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Vietnamese automotive industry - Current situation and development solutions

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Abstract

Understand the current situation of the Vietnamese automotive industry and its formation and development process; analyze existing difficulties as well as opportunities and challenges for building and developing the industry in the coming time. It helps the internal and external people understand more deeply the importance of this industry, so that each person has a better view of the present and future of the industry to encourage contributions of each individual, organization for the development of this extremely important industry in the process of industrialization and modernization of the home country.

Keywords: automotive industry, situation, solution

Introduction

The automotive industry has not only played an important role in boosting the national economy by meeting the transportation needs, contributing to the development of production and business trade but also as a The economy is profitable by producing high value products. Early recognition of the importance of this industry, developed countries such as the United States, Japan, Britain, France, Germany, Korea, have very focused on developing their own automotive industry in The process of industrialization serves not only domestic demand but also exports to other markets. In the face of the fact that Vietnam annually pays hundreds of billions of dong to import cars, while rice exports of 70 percent of the working population in agriculture only earn millions, Vietnam has tried to build a car industry of its own with the goal of producing alternative imports and stepping up exports. The Government of Vietnam has always affirmed the key role of the automobile industry in the cause of economic development and always creates favorable conditions by introducing preferential policies to encourage enterprises inside and outside. The country invests in automobiles and parts. But after 12 years of building and developing the industry, Vietnam's automobile industry seems to be still at the starting point. This fact has forced the government to ask the relevant Ministry agencies and industry to work out a specific strategy for the development of the sector. By this time they were aware of the urgency and urgency need to build and develop a real automotive industry of Vietnam. The subjects of this paper are issues related to Vietnam's automobile industry in recent years such as the formation and development process, current situation as well as development orientation of the industry in the coming time. Government. The writer focuses on studying the State's policies for the development and development of the industry and analyzes the difficulties and shortcomings of this industry, thus boldly introducing solutions to promote the development of the industry. Development of this industry. To further clarify the topic of the topic, the scope of research extends to automotive industry research in developed countries such as the US, Japan and other regional countries such as Thailand, Malaysia and some other countries. It aims to provide the reader with a more comprehensive view of the Vietnamese automobile industry and to draw on the valuable experience of building and developing the country's important automobile industry. In order to get a glittering automotive industry like today, the industry has gone through an embryonic period where the first major platforms were the inventors of engines. In 1887, German scientist Nicolai Oto built the first four-cylinder engine and successfully assembled

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the first automobile in the world. It can be said that the automobile was born the indispensable crystallization of a period of flourishing inventions in the first scientific and technological revolution of mankind. As early as the 13th century, the British scientist-philosopher Roger Bacon predicted, "Then humans can make cars that can move with incredible speed, but Of course not using the animals to pull. Since the birth of the car, the car has won the attention of many scientists, great scholars. They work day and night to continually improve it in both quality and form: from rudimentary, bulky, and ugly original cars to ever-more lighter and more luxurious vehicles. Soon after the car became popular, with the advantages of excellence in high speed, maneuverability, effortlessness and innumerable other utilities, cars have become a useful medium, indispensable. of industrialized countries and is an important economic product in all countries of the world. Thus, according to the history of the automotive industry, the first year of the 20th century-1901, worldwide there were 621 motorbike production plants, of which 112 in the United Kingdom, 11 in Italy, 35 in Germany, 167 in France, 215 in the US and 11 other countries. However, the milestone that marked the official launch of the automobile industry was in 1910 when Henry Ford, the founder of the well-known Ford Motor Company, began organizing mass production of automobiles. on a large scale. Looking back on the history of the formation, and development of automobiles, and the world's automobile industry. It is entirely possible to agree with the idea that the 20th century was the century of automobiles. The development of the automotive industry in the world can be divided into three phases:

Prior before 1945: The world's auto industry was predominantly concentrated in the United States, with very low car production in Western Europe and Japan.

The period 1945-1960: The car production of Japan and Western Europe increased sharply but small compared with the United States.

The period from 1960 back to the present day: The Japanese motorcycle industry has risen sharply and occupies the first place in this huge industry. Japan has become the number one competitor in the US and Western Europe in the automotive industry. Japan's auto industry is very competitive, producing just one new car, Japan only needs 17 hours while the United States needs 25 hours and Western Europe needs 37 hours. To produce a new model Japan only needs 43 months while the US needs 62 months and Western Europe needs 63 months. Besides, it is the competitiveness of the parts parts details. The average number of defects per vehicle in Japan is 0.24 compared with 0.33 for the United States and 0.62 for Western Europe. However, this competitiveness has recently declined. Since 1960, the world's automobile production has been steadily stabilizing around 50-52 million vehicles per year, focusing on three major industrial centers, the US, Japan and Western Europe. The world market for automobiles is about \$ 780 billion a year. The six major automobile manufacturers in 1999 produced 82.5% of the world's total cars, of which the United States had three corporations, Japan, Germany and France each.

In Europe, representing the automotive industry are the famous German brands such as BMW, Mercedes Benz; France such as Renault, Peugeot, Citroen; Italy as Fiat, Iveco. Renault car company - Volvo had sales in 1992 was 244 million FF.

In the United States, there are three major automakers - GM, Ford, Chrysler, and Japanese joint ventures such as Navistar, US Honda, International, Diamond, and Numi.

Japan is well-known for the big brands such as Nissan, Toyota, Honda, and Mitsubishi. These companies have expanded into world markets and have been doing American and Western European car manufacturers right now at home of these firms.

