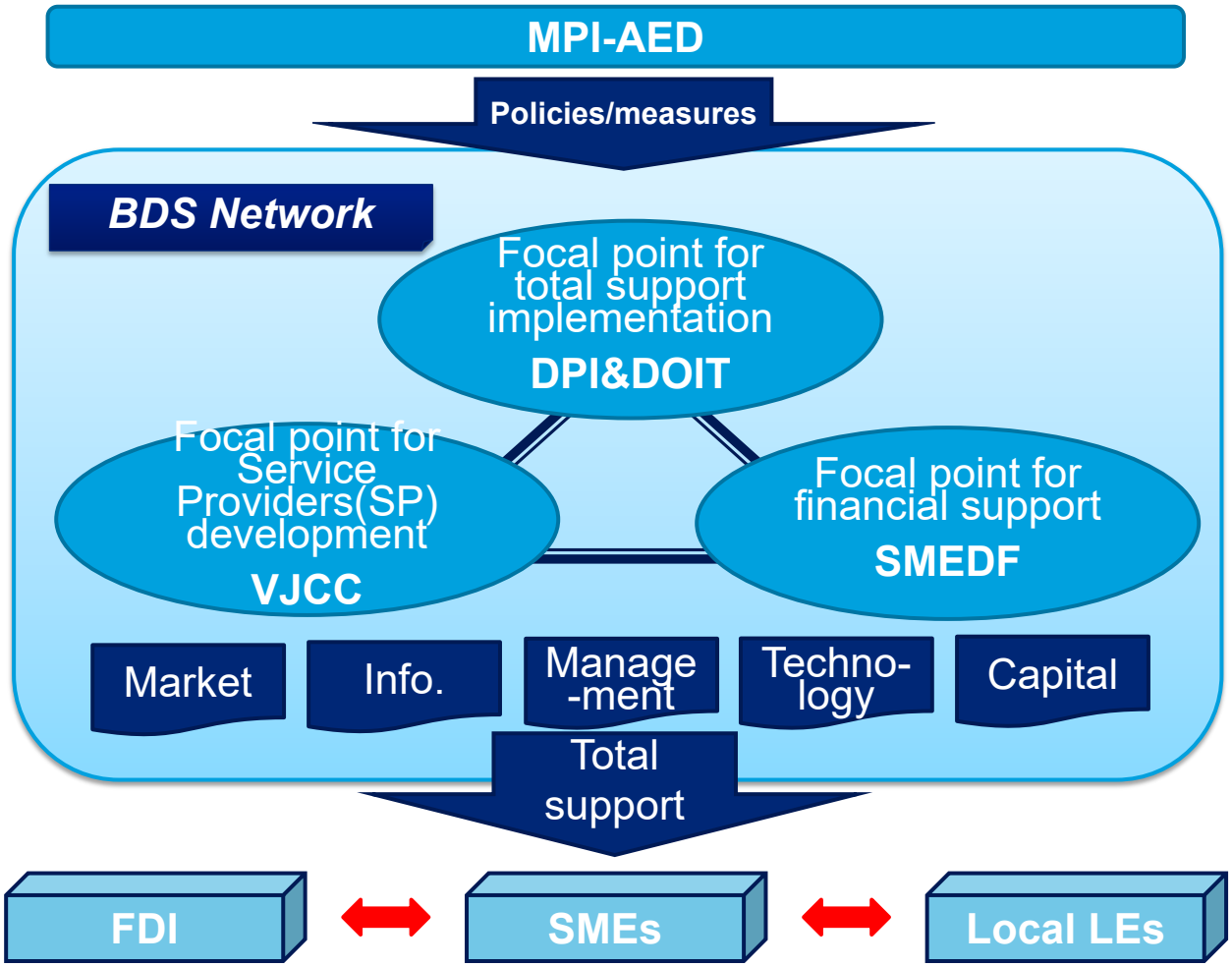


Figure 5-17 Proposed implementation structure of TCP

Chapter6 Future initiatives

This survey was conducted with the aims of developing necessary policy proposals for the development of the automotive industry, and of reaching an agreement among the ministries on the implementation of such policies. The course of action to be taken regarding industrial development is gradually emerging through consensus among the ministries, as can be seen in the formation of a task force aiming for the promotion of the automotive industry in response to the request of the deputy prime minister in February 2017, or in the Automotive Industry Strategy (draft) that is under discussion within the Ministry of Industry and Trade as of June 2017. We believe that this survey has been of particular use in establishing the course of action that appears in the Automotive Industry Strategy: 1) expand the market in order to increase local vehicle production; 2) increase the production volume by identifying the vehicles that would lead to improved competitiveness; and 3) promote foreign investment in Vietnam.

Going forward, initiatives to concretize the individual measures explained in Chapter 5 in cooperation with the ministries responsible for each measure will be necessary. We expect ministries responsible for each measure to take the lead in the concretization and implementation of those measures, based on a common understanding acquired by this survey, and in collaboration with related ministries and companies.

Appendix

1. Company hearing
2. Technical Visit to Indonesia
3. Midterm seminar
4. Technical Visit to Japan
5. Research on WTO-related rules
6. Policy impact analysis
7. JICA/MOIT Final Seminar
8. List of legislations in this report

1. Company hearing

In order to consider issues and policy direction in automotive industry, hearing to automotive related companies in Vietnam was conducted for the followed four topics.

(1) The current understanding of the Vietnam automobile industry and its current challenges
(2) Their goals in the future automotive industry
(3) Their specific actions
(4) Requests to the government

We have set the followed 14 companies to the hearing targets and have asked about their understating and issues, which are different with each industries.

Appendix Table 1-1 Company list for hearing

Industry / company type	#	Name
Global company	1	Toyota
	2	Honda
	3	General Motors
	4	Toyota Boshoku
	5	Toyota Gosei
EPE	6	Bridgestone
	7	Denso
	8	Hanoi Steel
	9	Yazaki
Other related industry	10	Showa
	11	Toshiba
Local company	12	TRUONG HAI AUTOMOBILE
	13	Tam Hop Corporation
	14	Le Group

2. Technical Visit to Indonesia

We conducted a technical visit to Indonesia to learn about the government policies necessary to the development of the automotive industry.

Appendix Table 2-1 Participants from Vietnamese government

Department	Title	Name
MOF Tax Policy Dept	Deputy Director General	Ms. Nguyen Thanh Hang
MPI Industry Economy Dept	Official	Mr. Phung Manh Ha

Appendix Table 2-2 Itinerary / destinations of Technical Visit to Indonesia

	8th March	9th March	10th March
AM	Gaikindo*1(Indonesian Org.)	MOI*2 (Indonesia Gov.)	PT. Rekadaya Multi Adiprima (Indonesian Supplier)
PM	Toyota Indonesia	MOF*3 (Indonesia Gov.)	Inti Ganda Perdana (Indonesian Supplier)
Night	n/a	JETRO:Mr. Ichimura (Industrial Expert)	n/a

*1 The Association of Indonesia Automotive Industries
*2 Ministry of Investment
*3 Ministry of Finance

Everywhere we stopped, we learned about the process of developing and implementing the LCGC policy (the Indonesian government's policy for automotive industry development), about the roles played by each organization to develop and implement the policy, and about effects the policy has had on companies. In particular, we got the impression that each organization had different intentions when they implemented the LCGC policy: resolving the trade deficit appeared to be the objective of the Ministry of Finance of Indonesia (MOF), which is in charge of national finances, whereas GAIKINDO, the representative of businesses, appeared to seek bigger-scale production. This proved rich in insights in terms of how different organizations can cooperate when developing policies.

MOF

We received explanations from the MOF about their intentions when they implemented the LCGC policy, and about measures taken to reach an agreement among ministries to enforce the policy. According to the MOF, LCGC is intended to capture demand in the domestic market, which was shifting from two-wheel to four-wheel vehicles, and to acquire export opportunities for passenger vehicles, a growing global trend.

Although the Ministry of Industry of Indonesia (MOI) is responsible for enforcing LCGC, the Ministry of Maritime Coordination played the role of smoothing over differences in opinions and the president signed the policy into effect. This process shows the effectiveness of involving an organization that serves as a coordinator among ministries.

MOI

The MOI showed us the necessity of building an organization responsible for the implementation of the LCGC policy. With respect to the development of LCGC, MOI took the lead and government agencies such as the MOF,

Ministry of Transport of Indonesia (MOT), and the investment coordinating board Badan Koordinasi Penanaman Modal (BKPM) participated in the discussion. However, a dedicated organization such as a standing committee was not established. As a result, it took 2 years for the policy to be enforced, reflecting the importance of establishing a cross-ministry organization.

GAIKINDO

GAIKINDO told us about their intentions regarding LCGC and about the importance of industry associations in the process of developing policies for industry development. According to GAIKINDO, LCGC was intended to control fuel demand, which was feared as a possible cause of trade deficit at the time, and to respond to growing demand from the low- to middle-income bracket.

While LCGC is a government policy, it was drafted by GAIKINDO, an industry association. It is clear that the policy is highly implementable, as companies had committed to investment, local sourcing, and environmental initiatives associated with LCGC-compatible car models from the time it was still under development. Its success most likely relied on the fact that the needs of companies were already reflected in the draft prepared by the industry association. Although conditions in Indonesia are not the same as in Vietnam, because the size of the Indonesian market makes it easier to give incentives to an industry association, it would be a good idea to collect opinions from the companies that will be the actual users of the policy through an industry organization during the policy development process.

PT. Toyota Motor Manufacturing Indonesia

We received explanations from PT. Toyota Motor Manufacturing Indonesia about the effects of LCGC on companies. The company benefited from the expansion of domestic demand caused by the increase in the number of consumers who are able to purchase vehicles at a low price thanks to the "luxury tax" exemption, which resulted in an increase in the company's sales.

Furthermore, unrelated to LCGC, we learned about the importance of increasing the procurement localization rate. Currently, Indonesia is working on increasing the procurement localization rate in order to enhance their competitiveness with Thailand and avoid exchange-rate related risks, which shows that increasing the localization rate is key for industry development.

PT. Rekadaya Multi Adiprima

We received explanations from PT. Rekadaya Multi Adiprima about concerns raised by LCGC. Since the company produces parts for 4x2 vehicles, LCGC caused demand to decrease. Although they commented that they expect to see some benefits in the future, they pointed out the risk of preferential policies for specific vehicle models leading to certain products eating away at demand for other products (unfavorable competition for domestic demand).

