



WWJMRD 2019; 5(7): 11-15
www.wwjmr.com
International Journal
Peer Reviewed Journal
Refereed Journal
Indexed Journal
Impact Factor MJIF: 4.25
E-ISSN: 2454-6615

Cong Tri Tran
Ho Chi Minh City University
of Transport, Ho Chi Minh
city, Vietnam

Le Hung Duong
Ho Chi Minh City University
of Transport, Ho Chi Minh
city, Vietnam

Vietnamese automobile industry: Current situation and the orientation in the near future

Cong Tri Tran, Le Hung Duong

Abstract

2018 is considered a very important milestone of the Vietnamese automobile industry when the import tax of complete cars in the region is 0%. Concerns about the shortness of domestic assembly products when competing with imported CBU vehicles imported duty-free into Vietnam are warned from before. However, together with supporting policies of the Government and the efforts of enterprises when continuously investing in and improving competitiveness, domestic products have partly stabilized at the same time the manufacturing and assembly industry. Cars have also changed and reached spectacular. After nearly 20 years of construction, Vietnam initially had an automobile "assembly" industry. We have established a supporting industry that provides a number of parts for the production and assembly of automobile in the country. The automobile industry in Vietnam has also assembled a number of major automobile corporations in the world such as Ford, Mercedes, Toyota and also "formed" 18 FDI enterprises and 38 companies in the country engaged in production with capacity of about 460.000 vehicles a year, including a full range of cars, trucks, vehicles. Some extent, it also meets enough and timely domestic demand for cars in accordance with the objectives set only in terms of quantity.

Keywords: automobile industry, FDI enterprises, domestic demand

1. Introduction

In the last months of the year, when the market is entering a peak sales period after months of uncertainty, the frantic launch of the first Vietnamese automobile brand named VinFast becomes the focal point to attract attention concern of society. Because, the fate of the Vietnamese automobile manufacturing industry is being strengthened to reach the goal as expected, which has not been achieved for many years. However, despite the glistening aura, the road ahead for this industry still contains many challenges. Developing later than other countries in the region for up to 30 years, Vietnam's automobile manufacturing industry faces many difficulties and challenges on the way of development. Through many efforts to implement development strategies, the pioneering names in construction work are VMC (Hoa Binh Automobile Company), which cooperates in assembling and distributing vehicles for brands such as BMW, Mazda and Kia. Together with Mekong assemble Fiat, Ssangyong cars. However, after the landing of names such as Toyota, Honda, Daihatsu, Ford and Mercedes, domestic enterprises were weak, despite the clear and resolute support strategies such as taxation. Importing of completely built-up vehicles facilitates the development of supporting industries and inputs. The milestone of joining ASEAN (1995) is a time to show the failures of the Vietnamese automobile manufacturing industry more clearly, when the domestic component manufacturing industry is still not enough to replace imported products. Meanwhile, producers gradually withdraw from Vietnam because the preferential tax policy for imported cars in Southeast Asia is signed.

2018 is the year that marked the dramatic transformation of Vietnam's automobile manufacturing industry. In the context of the domestic market's risk of flooding with imported cars, because the import tax rate is only 0%, the appearance of Decree No. 116/2017 / ND-CP was issued on October 17 2017 is considered as a last-minute kick to bring many advantages for domestic production and assembly cars, when there are new barriers for imported cars. The auto industry has also contributed significant revenue to

Correspondence:
Cong Tri Tran
Ho Chi Minh City University
of Transport, Ho Chi Minh
city, Vietnam