Inti Ganda Perdana

Inti Ganda Perdana pointed out the importance of establishing an organization for developing the supporting industry (small and medium-sized companies) as a separate effort from the LCGC policy. The company's president established an industry association [Association of Small and Medium-Sized Automotive Component

Companies (PIKKO)] consisting of automobile parts manufacturers in tiers 2, 3, and 4 in 2015. They said that this association makes initiatives possible that would be difficult for small and medium-sized companies to engage in single-handedly, including dialogue with OEMs and increasing enterprise value through R&D collaboration with government research institutions. The association has also successfully entered into other sectors besides the automobile sector, which shows that development of the automobile-related supporting industry contributes to industry as a whole.

Mr. Ichimura, JETRO

We obtained advice on the direction of automotive industry development in Vietnam. Specifically, Mr. Ichimura gave us explanations on the following three approaches: developing a new market in a wide area including Laos and Cambodia, participating in Thailand's supply chain in collaboration with Thailand, and prioritizing certain vehicle models in exchange for an increase in the localization rate, taking China as an example. We also discussed those ideas.

In addition, we held a meeting at a later date to share information with MOIT, which was absent from the technical visit. In order to proceed smoothly with the survey going forward, Mr. Matsushita from JICA and Mr. Nishimura from Deloitte explained the details we learned and responded to questions.

3. Midterm seminar

Based on previous survey results, we held a seminar to encourage dialogue between the government and companies. The seminar outline is as follows:

Seminar outline

■ Seminar name: JICA/MOIT Vietnam Automotive Industry Development Study Seminar

■ Date: March 29, 2017 (Wed.) 9:00 AM - 12:00 PM

■ Venue: Ballroom 1, Melia Hanoi, 44B Ly Thuong Kiet Street

■ Agenda:

First half: Presentation by us (Deloitte)

1. The automobile market in Vietnam and the current situation of the industry
2. Importance of the automotive industry
3. Issues faced by the automotive industry in Vietnam
4. The future of the automotive industry in Vietnam
5. The future roles of the government and companies

Second half: Dialogue with the Vietnamese government [MOIT, Ministry of Planning and Investment of Vietnam (MPI), and MOF] and panel discussion

1. Self-introduction & introduction of initiatives taken by companies and ministries
2. Issues faced by the automotive industry in Vietnam and policy recommendations
3. Necessary actions for industry development (competition with imported vehicles and improvement of the procurement localization rate)

In order to broaden our understanding and to hear diverse opinions regarding the development of highly implementable policies for the automotive industry, we widely recruited participants from the Vietnamese government and companies (OEMs and suppliers belonging to Vietnam's automotive industry association, VAMA, and automobile-related suppliers among companies which participated in the first phase of the survey) and received around 90 participants from some 50 organizations.

Appendix Table 3-1 Participants to the seminar

		Org.	People
Total		53	91
Enterprises from Automotive industry	OEM	13	21
	Supplires（both Auto and non-Auto）	15	24
VN Gov and・3rd Parties	Gov.	11	18
	3rd Parties	9	18
Others		5	10

In the first half of the presentation, whose content overlapped with the "Survey progress and results" section of this report, we made sure that participants' understood the situation. In the second half of the discussion, we discussed what direction policy should take.

Appendix Table 3-2 Panelists

Vietnam Gov.	MOIT	Mr. Tuan Deputy Director General, Heavy Industry Dept
	MOF	Ms. Trang Tax Policy Planning Dept
	MPI	Mr. Ha Official, Industrial Economy Dept
	IPSI (MOIT)	Ms. Thuy Director, Integration Policy and Strategy Division
JICA		Mr. Yashiro
Deloitte		Mr. Goishihara

The companies emphasized the need for transparency in the policy, for offsetting cost differences with imported vehicles, and for market expansion. The government announced that it will discuss those matters with the current task force (a meeting committee consisting of companies and organizations from the Executive, which was established by the prime minister to develop policies for the development of the automotive industry).

The topics below were discussed.

How to proceed with the survey

The Vietnamese government declared that it will proceed with the survey together with the task force, in order to use the survey as input for the task force. In addition, the government stated its intention to proceed with the development and enforcement of policies based on the survey and on the activities of the task force, while maintaining equality and transparency.

Individual policy item: SCT

It was apparent that the discussions toward the two objectives of market expansion and protection of domestic industries have run into difficulties. On those issues, the government and companies stated their intention to identify the timeframe, tax rates, and vehicle models needed to meet the two objectives of domestic market expansion and domestic industry protection, and to enforce relevant policies.

Individual policy item: tariff on parts

The Vietnamese government pointed out that there have been difficulties in categorizing parts that could be localized (i.e. parts whose tariff will not be reduced) due to delays in VAMA's activities and to misunderstandings between the government and the private sector Given this issue, a discussion was conducted

regarding the need to understand technical skills in a more quantitative manner and the need for future policy to be balanced with supplier matching.

Individual policy item: utilization of EPE companies

The Vietnamese government raised the issues of inequality among domestic distributors resulting from the use of EPE benefits, and of additional investment in EPE companies' production for the domestic market. In order to make the most of EPE companies' effectiveness, it was suggested that the details of the framework should be discussed within the ministry, and that measures to encourage utilization should be taken.

Individual policy item: utilization of local suppliers

The lack of progress in utilizing local suppliers was pointed out, and it was suggested that the government should take advantage of the establishment of Vietnam Association for Supporting Industries (VASI) to work on measures to assist small- and medium-size companies as well as the supporting industry.

Others

In relation to current affairs at the time of the seminar, we discussed the implementation of EURO 4 for automobiles. It was said that we should be careful in implementing the policy as it is not consistent with the needs of the supply side, and the Vietnamese government made apparent its inclination for transparency in developing the policy.

4. Technical Visit to Japan

Conducted Technical Visit to Japan from April 17 (Mon) to 19 (Wed), aimed at understanding actual conditions of companies in the mature automotive industry, as well as to exchange opinions with the Japanese government and industrial organizations or associations on Vietnam's future automotive industry policies.

Appendix Table 4-1 Participants from Vietnamese government

Department	Title	Name
MOIT Heavy Industry Dept	Deputy Director General	Mr. Tuan Pham Anh
MOF Tax Policy Dept	Deputy Director General	Ms. Nguyen Thanh Hang
MPI Industry Economy Dept	Deputy Director General	Mr. Thuy Trung Le
CIEM (Central Institute for Economic Management)	Vice- President	Ms. Nguyen Thi Tue Anh

Appendix Table 4-2 Itinerary / destinations of Technical Visit to Japan

	17th April	18th April	19th April
AM	Nissan(OEM)	Prof. Kobayashi (Industrial Expert) JAPIA*3(Japanese Org.)	Toyota(OEM) (Factory Visit)
PM	METI*1 (Japanese Gov.) JAMA*2 (Japanese Org.) JICA (Japanese Org.) / SME support Japan	INOAC (Supplier)	Denso (Supplier) Toyota Boshoku (Supplier)

*1 Ministry of Economy, Trade and Industry
*2 Japan Automobile Manufacturers Association, Inc.
*3 Japan Auto Parts Industries Association
*4 Organization for Small & Medium Enterprises and Regional Innovation

Received opinions from the visited companies that it is necessary to gradually improve the entire standards, as high standards need to be achieved in production scale / facilities, human resources and management structure. The Japanese government and industry organizations recommended that Vietnam should promote support for market expansion and growth of supporting industries through development / implementation of reliable and transparent policies.
In the wrap-up session on the last day, we reviewed key points of interviews and discussions during company visits, and also had discussions to refine the policy related to special consumption tax / parts import tariff aimed at market expansion.

Nissan

Had a meeting and visited the showroom at Nissan headquarters. Nissan told us, about their engagements in EVs, that they received infrastructure support towards dissemination during the first few years after launching EV in the market, but not after development / introduction periods. Regarding intention of entering the Vietnamese market, they presented a policy of assessing local needs first, and making capital investment according to the growth.

METI / JAMA

Had a meeting opportunity with METI / JAMA personnel at JAMA headquarters. As recommendations to the Vietnamese government, they told us that it is important to implement policy that facilitates market growth (e.g. reduction of special consumption tax and parts import tariff), while allowing domestic / foreign companies to predict Vietnam's future policies and target state in order to prevent foreign companies from controlling their market entry or investment.

JICA

Had a meeting opportunity, at JICA headquarters, with personnel who was in charge of automotive industry support in Thailand, Mexico and Philippines, where they introduced cases of human resource development support in Thailand / Mexico, and specific vehicle preferential policy (CARS program) development support in the Philippines. The personnel who was in charge of supporting CARS program development emphasized the importance of seeking opinions from enterprises when developing specific policy content including target models and localization requirements.

SME Support, JAPAN

SME Support, JAPAN personnel explained their activities at JICA headquarters as well, and also presented potential of contributions such as funding SMEs or matching with OEMs for supporting industry growth, created by establishing a similar organization Vietnam.

Professor Kobayashi (Supporting industry expert)

Had an opportunity to discuss policies necessary to develop surrounding industries at WASEDA University. He told us that motorcycle parts manufacturers, with relatively advanced technological capabilities, are prospective development target in Vietnam's surrounding industries, alignment with OEM needs should be secured when promoting development, and indirect support such as improving certification systems is also effective.

JAPIA

Had a meeting opportunity at JAPIA headquarters. They provided information related to their specific activities; their members have the highest needs for sharing technological expertise, and JAPIA have sectional meetings on a regular basis.

INOAC

Had opportunities to have a meeting with employees in charge of global automotive business / advanced functional material business and to visit the showroom at INOAC's Anjo plant. They told us that, although they only manufacture limited types of products in Vietnam, they can consider investing in Vietnam if local demand increases as they engage in automotive parts manufacturing in other countries.

Toyota

Had an opportunity to observe passenger vehicle manufacturing line at Toyota's Tomioka plant, whose annual production volume is 370,000 units exceeding Vietnam's overall production scale. We realized the scale of manufacturing line / facilities at the plant and also received explanation of efficient operational structure within / outside of the plant (lower-tire suppliers) using Just-In-Time method.

Denso

Had opportunities to have a meeting and visit the showroom at Denso headquarters. They told us that, regarding Vietnam's automotive industry, they are very interested in OEM trends after CBU tariff elimination within ASEAN region to be applied in 2018, and also recommended important approaches towards enhancement of Tier 2-3 suppliers, including improving incentives, simplifying procedures, enhancing cost competitiveness (especially relaxing overtime restrictions), developing infrastructure and offering protection after tariff liberalization.

Toyota Boshoku

Had opportunities to have a meeting and visit the plant at Toyota Boshoku headquarters. During the meeting, they told us that constant demand from OEMs is an absolute requirement to continue production in Vietnam. During the plant visit, they explained advanced management and operational structure at the air cleaner / air filter production lines.

5. Research on WTO-related rules

Up to this point, we have suggested measures to develop Vietnam's automotive industry, such as a reduction of SCT and subsidies to promote production. It is important to keep in mind that these measures must be in accord with international trade rules stipulated by the World Trade Organization (WTO), such as the rules on national treatment included in the General Agreement on Tariffs and Trade (GATT).
We researched previous examples of questions being raised about international trade rule compliance outside of Vietnam, as well as the relationship between automotive industry stimulation policies implemented in Thailand and the Philippines and those rules.

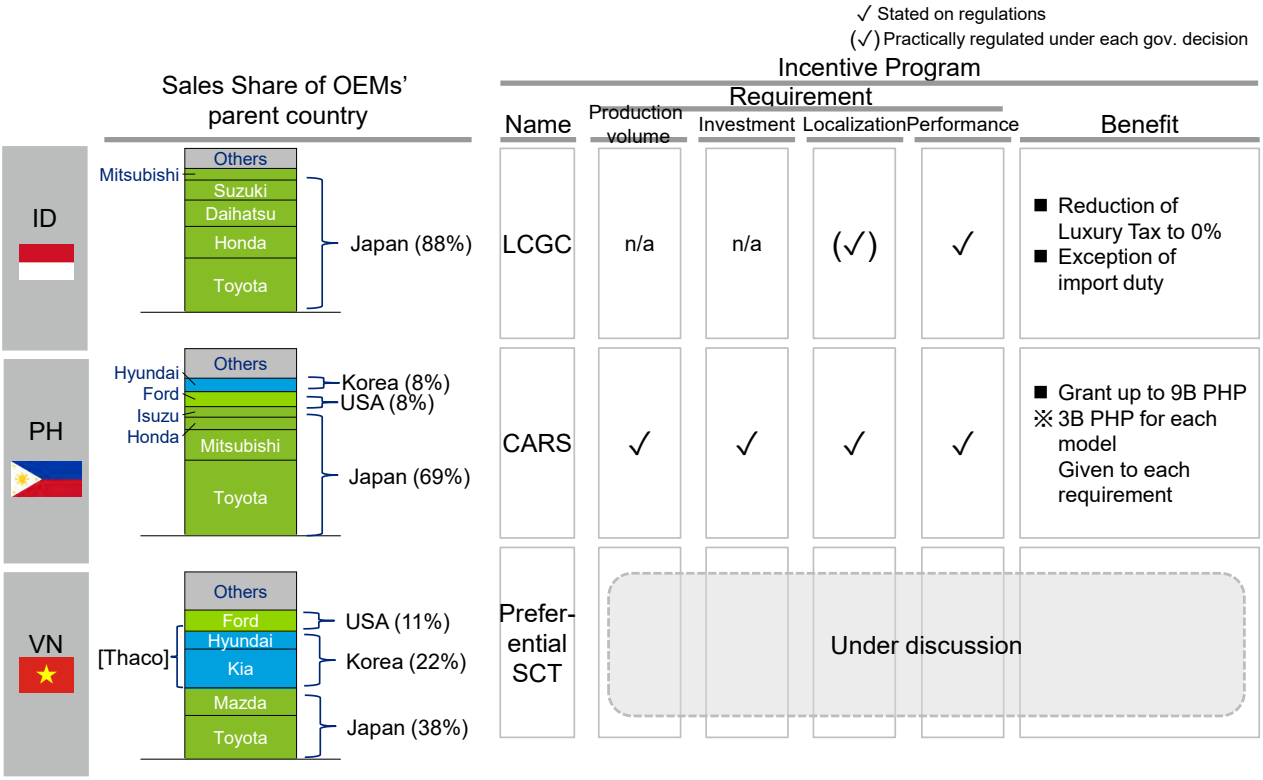
5-1 Research on previous examples of WTO disputes
We researched previous examples of WTO disputes related to the automotive industry policies of Vietnam's neighbors. Results showed that among neighboring countries, WTO breaches have previously been identified in Indonesia, India, and Malaysia. In all cases, it was pointed out that the conditions of domestic production and local procurement were in breach of rules concerning the most favored nation treatment, national treatment, anti-dumping duty, countervailing duties, and other rules stipulated under the GATT.

Appendix Table 5-1 Examples of WTO cases

		Indonesia	India	Malaysia
Policy Purpose		■ To protect national cars	■ To maintain India's balance of payments	■ Limits CBUs and CKDs
Policy overview	Announced	n/a	1997	1967
	Enforced	1996	2002	n/a
	Name of law	■ Presidential Instruction No. 2	■ Public Notice No. 60 (which acts pursuant to Foreign Trade (Development and Regulation) Act of 1992)	■ Malaysian Customs Act
	Contents	■ Luxury Tax Exemption (Max. 35%) ■ Import Duty Exemption (Max. 65%)	■ Import licenses for certain motor vehicle parts and components	■ Malaysian import licenses for motor vehicle and auto parts
	Target	■ Automobile Manufacturers in Indonesia	■ Automobile Manufacturers in India	■ Bumiputeras Companies ■ Franchise holders (non Bumiputeras companies)
	Conditions	■ Qualified car as an National vehicle with the followed conditions ■ Produced in Indonesia with the facility owned by ID company with the name of new and Indonesian model ■ Annual increase of local contents (1st year 20% 2nd year 30% 3rd year 40%) ■ Use and develop the domestic technique	■ Achievement of the specific level of local contents ■ Achievement of trade balancing (exports value of automotive parts= imports value of cars and components)	■ Bumiputera Company status. ■ Re-application annually ■ Min. of 2 years' experience in sales and distribution of automobiles and still operational ■ Have a suitable office space or showroom ■ Min. capital of RM 1 million
	Beneficiaries	■ Timor Putra Nasional(Joint venture of KIA and Indonesia company, which owned by the relatives of President of Indonesia.) only	n/a	n/a
Conflict points		■ Most- favored -nation treatment ■ National treatment requirement	■ National treatment requirement ■ Elimination of Quantities restriction	■ National Treatment of Internal Regulation and Taxes ■ Elimination of Quantitative Restriction
Actions of WTO	Year	1998	1998	■ Not available (no clams from foreign countries.)
	Action	Panel Hearing	Panel Hearing	
	Appealed countries	Japan, United States, Europe	United States, European Commission	
	Main referred articles	■GATT Art. I:1 ■GATT Art. III:2	■ GATT Article III:4 ■ GATT Article XI:1	
	WTO decisions	n/a	■ WTO ordered India to revise the measure to meet GATT by 2002	
Actions from the country	Directions	■ Abolish the measure	■ Abolish the measure	■ Abolish the program
	Contents	■ Announced to abolish the law, which violate domestic products preferential treatment	■ Requirement of local contents was abolished in Sep. 2001. ■ Requirement of trade balancing was abolished in Aug. 2002	■ Open AP for used vehicles (commercial, passenger and motorcycles) were terminated by 31 December 2015 ■ Franchise AP to be terminated by 31 December 2020

5-2 Relationship between WTO rules and automotive industry stimulation policies outside of Vietnam
The head offices of OEMs operating in Vietnam are located in various countries including Japan, South Korea, and the United States. In general, a policy impacts OEMs in two different ways - one group of OEMs will benefit from the policy while others will suffer losses. If the head offices of these OEMs are located in different countries, interests that go beyond national borders could lead to a WTO dispute. We should therefore be particularly

careful with our handling of WTO-related rules when examining the Indonesian and Philippine market, which are dominated by Japanese OEMs, as examples.



Appendix Figure 5-1 Automotive industry incentive comparison

5-3 (Reference) Automotive industry development policies outside of Vietnam

While making domestic production and a certain local procurement rate necessary conditions for beneficial treatment leads to WTO disputes, policies to support domestic industries that are based on such requirements still exist among Vietnam's neighbors. For instance, Indonesia's LCGC program requires an 80% local procurement rate, and the Philippines' CARS program requires a 50% local procurement rate.

Conditions	Incentives	Approved OEMs &their vehicles
Product Performance Requirement ■ Engine Capacity : 980 - 1,200cc (Gasoline), 1,000 - 1,500cc (Diesel) ■ Fuel Efficiency : Above 20km/L ■ Fuel Efficiency Testing Method : UNR101 Indonesian Mode*1 ■ Product Brand : Indonesian brand/logo/identity ■ Target Price: Max IDR 95M (before regional tax, vehicle tax and ownership transfer tax)*2 ■ Others: Max 4,600mm of Turning radius, Min 150mm of Ground clearance **Investment Requirement** ■ Localization rate: Min 80%	■ Reduction of Luxury Tax (From 10 to 0%) ■ Exemption of Import Duty for Machinery or Capital Goods	TOYOTA: ■ Agya ■ Calya DAIHATSU: ■ Ayla ■ Sigra HONDA: ■ Mobilio ■ Brio Satya SUZUKI: ■ Wagon R GS NISSAN: ■ GO+ Panca **Total volume of LCGC increased 50K('13)⇒180M('15)**

*1: measurement of carbon emission (CO, HC and CO2) to be converted to fuel consumption based on carbon balance method

*2: + Max 15% for Automatic transmission;+ Max 10% for Safety features (Airbag, ABS);+ Other adjustment based on economic indicators (inflation rate, exchange rate, commodity prices);+ transportation cost (based on distance - to be declared by the company) are available.