the state budget, averaging over \$ 1 billion a year - taxes alone and has also managed to generate employment of some 80,000 jobs. In addition, it should be noted over time, the industry has also accumulated a lot of experience in the assembly of cars and parts production ... This would probably be " importance "for building and developing the automobile manufacturing and manufacturing industry in the direction and planning in the future. However, the fact that the auto industry develops according to well-planned plans does not have to be done overnight. We are still struggling in planning, orientation and development. The automotive industry has also confirmed the localization rate early, but the industry has not yet met the criteria. The localization rate is still lower than the target of 40% in 2005 and 60% in 2010 for common vehicles such as trucks, passenger cars and cars. One thing worth noting from the efforts of Truong Hai Auto Joint Stock Company (Thaco) when overcome with difficulties and determination to have a product branded Made in Vietnam has just reached the average localization rate from 15 to 18% for cars and about 33% for light trucks. Actual support industry for the automotive industry has been formed, but weak. The goal of the master plan is to set the domestic production rate for motors and gearboxes at 50-90% by 2010, however, so far it has not produced yet, although the number of enterprises involved in supporting industry this is about 210 enterprises. But these companies are mainly small and medium and only produce a few types of simple components, low-tech components such as mirrors, glass, seats, wires, batteries, plastic products. ..., some companies invest in body line, tires. In addition, we have not yet created the cooperation, association and specialization among enterprises in the production and assembly of cars and parts production. And it has not formed a system of suppliers of materials and large-scale components. The viewpoint of rapid development of the automobile industry has been set out at a high level with a number of important objectives, such as localization rates and consumer markets, which are likely to remain subjective and expected. However, we still do not know all the difficulties in the development of transport infrastructure, complexity and abnormality of the Vietnamese automobile market. In addition, even management agencies and enterprises are not aware of the importance of supportive industries. Therefore, the legal and policy framework for the development of the industry in general and for the industry the automobile industry in particular is slow. Although we have some policy incentives, the implementation of restrictive policies, especially credit, is difficult and difficult to access. That is why businesses are mainly interested in car assembly, this is eating ideas. In addition, it is necessary to recognize that the domestic automobile market is in fact too small, the volume of locally produced and assembled vehicles is only between 100 and 120 thousand units per year with hundreds of models, As a result, it is unattractive to invest or call for investment in the production of spare parts and components for automobile assembly. Even the export of spare parts to countries in the region, the investment companies in Vietnam also have less competitive advantage because the country cannot produce most types of raw materials. In addition, as the country later in the region after the countries such as Thailand, Indonesia, Malaysia, large car corporations when investing in the project in Vietnam has a

network of spare parts supply. Therefore, Vietnamese enterprises are difficult to participate in their global supply chain of spare parts.

According to the managers, the transport infrastructure in Vietnam is still weak, not stimulating demand for the automotive industry. Meanwhile, the mechanism of tax policy, charges are not stable, spread, not really constitute an effective tool to stimulate the development of this industry. According to the managers, the transport infrastructure in Vietnam is still weak, not stimulating demand for the automotive industry. Meanwhile, the mechanism of tax policy, charges are not stable, spread, not really constitute an effective tool to stimulate the development of this industry. Thus, the tax policy, high fees for the automobile industry in recent years has pushed the prices of cars up to limit the purchasing power and protection for manufacturing enterprises. In this regard, according to experts, if considered as the cause leading to the restriction of purchasing power, large protection for domestic production enterprises need to analyze carefully to be able to answer the question. When Vietnam joins the World Trade Organization (WTO), we have made a commitment not to discriminate between domestic and imported goods. Therefore, the protection of domestic producers is not good can exist. Special consumption tax (SCT) is only historical and will have to adjust, as at this time the transport infrastructure is still poor, people's living standards are not high. Particularly for domestically-made automobiles, they shall not be greatly affected by import tax but shall still be liable to SST according to the number of seats and cylinder capacity in accordance with the provisions of the Law on Special Sales Tax. The value added tax (VAT) we should not mention much because most consumer products in Vietnam are subject to the VAT rate of 10%. The imposition of tax aims to encourage enterprises to increase the localization ratio, at the same time develop the automobile industry, export oriented ... Therefore, businesses should try to save production costs, business accounting market price. Vietnamese consumers are still "expecting" after 2018 will be buying cheap cars because the import tax on cars in complete units will reduce to 0%. However, some opinions also suggest that at that time, most of the domestic automobile assembly and assembly companies would turn to importers.

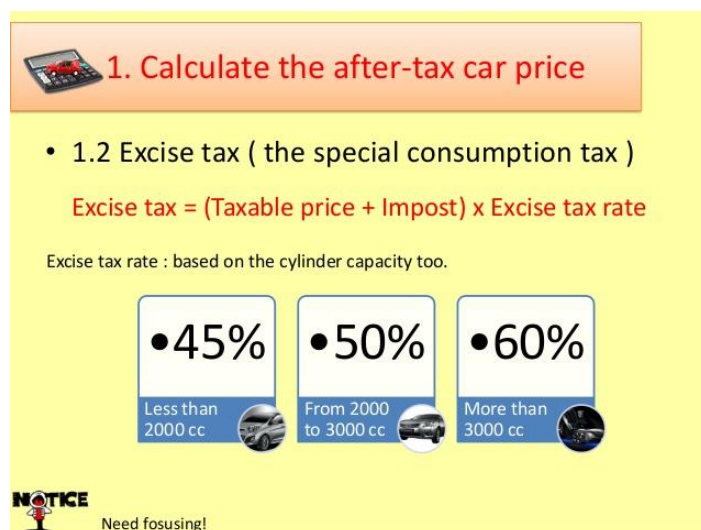


Fig. 1: Tax for car import in Vietnam

Assessing the opportunities for the automobile industry continues to grow, according to regulators, if not quickly until 2018 when the import tariffs under the ASEAN agreement, domestic manufacturers can hardly keep up with the market. If you want to develop the automotive industry, there must be a "breakthrough" policy. The government is determined and drastic to develop the auto industry. The view and objectives, fundamentally different from the past, we aim to produce parts, assembly and production of complete cars with localization ratio more than 50%. In the integration trend, Vietnam has long-term strategic solutions for the automotive industry, considering this sector an important driving force to promote the industrialization and modernization process, should be encouraged to promote develop with stable, consistent and long-term policies. At the same time, Vietnam will become a country with a developed automobile industry, ensuring consumers' rights and environmental safety, in line with Vietnam's national commitments in the integration process. Thereby, the Vietnamese automobile industry has had

active and wide participation of enterprises of all economic sectors, including a number of domestic companies such as Truong Hai Automobile Joint Stock Company, Hyundai Thanh Cong Joint Stock Company, Vingroup; major automobile corporations in the world such as Toyota, Ford, Honda, Mitsubishi Thanks to that, the total capacity of automobile production and assembly in Vietnam so far reaches about 600,000 vehicles / year, including most of categories of cars, trucks and passenger cars; some types of vehicles such as load trucks up to 7 tons have a localization rate of 55%; passenger cars of 24 seats or more localization rate from 45% to 55% basically meeting the target set by 2020. Some products have been exported to Laos, Cambodia, Myanmar and China. US ... Especially, with the participation of many businesses in this field, businesses contribute to the state budget billions of dollars / year and create jobs for hundreds of thousands of direct workers, creating premise Important for the construction and development of automobile assembly and manufacturing industry.