Reference : Open source

Appendix Figure 5-2 LCGC (Low cost green car) Policy Overview

Enrollment	Requirements	Incentives	Ref.: Selected vehicles
■ Manufactures/ vehicles can apply for enrollment in the program, Eligible vehicles are limited to 3 models	■ Production scale: Produce 200k units per model in 6 years ■ Investment: New investment for parts mfg. or establishment of shared inspection facility ■ Localization: Local production rate of over 50% by weight	■ Up to 9bil. PHP (24.8 JPY) *Up to 3bil. PHP per company/model. Incentives are provided, as each requirement is fulfilled	1. Toyota (Vios) 2. Mitsubishi (Mirage) 3. TBD

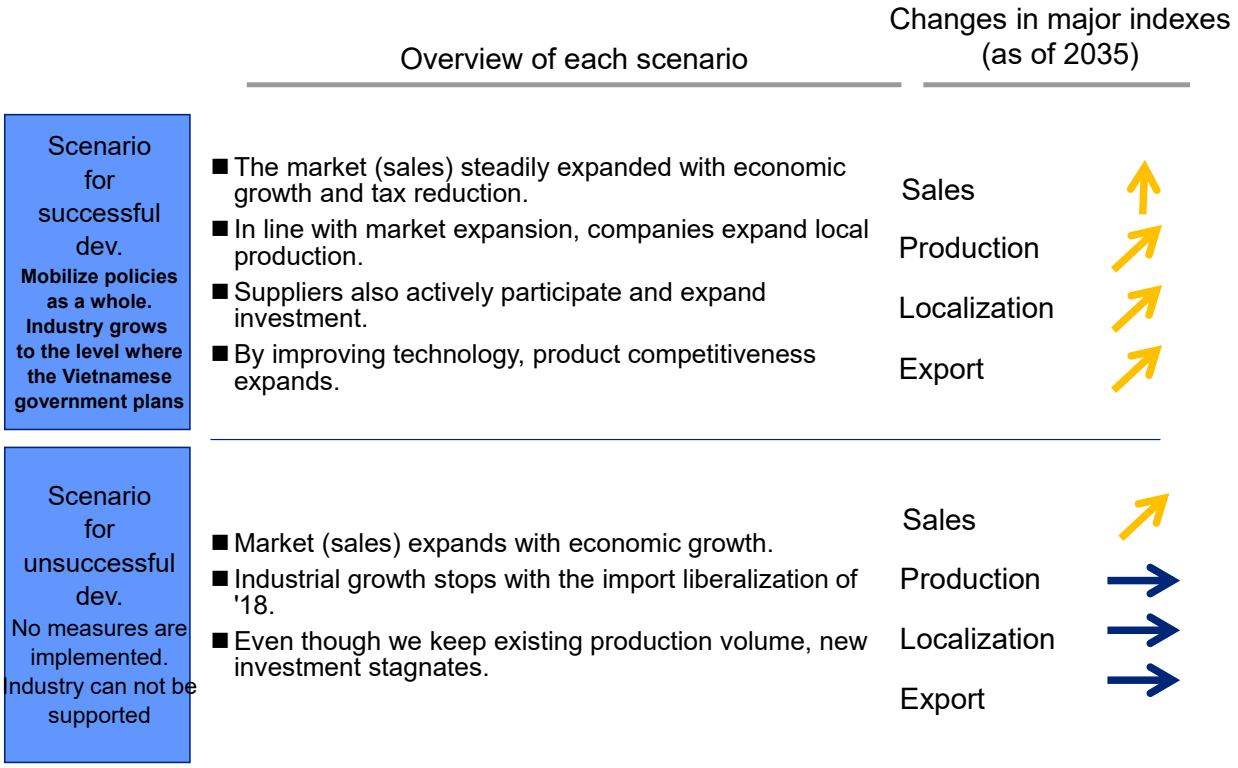
Appendix Figure 5-3 PH's automotive industry promotional program (CARS) Overview

6. Policy impact analysis

In order to estimate the impact of full implementation of the industry development policies planned by the Vietnamese government, we built a simulation model using Microsoft Excel and used that model as a reference for JICA and the Vietnamese government to consider the policies internally.

6-1 The reasoning behind policy scenarios

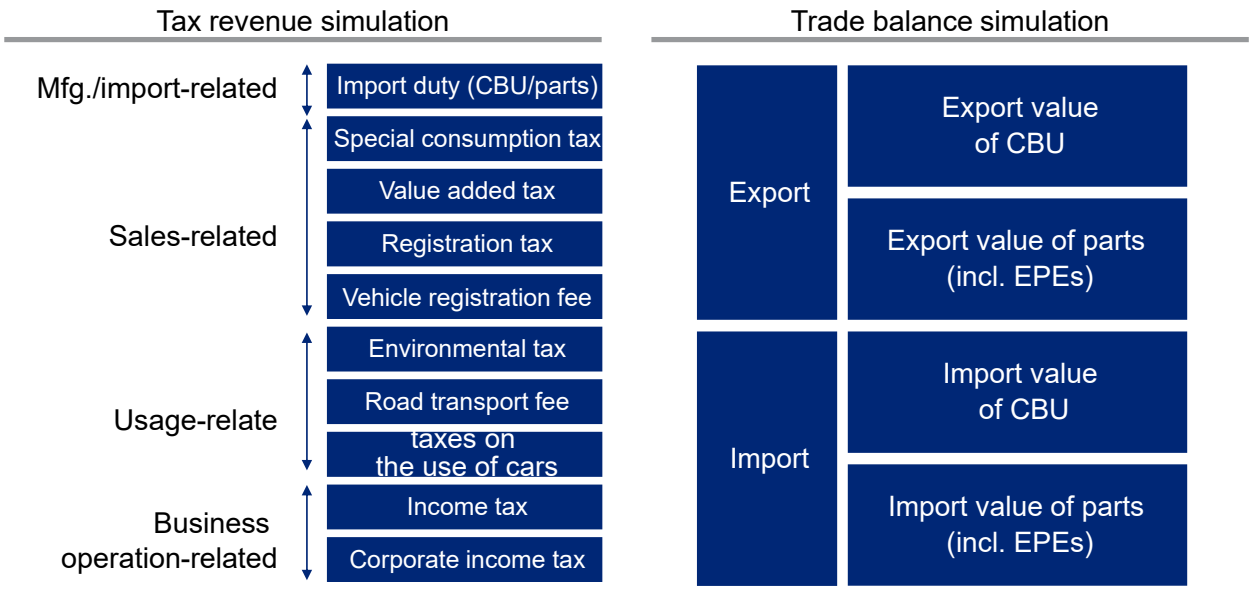
We have two scenarios: "the development success scenario," where the industry successfully develops to the level planned by the Vietnamese government as a result of introducing all of the various measures, and "the development failure scenario," where the industry fails to develop as a result of no particular measures being introduced. For each scenario, we predicted changes in major indicators by 2035.



Appendix Figure 6-1 Scenarios for the analysis

6-2 Indicators used for the calculations

In this analysis, we estimated 2035 tax revenue and trade balance for each scenario. Note that the breakdown of tax revenue follows Vietnam's current automobile-related tax system, excluding taxes on the use of cars (Appendix Figure 6-1). As taxes on the use of cars do not exist in the current tax system, we tentatively added such a tax item for the purpose of this policy impact analysis.



Appendix Figure 6-2 Indexes for the analysis

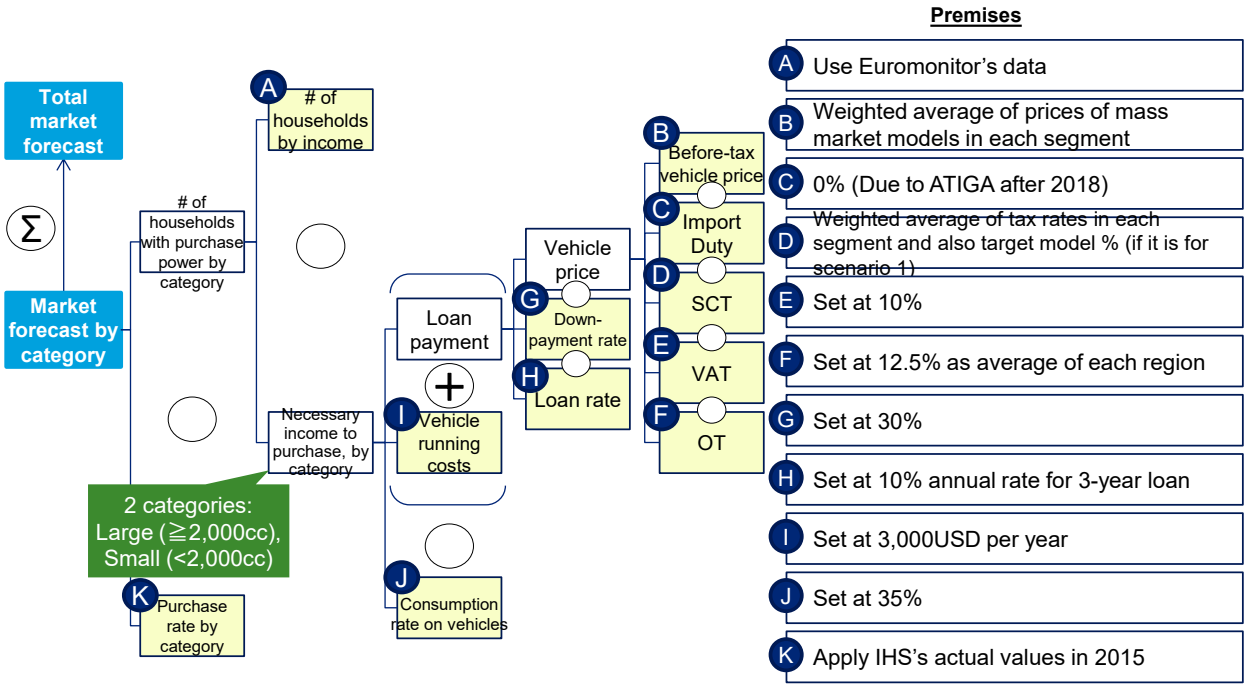
6-3 Premises of calculations

We defined the elements to be used as premises to calculate future indicators, and set values for each of the elements based on the definition of each scenario. When setting those values, we used actual values from the past, planned values specified in the industry development plan (master plan) provided by the Vietnamese government, and reference values taken from outside of Vietnam (cf. Appendix Table 6-1).

Please note that we calculated Vietnam's sales based on the number of households that are able to afford the expenses necessary to buy and maintain cars, the disposable income of those households, and car prices instead of past sales data, in order to make long-term simulation results more realistic (cf. Appendix Figure 6-3).