Vietnam Automotive Statistics Domestic Sales 2008-2016

Source: AutoBook Research

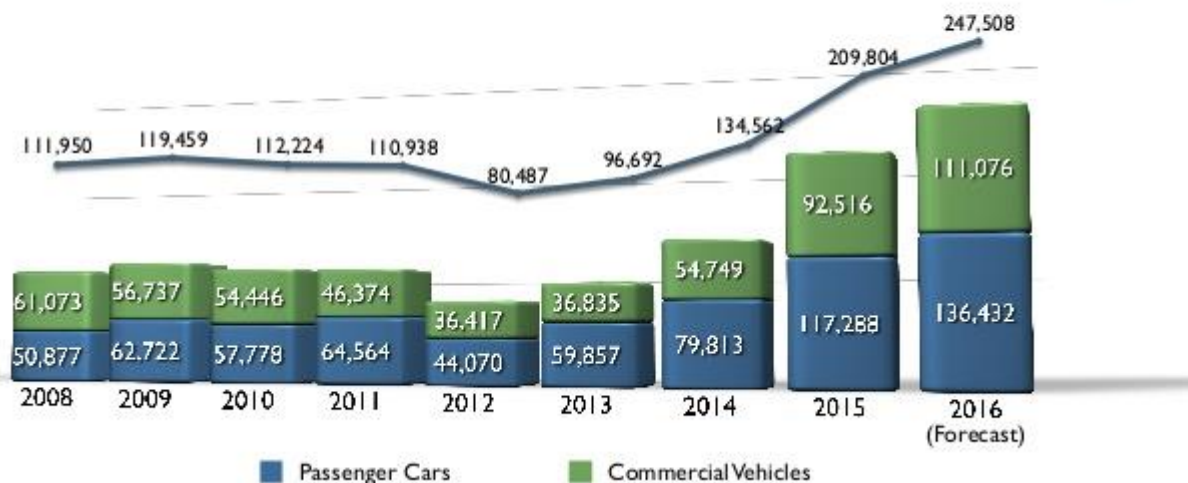


Fig. 2: Flowchart of import car in Vietnam

2. Current situation

According to the World Automobile Manufacturers Organization (OICA), in 2015 Vietnam will ship 50,000 cars of all kinds, an extremely small number compared to the "giants" in the manufacturing industry. Cars like the US, Japan, Germany, South Korea ... Even without having to compare far, right neighboring Southeast Asia, our car output is far behind. The leading region was still Thailand with 1.91 million vehicles, Indonesia 1.1 million vehicles, Malaysia 615,000 vehicles. Thus, Vietnam's output is only approximately 1/40 compared to Thailand, less than 1/20 with Indonesia and 1/10 against Malaysia.

Firstly, the timing of our start up in the automobile assembly and assembly industry has been rather slow for just over 20 years, at which time regional countries have grown relatively steadily. Thailand then gradually became the world's automobile manufacturing plant. Another country in the region, Malaysia, has grown to its own proton car brand.

An important cause for the car manufacturing and assembly industry in our country is slow development because the car market is too small. Production scale is not attractive enough for supporting industry. Manufacturers of parts and accessories are both inadequate and weak, leading to localization rates of only 10 to 30 per cent (Thailand at 70-80 per cent). These reasons together with the tariffs and charges to protect domestic production led to the price of cars in Vietnam belong to the highest, second and third in the world, 2-3 times higher than the average price. Vases of other countries. In particular, the inconsistency of policy has always made it difficult for foreign investors. It has been over 20 years developing the automobile assembly and assembly industry, a period not long but not too short. It is worth mentioning that we have not yet expressed clear views and policies.

If the priority is to develop, then it is necessary to have supportive policies to increase the scale, output and expand the market. On the other hand, people want to buy more cars, there must be incentive policies, how to sell products

suitable for low income of the Vietnamese. The price increase for reasons of fear of traffic jam is appropriate? Traffic jam, traffic jam is only happening in two major cities of Hanoi and Ho Chi Minh City, 62/64 remaining roads remain open, no traffic jam. So, forcing the people of the country to pay high taxes on the grounds of whether reasonable. After more than 20 years of development of the automobile industry, what we see most clearly is that people are using the product with low quality and high price compared to other countries. Another question is whether we must necessarily develop in the automotive industry? If that is not the strength of Vietnam? If we are determined to develop, then we must have a specific goal until we really have the car industry developed like other countries in the region? When do our people get the "sweet" from the automobile industry with high quality products at reasonable prices?

- Estimated proportion of domestic and assembled vehicles compared to the total domestic demand (%): 18% of special-use vehicles, 78% of trucks, 92% of automobiles with 10 seats or more (by 2025). In 2030, this ratio is 20%, 80% and 92% respectively.

- Domestic production of cars of less than 9 seats, from 10 seats or more, trucks, special vehicles is 237,900 units, 29,102 units, 197,017 units and 2,356 units (by 2020).

- In the period from now to 2020, basically form a supporting industry for automobile production. Striving to meet 30-40% (in terms of value) of the demand for components and spare parts for the production and assembly of domestic cars, to manufacture some important details in transmission parts, gearboxes. Engines (especially for passenger cars and light trucks), step by step participating in the system of supplying components and spare parts in the global value chain of the world automobile industry.

- In the period of 2026 - 2030, the industry supports development in terms of production scale and product types, ensuring the supply of more than 50% (in value) of the demand for components and spare parts for assembly production. Car assembly in the country become an important supplier of a number of components and spare parts for the regional and world automobile industry.

3. Development viewpoint and solution

The domestic automobile industry currently has 56 enterprises involved in manufacturing and assembling, including 38 domestic enterprises (Truong Hai, TMT, Vinaxuki ...) and 18 foreign enterprises (with floating brands). Such as Ford, Mercedes, Toyota, GM ...). The annual production output of the whole industry is about 460,000 products, mainly of cars, trucks and coaches, with an average car output of 200,000 units a year. The application is 215,000 products per year. However, Vietnam's automobile industry is still limited. According to the International Organization for Automobile Manufacturers (OICA), in 2015, 38 domestic automobile manufacturers in Vietnam shipped a total of only 50,000 cars (10.87% of total the volume of cars produced domestically), this number reached about 0.055% of the total car output worldwide. As a result, up to 410,000 vehicles were manufactured and assembled by foreign firms (accounting for 89.13% of the total volume of cars produced), indicating that Vietnam's automobile industry is in short supply, autonomy and dependence on the outside.

Meanwhile, in 2015, countries such as China, United States, Japan, Germany, South Korea produced 24.5 million units respectively; 12 million; 9.2 million; 6 million units and 4.5 million units (26.99%, 13.33%, 10.22%, 6.65% and 5.02% of world car production respectively respectively). If only in the ASEAN region, Vietnam is ranked fifth in car output after Thailand, Indonesia, Malaysia, Philippines, especially compared with Thailand, the car production is only 1/40. According to experts, the cause of the slowdown of the industry is the lack of supporting industries, the lack of synchronized development of transport infrastructure as well as relevant policies of the Government of Vietnam.

Besides, experts also warned that, with Vietnam joining the ASEAN Economic Community (AEC) as well as signing many Free Trade Agreements (FTAs) with other countries, besides it will also cause many obstacles to the already difficult industry, especially when tariffs on cars in the ASEAN region are reduced to 0% by 2018. In particular, many experts point out that Vietnam's automobile industry is at a "fork" as importers of complete cars are competing fiercely with domestic car manufacturers and assemblers. Under the liberalization of the economy. Domestic car assembly companies are concerned about the enforcement of ATIGA's clause on complete abolition of import duties on complete units.

By then, a series of vehicles from Indonesia, the Philippines or Thailand will soon appear in Vietnam at a much cheaper price. This poses more difficulties for Vietnam on the problem of realizing the localization rate according to the target.

Thus, in the short term, Vietnam's automobile industry is less likely to be affected by the AEC, but in the long term this is a problem for policy makers as well as implementation of commitments. Of Vietnam to maintain and develop this key industry. Following Decision No.1168/QĐ-TTg approving the Development Strategy for the Vietnamese Automobile Industry to 2025, with a vision to 2035, on July 24, 2014, the Prime Minister continued to sign Decision No. 1211 / QĐ-TTg approving the development planning of Vietnam's automobile industry to 2020 with a vision to 2030 (planning). The general objective of the Master Plan is to develop Vietnam's automobile industry to become an important industry of the country, meeting the domestic market demand for all kinds of trucks, passenger cars and a number of specialized vehicles; strive to become a supplier of components, components and some high value components in the world's automotive industry, contributing to economic growth and promoting the development of other industries.

Some solutions and policies

- The import tax rate shall apply at the ceiling level of the tariff commitments which Vietnam has entered into with regard to the types of spare parts and components which should be encouraged to invest in production and assorted spare parts and components manufactured in the country. Applicants are required for quality and quantity.
- Encourage domestic firms to participate in the global supply chain in the manufacture and export of components, spare parts and complete vehicles: enjoy preferential regimes of the National Trade Promotion Program, current treatment under the Key Mechanical Program.

- Enterprises producing automobile components and spare parts are entitled to incentives under the scheme of "Support for development of small and medium enterprises in supporting industries" of the Government.
- Projects on production of automobile components and spare parts shall be entitled to borrow the State's development investment credit capital with the lowest interest rates in each period.
- Consistent implementation of the policy system IJRERD has been and will be issued for a minimum of 10 years, in line with the trend of integration to create trust for investors, manufacturers, attracting activities invest to achieve the goal of developing the automobile industry.
- High environmental charges for motor vehicles above 3.0 liters.
- Light trucks with a capacity of up to 3 tons and multi-functional small agricultural vehicles on the list of machines and equipment supported under the Government's policy on support policies to reduce losses in agriculture).
- In integrating with the AEC, in order to take advantage of opportunities and limit the challenges, many economists point to the development of the automotive industry to focus on developing supporting industries. Products involved in the global value chain, reducing the number of enterprises in the assembly process, towards a balanced production structure, favoring enterprises to support. Accordingly, the development of the automotive supporting industry should be based on a number of criteria, such as: To align with the development strategy of the automobile industry in association with enterprises and groups manufacturing key products; associated with long-term comparative advantage; Linking to the market, ensuring economies of scale and at the same time have domestic manufacturing and assembly facilities capable of expanding export markets.
- At the same time, it is necessary to improve the competitiveness of enterprises in the sector (both manufacturing and supporting enterprises), focusing on promoting the private sector, small and medium enterprises; at the same time, there are policies to encourage direct investment abroad through economic restructuring.
- In addition, there is a need for a clear sectoral development policy in the long term for sustainable development of the domestic assembled automobile market as well as the importing car market.
- In addition, it is necessary to adjust the flow of capital to attract FDI in the direction of selective attraction, preferential to quality rather than quantity, and to attract the economic, social and environmental conditions to take advantage of FDI benefits. Bring back like modern technology. Strengthen the transfer of technology cooperation with partners in the region to overcome the weakest parts of the automobile industry, improve product quality.
- In particular, it is necessary to gradually improve the synchronism and quality of technical infrastructure traffic. Traffic systems such as roads, bridges and sewers should be built and repaired in time to meet people's travel needs, as well as address other options to stimulate demand for cars.