Appendix Table 6-1 Precognition of each scenario (except taxation)

	Premises of each scenario	
	Development success scenario	Development failure scenario
Number of vehicles sold	❑ To increase as a result of the 2018 liberalization of international trade, which will lead to cheaper vehicles and a higher national income.	❑ To increase as a result of the 2018 liberalization of international trade, which will lead to cheaper vehicles and a higher national income.
Sales price (RSP)	❑ Calculated based on the market price of mass-market models. We estimate that their price will decrease by 10% following the 2018 liberalization of international trade.	
Number of vehicles registered	❑ Estimated based on the total number of vehicles sold in the last 15 years.	
Number of vehicles produced	❑ To increase together with the number of vehicles sold.	❑ To stay equal to the 2015 numbers until 2035.
Local procurement rate	❑ To increase according to the government's Master Plan (45% by 2020, 55% by 2030).	❑ To stay equal to the 2015 numbers until 2035.
Export of parts	❑ To increase according to the government's Master Plan (4 billion USD by 2020, 6.5 billion USD by 2030).	❑ To stay equal to the 2015 numbers until 2035.
Export of complete vehicles	❑ To increase according to the government's Master Plan (5k units by 2020, 100k units by 2030).	❑ To stay equal to the 2015 numbers until 2035.
Number of workers	❑ Sales divisions to grow in proportion with the number of vehicles sold. ❑ Manufacturing divisions to grow while reflecting the effect of increases in productivity.	❑ Sales divisions to grow in proportion with the number of vehicles sold. ❑ Manufacturing divisions to stay at their 2015 levels.
Average compensation	❑ To increase every year in order to reach current Thai levels for both sales and manufacturing at a future date.	
Profit margin	❑ Fixed at 5% of each company's sales.	



Appendix Figure 6-3 Variables used for demand forecast and premises of the variables

Tax rates used as premises in tax revenue calculations were set by referring to Vietnam's current taxable items, chargeable items, tax rates, and charged amounts, excluding taxes on the use of cars.

The rate of SCT was set by taking into account the reduction to be introduced from 2018 onward (cf. Appendix Table 6-3). Aside from that planned SCT reduction, in the "development success scenario" only, we worked with the premise that a further SCT reduction would apply to specific vehicles from 2018, which made us further reduce SCT for small locally-produced cars (cf. Figure 5-12 in the main section of this report).

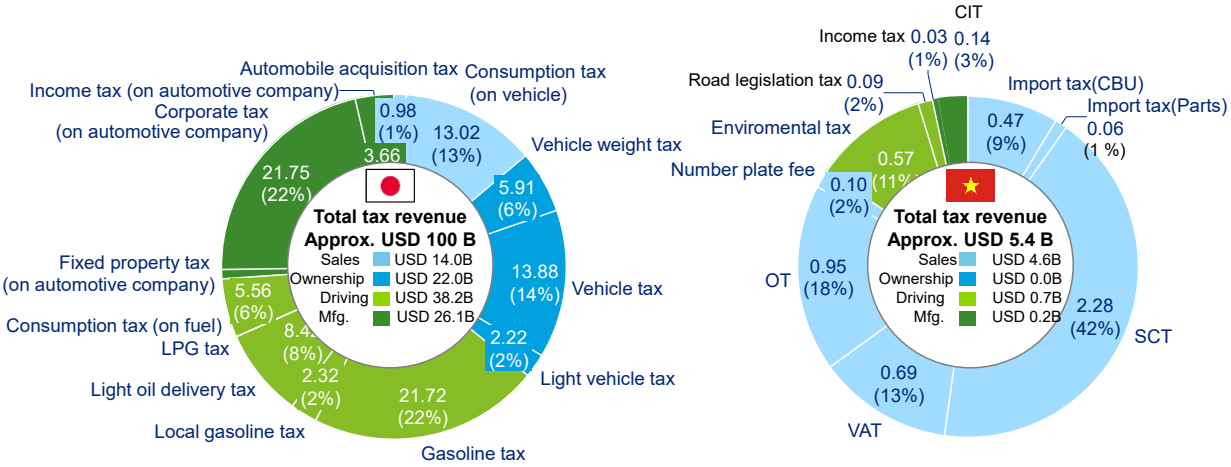
As mentioned above, since taxes on the use of cars do not exist in the current automobile-related tax system, we tentatively added such a tax item for the purpose of this policy impact analysis. In Japan, while tax levied at the time of sale accounts for a relatively small percentage of the total automobile-related tax revenue, tax levied upon car maintenance and traveling account for large percentages. This means that consumers shoulder comparatively light costs when buying cars. On the other hand, under Vietnam's current system, tax levied at the time of sale accounts for a large portion of revenue (cf. Appendix Figure 6-4). When making calculations for the "development success scenario", while we assumed a decrease in tax revenue at the time of sale due to the SCT reduction premise, we also hypothesized that an increase in tax levied upon car maintenance and traveling could be implemented in the future to cover the loss, and included this in the simulation model as "taxes on the use of cars".

Appendix Table 6-2 Precognition of each scenario (taxation)

	Premises of each scenario	
	Development success scenario	Development failure scenario
Tariffs (complete vehicles)	❑ From 2018, 0% on vehicles from ASEAN and 70% on vehicles from outside ASEAN	
Tariffs (parts)	❑ 38% before 2018 (median tax rate on all imported parts), 28% from 2018 (accounting for tax reduction policy)	❑ 38% (median tax rate on all imported parts)
SCT (large vehicles)	❑ 54% before 2018 (average for mass-market vehicles), 55% from 2018 (average for mass-market vehicles after SCT rise on all vehicles)	
SCT (small vehicles)	❑ 43% before 2018 (avg. for mass-market vehicles), 30% from 2018 (avg. for mass-market vehicles after SCT drop on all vehicles and specific vehicles)	❑ 43% before 2018 (avg. for mass-market vehicles), 38% from 2018 (avg. for mass-market vehicles after SCT drop on all vehicles)
Value-added tax	❑ 10% (country-wide rate)	
Ownership tax	❑ 13% (average across regions)	
Vehicle registration fee	❑ 505 USD (average across regions)	
Environmental tax	❑ 0.37 USD/L before 2018 (average across regions), 0.73 USD/L from 2024 (double the current rate)	❑ 0.37 USD/L (average across regions)
Road usage fee	❑ 85 USD/vehicle before 2018 (average across regions), 170 USD/vehicle from 2024 (double the current rate)	❑ 85 USD/vehicle (average across regions)
Vehicle usage taxes	❑ 100 USD/vehicle from 2030	❑ None
Income tax	❑ 20% (country-wide rate)	
Corporate tax	❑ 10% (average of progressive tax rates)	

Appendix Table 6-3 SCT rate to be applied from 2018 onward

Car Type	Number of Seats		Amount of exhaustion		Tax rate	
	Min	Max	Min	Max	Until 2018	From 2018
gasoline-powered vehicle	-	9	0	1,500	40%	35%
			1,500	2,000	45%	40%
			2,000	2,500	50%	50%
			2,500	3,000	50%	60%
			3,000	4,000	60%	90%
			4,000	5,000	60%	110%
			5,000	6,000	60%	130%
			6,000	99,999	60%	150%
EV	-	9	NA	NA	25%	15%
	10	16			15%	10%
	16	24			10%	5%
	Others				10%	10%



*: Of automotive taxes, the ones imposed on companies are calculated by Deloitte, and others are based on the publicly-available data from AIRIA
Source: AIRIA, IHS Automotive, JAMA

Appendix Figure 6-4 Comparison of total tax revenue breakdown by tax item (2016)

6-4 Simulation results

We calculated tax revenue and trade balance based on the premises explained above.

The results show that in both the “development success scenario” and the “development failure scenario”, tax revenue would rise to about 50 billion USD, roughly 12 times higher than the current amount. On the other hand, in both scenarios the trade balance would be lower than it currently is. However, in the “development success scenario”, the negative trade balance would be half as large as in the “development failure scenario”.

Appendix Table 6-4 Results for simulation

		Market	Industry			Contribution to the country	
		Sales vol. (K Unit)	Production vol. (K Unit)	Localization (%)	Employment (K People)	Tax revenue (Bil USD)	Trade balance (Bil USD)
2015		159	102	23%	83	4.4	-1.5
2035	Scenario for successful dev.	**2,146**	**1,379**	**61%**	**836**	**50.6**	**-15.5**
	Scenario for unsuccessful dev.	**2,057**	**142**	**23%**	**472**	**50.0**	**-31.2**

6-5 (Reference) Details of trade balance

Trade balance estimation shows that in case of failed development scenario, despite the market expansion, finished car imports will increase due to insufficient automotive industry growth, resulting in a large trade deficit of USD 31.2B, while in case of successful development scenario, trade deficit can be reduced to USD 15.5B as domestic automotive industry growth allows increase in exports, domestic production and localization rate.

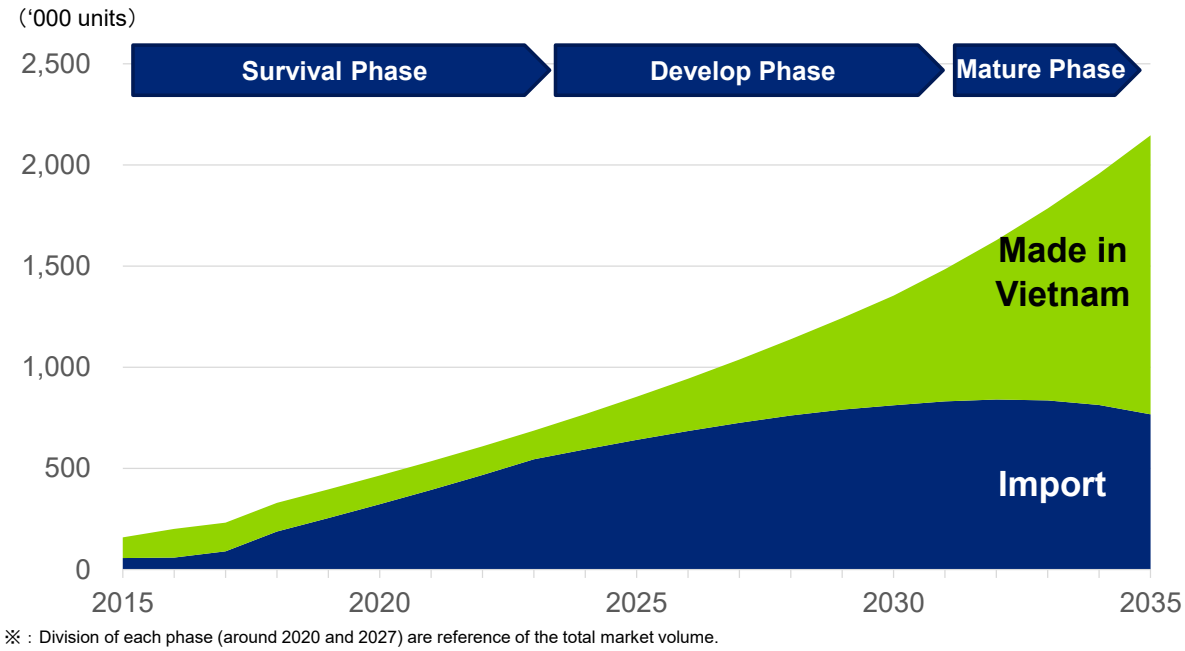
In the failed development scenario, as domestic automotive industry does not develop, rising car demand in Vietnam is covered mostly by imported cars and imported parts, which gradually increases trade deficit. In the successful development scenario, as a result of automotive industry development, the domestic car rate gradually increases (6-5 in the appendix), leading to decline in automotive trade deficit (6-6 in the appendix), which means that successful industry development can improve trade balance by as much as USD 14.7B.