4. Conclusion

The first solution is still on tax policy. The Ministry of Industry and Trade proposed to have a consistent, clear tax policy and roadmap for businesses to develop investment base. Adopt high import tariffs that are appropriate and stable until 2018 to support the production of cars. The import tax rate of 0% shall apply to materials, raw materials and semi-finished products which cannot be produced at home. The tax-protection policy has been supported by the Government for the automobile industry in the country for a long time, but the result has been nearly zero in less than 5 years (down in the area to 0%). More importantly, the Ministry of Industry and Trade (MOIT) seems to have forgotten that with the integration roadmap, tax support will not be available, and the roadmap has been made public very clear. Promoting cooperation to mobilize resources, apply modern technology to production is very necessary and the Government supports the self-reliance of enterprises. Besides, attention should be paid to expanding markets, especially, to export. In production, it is necessary to pay attention to environmental protection.

References

1. <http://business.gov.vn/tabid/98/catid/384/item/13485/Quy-ho%E1%BA%A1ch-phan-tri%E1%BB%83n-cong-nghi%E1%BB%87p-o-to-%C4%91%E1%BA%BFn-%C4%83m-2020-t%E1%BA%A7m-nhin-2030.aspx>
2. <http://soha.vn/o-to-thai-indonesia-sap-tran-vao-thue-0-o-to-viet-nam-se-ra-sao-20161118232818419.htm>
3. <https://vnexpress.net/tin-tuc/oto-xe-may/dien-dan/vi-sao-nen-cong-nghiep-oto-viet-nam-kem-phat-trien-3440028.html>
4. <http://thoibaotaichinhvietnam.vn/pages/kinh-doanh/2017-05-16/giai-phap-nao-de-nganh-cong-nghiep-o-to-phat-trien-dot-pha-43363.aspx>
5. http://chinhphu.vn/portal/page/portal/chinhphu/noidungchienluocphat trienkinhtexahoi?_piref135_16002_135_15999_15999.strutsAction=ViewDetailAction.do&_piref135_16002_135_15999_15999.docid=2995&_piref135_16002_135_15999_15999.substract=
6. http://www.hids.hochiminhcity.gov.vn/web/guest/nang-luong-cong-nghiep-khai-khoang?p_p_id=EXT_ARTICLEVIEW&p_p_lifecycle=0&p_p_state=normal&p_p_col_id=center-top&p_p_col_count=1&_EXT_ARTICLEVIEW_struts_action=%2Fext%2Farticleview%2Fview&_EXT_ARTICLEVIEW_groupId=13025&_EXT_ARTICLEVIEW_articleId=48815&_EXT_ARTICLEVIEW_version=1.0&_EXT_ARTICLEVIEW_i=8&_EXT_ARTICLEVIEW_curValue=1&_EXT_ARTICLEVIEW_redirect=%2Fweb%2Fguest%2FnangIJRERD-luong-cong-nghiep-khai-khoang
7. <http://www.hathanhauto.com/tin-tuc/thuc-trang-nganh-cong-nghiep-o-to-viet-nam-hien-nay>
8. <http://business.gov.vn/tabid/60/catid/10/item/14095/k%E1%BA%BF-ho%E1%BA%A1ch-phan-tri%E1%BB%83n-nganh-cong-nghi%E1%BB%87p-o-to-va-ph%E1%BB%A5-tung-o-to.aspx>