Vietnam's overall trade balance in 2016 (including non-automotive industries) is USD 2.5B. Considering this scale of Vietnam's overall trade balance, it can be said that success or failure in the automotive industry development plays an important role with a potential of having a significant impact on the entire trade balance of the country.

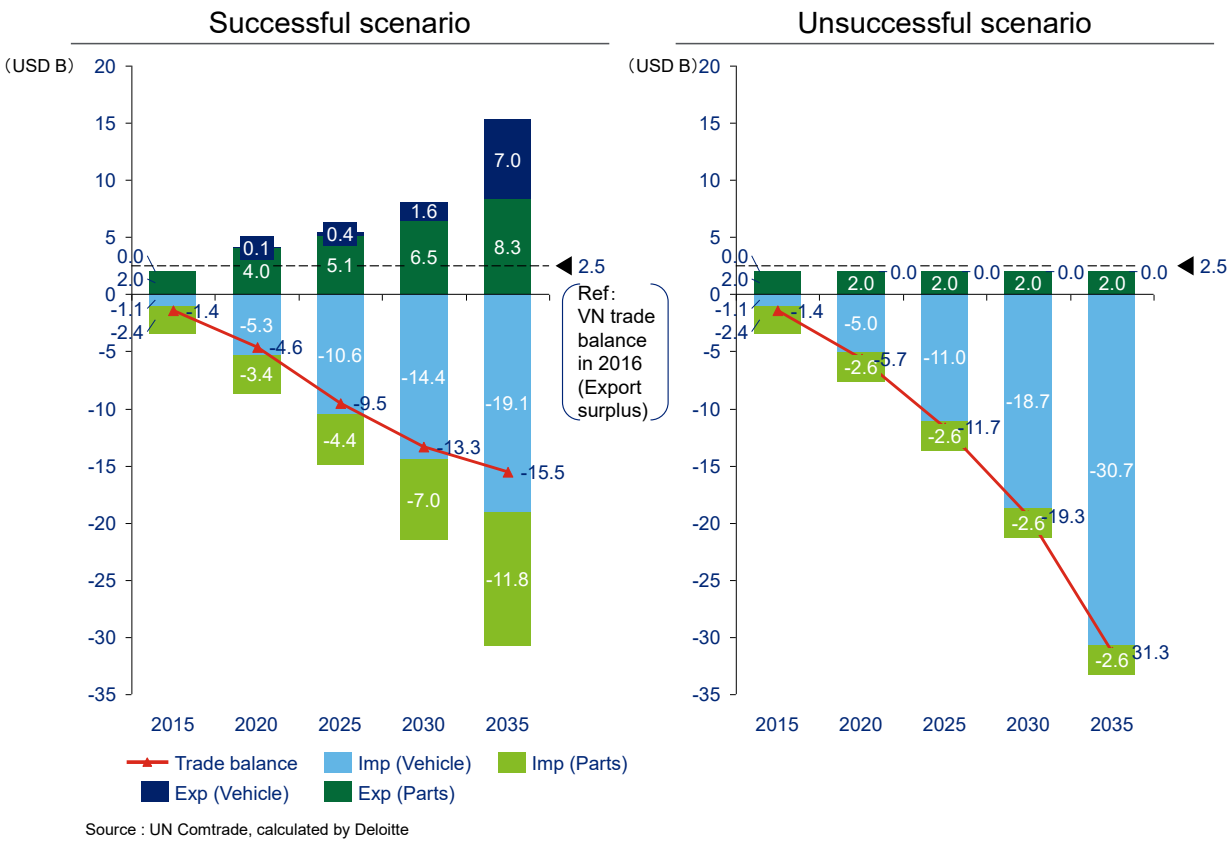
Based on the automotive industry development stage in Thailand and Indonesia, as the automotive industry development progresses, automotive trade balance is expected to shift to deficit due to increased imports to cover the market expansion in the Survival Period, see decline in the deficit due to increased domestic production in the Development Period, and shift to surplus due to exports in the Development Period. On the other hand, if domestic car rate does not increase, as with the Philippines, trade deficit is expected to keep rising (6-7 in the appendix).

In this simulation, transfer of foreign OEMs / suppliers' production bases to Vietnam reflecting policy implementation is not included in premises. Therefore, the calculation results are based on conservative hypothesis that the ratio of domestic cars (including cars for exports and domestic sales) and imported cars is about the same even in 2035, more than 5 years into the Maturity Period. If foreign OEMs and suppliers have

actively moved their production bases to Vietnam, improvement in the trade balance is expected to be larger than the calculation results in this study.

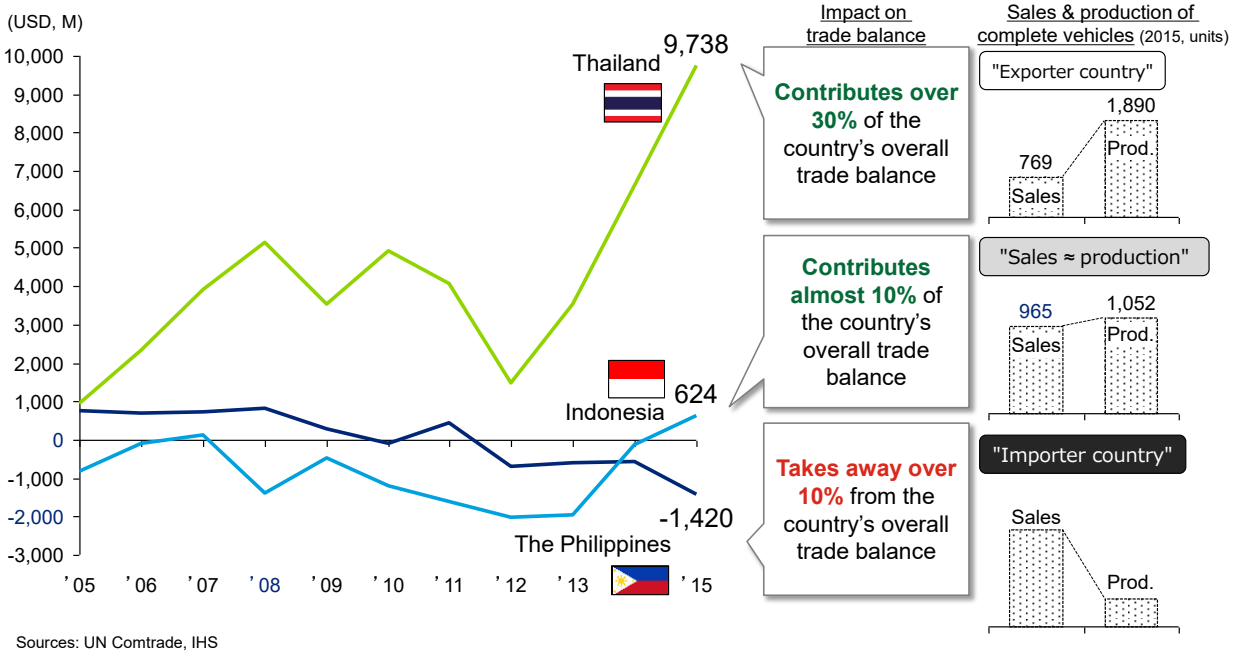


Appendix Figure 6-5 Trend of VN automobile industry



Source : UN Comtrade, calculated by Deloitte

Appendix Figure 6-6 Trend of trade balance



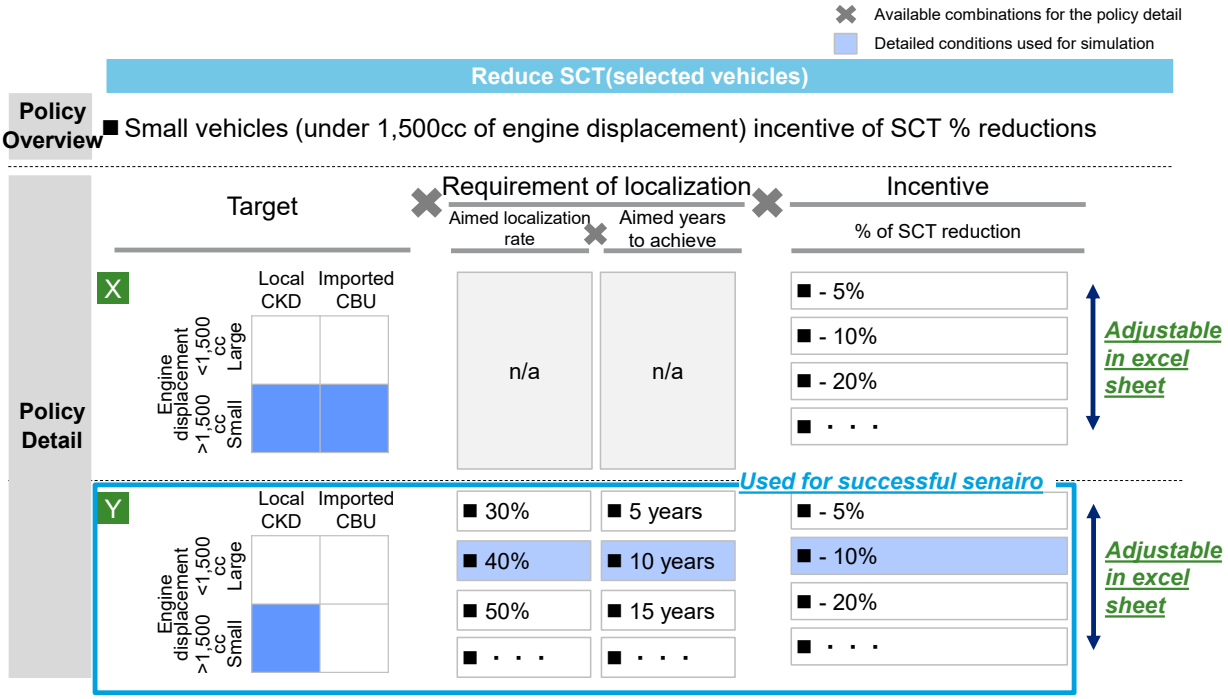
Sources: UN Comtrade, IHS

Appendix Figure 6-7 Trend of automobile vehicles and parts trade balance in other ASEAN countries

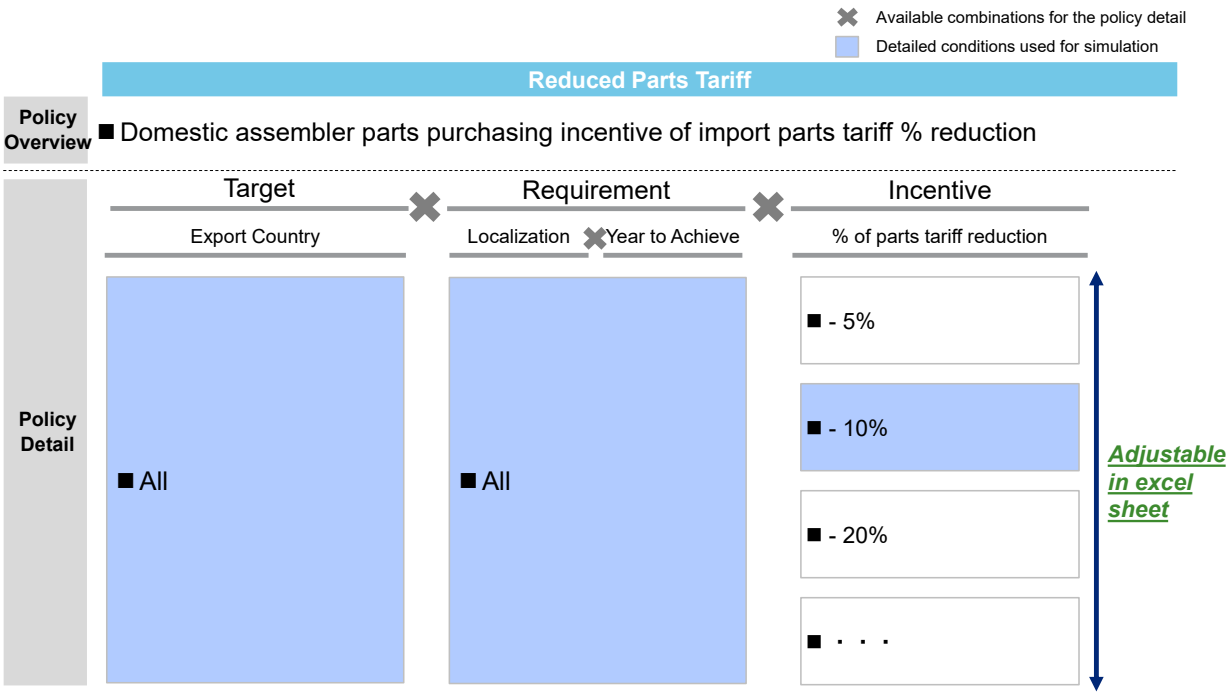
6-6 (Reference) Refining premises related to SCT reduction and tariffs on parts

Regarding measures for SCT reduction (specific to small cars) and tariffs on parts, we configured the simulation model used for the policy impact analysis in a way that allows us to change the premises in more detail.

More specifically, when including the SCT reduction measure in the calculations, we designed the simulation model to allow us to change the following three elements: targeted cars, local procurement goals (target local procurement rate and target number of years until the rate is reached), and the details of the incentives. We also designed the simulation model to allow us to change the tariff rate on parts (a reduction being one of the incentives) as a parameter of tariffs on parts.



Appendix Figure 6-8 Precognitions for SCT reduction (selected small vehicles)



Appendix Figure 6-9 Precognitions for parts tariff reduction

7. JICA/MOIT Final Seminar

Had a final seminar as below, aimed at reporting results of studies conducted for about 6 months and exchanging opinions, while building common recognition of the policy direction, facilitating understanding of approaches towards individual policies and reaching agreement over future steps, between Vietnamese and Japanese governments.

Event Outline

■ Seminar Name: JICA/MOIT Vietnam Automotive Industry Development Study Final Seminar

■ Date & Time: Thursday, June 22, 2017 14:00 – 16:30

■ Venue: Room 205, Building B, MOIT, 54 Hai Ba Trung, Hoan Kiem, Hanoi

■ Agenda:

1. Opening message (MOIT / JICA)
2. Reporting survey results (Deloitte)
3. Q & A on the studies (All)
4. Break
5. Comments from Ministries / Agencies (All)
6. Discussion (All)
7. Closing message (METI / MOIT)

■ Participants: See "Figure 7-1 Final Seminar participants list"

Appendix Table 7-1 Final seminar participants list

	Org	Dep	Title	Name
VN	MOIT	Heavy Industry Department	Deputy Director General	Mr. Pham Anh Tuan
			Official	Mr. Tran Duc Thang
			Official	Mr. Tran Van Long
		Institute for Industry Policy and Strategy (IPSI)	Head of Division	Ms. Thuy Nguyen
		Integration Policy and Strategy Division	Official	Mr. Pham Hai Phong
	MPI	Industry Economy Department	Vice Director General	Mr. Le Thuy Trung
			Official	Mr. Phung Manh Ha
		Central Institute for Economic Management (CIEM)	Vice President	Ms. Nguyen Thi Tue Anh
	MOST	Department of Science and Technology for Economic Technical Branches	Official	Mr. Nguyen Truong Giang
	MOT	Transport department	Official	Mr. Mai Van Hien
	OOG	Industry Department	Official	Mr. Do Manh Tuan
JP	METI	Manufacturing Industries Bureau Automobile Division	Director for Automotive Trade Policy	Mr. Satoshi Nishino
		Trade Policy Bureau Asia and Pacific Division	Director	Mr. Yasushi Iwata
			Assistant Director	Mr. Takuya Koide
	EoJ	-	First Secretary	Mr. Go Watanabe
	JICA	Vietnam Office	Senior Representative	Mr. Naoki Kakioka
			Senior Investment Promotion Advisor	Mr. Hiroaki Yashiro
			Senior Project Formulation Advisor	Mr. Takashi Matsushita
			Program Officer	Ms. Nguyen Thi Thanh Hai
	Deloitte	Consulting	Manager	Mr. Kengo Nishimura
			Manager	Mr. Ko Yoshida
			Consultant	Ms. Tran Nguyet Minh
			Consultant	Ms. Aya Osawa
interpreter		-	-	Mr. Chinh Nguyen

■ Summary of the seminar

Developed a common view of the policy direction among seminar participants; the focus should be placed on market expansion and development of industries in the survival period, while gained understanding of the study

results and draft measures among Vietnamese government officials. Additionally, MOIT and METI agreed on using the study results when considering in the working group to be established by both parties.

Summary of discussions in the Final Seminar is as follows.

(1) Policy direction

Developed a common understanding that the policy should focus on expanding automotive sales market and protecting / developing domestic industries to make it through the survival period and successfully shift to the development period.

- **Expansion of automotive sales market**

  Japan side remarked that, considering tariff elimination in 6 months, it is necessary to implement appropriate policies effectively with focus on the policies aimed at market expansion (SCT reduction, etc.) (Mr. Nishino, METI).

  Vietnamese government shared their understanding that their short-term policy goal is to expand the market size which is smaller compared to other countries (Mr. Trung, MPI).

- **Protection / development of domestic industries**

  Deloitte mentioned that, in order to develop the automotive industry, a top-down approach is desirable where the market expands first, allowing OEMs to increase production, followed by production increase of Tier 1 manufacturers and increase in procurement from Tier 2 manufacturers (Mr. Nishimura, Deloitte).

  Vietnamese government remarked that they want to consider how to develop the automotive industry by studying cases in Australia where automotive industry development has become difficult and the Philippines that has already experienced tariff elimination similar to Vietnam [Ms. Thuy, Industrial Policy and Strategy Institute (IPSI)]. They also said that they want to consider policies related to model selection to improve manufacturing cost competitiveness [Mr. Hien, Ministry of Transport of Vietnam (MOT)].

(2) Approach to individual measures

Exchanged opinions on individual measures to achieve the policy direction (including measures that are not in the scope of consideration in this study)

- **SCT reduction**

  Vietnamese government mentioned that understanding spillover effect to non-automotive industries will be additional support for measure implementation, noting that policy impact analysis in this study (cf. P60) does not include spillover effect to other industries [Ms. Tue Anh, Central Institute for Economic Management (CIEM)].

  Deloitte explained that the scope of analysis in this study is the impact on tax revenue and trade balance, and the impact on consumer behavior and spillover effect to other industries are not included (Mr. Nishimura, Deloitte).

- **Importing used machinery**

  Vietnamese government stated that, as a response to the study results, Ministry of Science and Technology of Vietnam (MOST) currently plans to divide industries into 5 industries and develop used machinery import standards for each of them, with intention of developing requirements taking into consideration the compatibility with individual industries (including automotive industry), as well as environmental / energy efficiency (Mr. Giang, MOST).

  Japan side stated that import requirements should be developed considering enterprises' needs as well, referring to JBAV's proposal to set no product age limit in case of internal use within a company (Mr. Nishimura, Deloitte).

- **Taking advantage of EPEs**

  Japan side expressed an opinion that EPEs are required to set up a warehouse and manufacturing line for domestic sales, and this additional investment stands in the way of EPEs' domestic sales activities, which should be improved through a measure, for example, of identifying domestic sales or overseas sales on a document (Mr. Nishimura, Deloitte). They also stated that as taking advantage of EPEs is an issue across industries such as electronic, machinery and apparel, consideration should be based on each industry's intention (Mr. Yashiro, JICA).

  Vietnamese government commented that they want to develop feasible policies in view of compatibility with existing system and domestic situation, and that they need to take a careful approach regarding collaboration due to concerns about escalating competition with non-EPEs (Mr. Anh Tuan, MOIT).

  Deloitte referred to the recent removal of upper limit on EPE's domestic sales ratio by the Vietnamese government, and commented that as this approach is suitable for the growing domestic demand, the government should maintain this policy direction, leading to increase in EPEs' domestic sales activities (Mr. Nishimura, Deloitte).

- **Vehicle specifications**

  Vietnamese government presented a request to consider vehicle quality improvement, especially improvement of environmental performance (emission performance) through case studies from other countries (Mr. Hien, MOT).

- **Development of transportation / infrastructure**

  Vietnamese government commented that it is necessary to conduct studies comprehensively on infrastructure development and public transportation as well, due to concerns over excess increase in vehicles [Mr. Tuan, Office of the Government (OOG)].

  In response, JICA stated that they have been contributing to improvement of public transportation a well, including support for subway construction in Hanoi (Mr. Kakioka, JICA).

- **Development of supporting industries**

  Vietnamese government expressed an opinion that supporting industrial cluster development, following Thailand's case, is important towards development of supporting industries (Ms. Tue Anh, CIEM).

(3) Future approach

Clarified the direction to take; establish a working group and promote industrial development based on the MOU concluded between MOIT and METI in June.

Japan side commented that they will continue to implement approaches towards automotive industry development utilizing this study (Mr. Nishino, METI). They also mentioned that the Vietnamese government's active participation in discussion is necessary for policy development and requested the government to take more initiative in the future in promoting policy development utilizing this study (JICA, Mr. Yashiro).

Vietnamese government stated that they want to pursue automotive industry development with continued cooperation from Japan (Mr. Anh Tuan, MOIT).

8. List of legislations in this report

#	Legislation Number	Name	Minister in charge	URL (Vietnamese or English)
1	Decision 10/2007/QD-TTg	Ban hành hệ thống ngành kinh tế của Việt Nam (Issuing the national economic branches of Vietnam)	Prime Minister	https://dangkykinhdoanh.gov.vn/LegalDocuments/LegalDocumentsDetail/tabid/106/language/en-GB/ArticleID/117/Decision-No-10-2007-Q%C4%90-TTg-dated-23-01-2007-issuing-the-system-of-economic-branches-of-Vietnam.aspx
2	Decision 601/QD-TTg	Về việc thành lập quỹ phát triển doanh nghiệp nhỏ và vừa (On establishing medium and small enterprise development fund)	Prime Minister	http://vbqppl.mpi.gov.vn/en-us/Pages/default.aspx?itemId=cf7e242a-b503-4d62-9972-944173c6104c&list=documentDetail
3	Decision 630/QD-TTg	Phê duyệt Chiến lượcc phát triển Dạy nghề thời kỳ 2011 -2020. (Approves strategy for vocational training development (2011 - 2020))	Prime Minister	http://www.ilo.org/dyn/natlex/docs/ELECTRONIC/91572/106259/F789896594/VNM91572%20Vnm.pdf
4	Decision 72/2013/ND-TTg	Quy định cơ chế, chính sách tài chính đối với khu kinh tế cửa khẩu (Providing for the financial mechanism and policies applicable to border-gate economic zones)	Prime Minister	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=171054http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=171054
5	1211/QĐ-TTg	Phê duyệt Quy hoạch phát triển ngành công nghiệp ô tô Việt Nam đến năm 2020, tầm nhìn đến năm 2030 (The master plan for Vietnam's automobile industry development to 2020 with a vision to 2030)	Prime Minister	http://datafile.chinhphu.vn/file-remote-v2/DownloadServlet?filePath=vbpq/2014/07/1211.signed.pdf
6	Decision 1829/2015/QD-TTg	Phê duyệt kế hoạch hành động phát triển ngành công nghiệp ô tô và phụ tùng ô tô thực hiện chiến lược công nghiệp hóa của việt nam trong khuôn khổ hợp tác việt nam - nhật bản hướng đến năm 2020, tầm nhìn 2030 (On ratification of Vietnam's industrialization strategy within the framework of Vietnam – Japan cooperation towards 2020 and an orientation towards 2030)	Prime Minister	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=2&mode=detail&document_id=181906
7	106/2016/QH13	Luật Sửa đổi, bổ sung một số điều của Luật Thuế giá trị gia tăng, Luật Thuế tiêu thụ đặc biệt và Luật Quản lý thuế (Amendments to some articles of the law on value-added tax, the law on special excise duty, and the law on tax administration)	National Assembly	http://datafile.chinhphu.vn/file-remote-v2/DownloadServlet?filePath=vbpq/2016/05/106.signed.pdf
8	Decision 229/2016/QD-TTg	Về cơ chế, chính sách thực hiện chiến lược và quy hoạch phát triển ngành công nghiệp ô tô Việt Nam (On the mechanism and policy for implementation of the strategy and plan for development of Vietnam automobile industry)	Prime Minister	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=2&_page=1&mode=detail&document_id=183425
9	Decision 68/2017/QD-TTg	Về việc phê duyệt Chương trình phát triển công nghiệp hỗ trợ từ n ăm 2016 đến năm 2025 (Approves sustained assistance to the industry over the next 10 years (2016-2025))	Prime Minister	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=2&mode=detail&document_id=188113
10	Law No. 71/2014/QH13	Luật sửa đổi, bổ sung một số điều của các luật về thuế (Amendments to tax laws)	National Assembly	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=178140
11	Decree 29/2008/ND-CP	Quy định về khu công nghiệp, khu chế xuất và khu kinh tế (Issuing regulations on industrial zones, export processing zones and economic zones)	GOV	http://www.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?mode=detail&document_id=60656 (http://vbqppl.mpi.gov.vn/en-us/Pages/default.aspx?itemId=97ff5cc9-b896-482d-80ee-3fc19f8a5841&list=documentDetail)
12	Decree 56/2009/ND-CP	Về trợ giúp phát triển doanh nghiệp nhỏ và vừa (On assistance for development of small- and medium-sized enterprises)	GOV	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=88612
13	Decree 164/2013/ND-CP	Sửa đổi, bổ sung một số điều của Nghị định số 29/2008/NĐ-CP ng ày 14 tháng 3 năm 2008 của Chính phủ quy định về khu công nghiệp, khu chế xuất và khu kinh tế (Amending and supplementing a number of articles of the government's decree no. 29/2008/nd-cp dated march 14, 2008, providing for industrial parks, export processing zones and economic zones)	GOV	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=170981
14	Decree 111/2015/ND-CP	Về phát triển công nghiệp hỗ trợ (On development of supporting industry)	GOV	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=182048

#	Legislation Number	Name	Minister in charge	URL (Vietnamese or English)
15	Decree 114/2015/ND-CP	Sửa đổi, bổ sung Điều 21 Nghị định số 29/2008/NĐ-CP ngày 14 th áng 3 năm 2008 của Chính phủ quy định về khu công nghiệp, khu chế xuất và khu kinh tế (Amending article 21 of decree no. 29/2008/nd-cp dated march 14, 2008 by the government on industrial parks, export processing zones, and economic zones)	GOV	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=182109
16	Circular 55/2015/TT-BCT	Quy định trình tự, thủ tục xác nhận ưu đãi và hậu kiểm ưu đãi đối với Dự án sản xuất sản phẩm công nghiệp hỗ trợ thuộc Danh mục sản phẩm công nghiệp hỗ trợ ưu tiên phát triển (Regulation on procedures for incentive certification and verification of projects for manufacturing of supporting products on the list of prioritized supporting products)	MOIT	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=183530
17	Circular 38/2015/ND-BTC	Quy định về thủ tục hải quan; kiểm tra, giám sát hải quan; thuế xuất khẩu, thuế nhập khẩu và quản lý thuế đối với hàng hóa xuất khẩu, nhập khẩu (On customs procedures, customs supervision and inspection, export tax, import tax, and tax administration applied to exported and imported goods)	MOF	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=179540 (https://www.customs.gov.vn/Lists/EnglishDocuments/ViewDetails.aspx?ID=1202)
18	Circular 13/2015/TT-BKHDT	Danh mục lĩnh vực hỗ trợ và tiêu chí lựa chọn đối tượng ưu tiên hỗ trợ của Quỹ Phát triển doanh nghiệp nhỏ và vừa (List of prioritized sectors and criteria for prioritized enterprises of SMEDF)	MPI	http://phattriendnnvv.mpi.gov.vn/Pages/tinbai.aspx?idTin=44
19	Decree 118/2015/ND-CP	Quy định chi tiết và hướng dẫn thi hành một số điều của Luật Đầu tư (Detailing and guiding the implementation of a number of articles of the Investment Law)	MPI	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=182195 (http://vbqppl.mpi.gov.vn/en-us/Pages/default.aspx?properties=0dc2669f-f8e7-460f-9b41-fada3ddedb25&list=documentProperties)
20	Circular 23/2015/TT-BKHCN	Quy định việc nhập khẩu máy móc, thiết bị, dây chuyền công nghệ đã qua sử dụng (Import of used machinery, equipment and technological lines)	MOST	http://vanban.chinhphu.vn/portal/page/portal/chinhphu/hethongvanban?class_id=1&_page=1&mode=detail&document_id=182553
21	Circular 20/2014/TT-BKHCN	Quy định việc nhập khẩu máy móc, thiết bị, dây chuyền sản xuất đ ã qua sử dụng (Regulations on the importation of used machinery, equipment and production line)	MOST	n/a
22	Announcement 2527/2012/TB-BKHCN	Dừng nhập khẩu máy móc, thiết bị, dây chuyền sản xuất đã qua sử dụng (On suspension of the import of used machinery, equipment, and technology lines)	MOST	n/a
23	SMEDF Official Correspondence 30/QDNNVV-NVUT (2017)	Về việc triển khai các chương trình hỗ trợ tài chính năm 2017 của Quỹ Phát triển DNNVV (On development of financial assistance programs in 2017 of SMEDF)	SMEDF	n/a