Along with the development of international trade and the trend of globalization, a number of countries and regions such as China and ASEAN have made significant achievements in economic growth also joined the automobile industry. World. At present, China produces about 1.2 million vehicles annually, and ASEAN countries contribute nearly one million vehicles annually. According to a review by the World Automobile Manufacturers Association, General Motors is recognized as the world's largest automaker, taking second place; 3rd place belongs to Toyota.

In addition, it is also possible to view the development history of the automotive industry in a different way. The industry has gone through two major periods: the mass production period and the manufacturing period according to the needs of the customer. At the mass production stage, Americans are at the forefront of pioneering Henry Ford, who opened the door to mass-produced automobiles. But by the time of production, the Americans were forced to yield to the Japanese. That is why Japanese automakers make US automakers headache in the US market.

In short, in the process of economic development, every country in the region soon recognizes the importance of the automotive industry and strives to build the industry as soon as possible. But it is not that the world's automotive industry is fragmented, but the giants themselves operate as transnational chains that play a decisive role in shaping. And develop the automobile industry in particular and the automotive world in general. So the world's automotive industry is shaping up, growing and developing in tandem with the advent of, merging, merging and constantly growing the giant automobile corporations operating across the country, continent.

Vietnamese automotive market

The data has just been shared at a traffic safety seminar recently held in Hanoi showed that the demand for buying and using cars in Vietnam is increasing. In big cities, car growth rates have surpassed the growth rate of motorcycles. According to statistics, Vietnam currently has 49 million motorcycles and about 3.2 million registered cars. Based on the number of vehicles owned, for every 1,000 a person owns 22 cars and for motorcycles are 516 cars. Although the car ownership rate in Vietnam is not high, the demand for car is increasing significantly. One figure is that in Vietnam, the growth rate of motorcycles is 7.3% and the automobile is 6.5%. In large cities, however, the growth rate of cars is much larger than that of motorcycles. Specifically, in urban areas, cars grow at 15% per year and motorcycles have a 10% increase per year (data are representative of National Traffic Safety Committee). Even so, the auto market will probably experience a more dismal year as sales plummet. According to a report from VAMA, the sales of the companies in this association market are about 177,038 vehicles, down 6% over the same period last year. In total,

the number of passenger cars sold was 107,000 units, down 4%.

Many analysts estimate that the car market this year may decline compared to last year and not reach the number of 300,000 vehicles as expected by manufacturers. The reason is largely due to many psychological users waiting until 2018 to be able to buy cars at cheaper prices when the car import tax in the ASEAN region reduced to 0%.

According to JATO data, statistics page and data analysis from 52 world markets are based in the United Kingdom, the car industry consumption in 2016 reached 84.24 million vehicles, up 5.6% over 2015. JATO's statistics focus on cars, pickups, and light commercial vehicles. Vietnam, with a sales volume of 228,478 vehicles, ranked 34th in terms of market size, achieved a growth rate of 27.1%. While the VAMA data is 304,472 vehicles, an increase of 24% over 2015. In 2016, car sales in Russia, Japan, and South Vietnam also decreased. America. But the opposite is true

for markets like China, the US and Europe.

In China, the government's policy of limiting car purchases has slowed down sales in early 2016. But by the second quarter, the shopping demand of the rest of the country revived, boosting the growth of the two. figure and maintain until the end of the year. While the US market grew modestly at 0.4%. Volkswagen, a direct competitor to Toyota, has one year of successful business beyond expectations. Despite fraudulent gas fraud scandal with billions of dollars, especially in the United States, sales of German automakers unexpectedly surpassed the Japanese automaker to take the No. 1 spot in the world. Toyota continues to maintain its position as the the most popular global with many top selling car models. The presence of Japanese brands is shrinking in the United States and China, but that is offset by increased purchasing power in potential markets such as Indonesia and Mexico. Toyota's sales increase 2.7% in 2016.

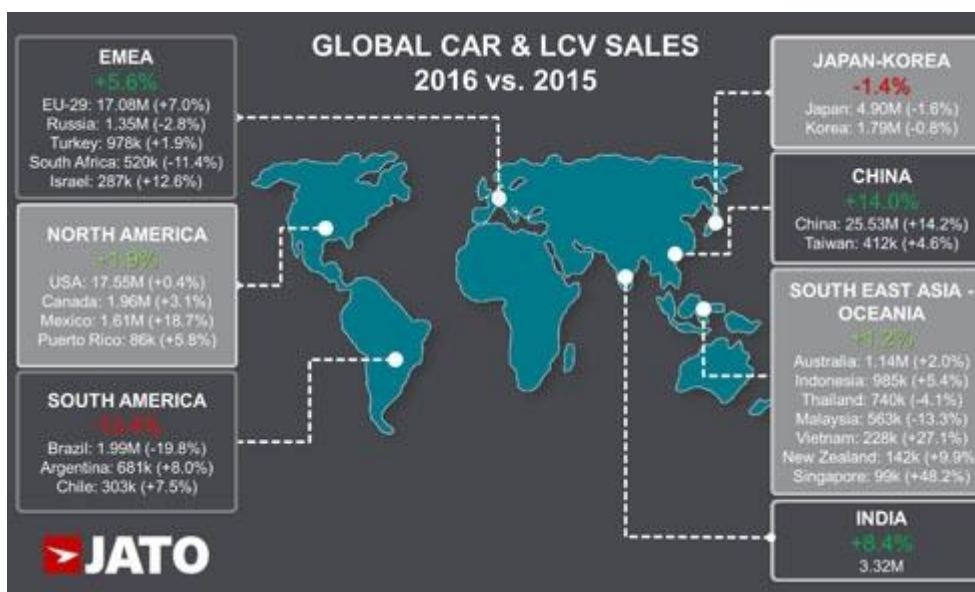


Fig.1: The growth of Vietnamse automotive market

Vietnam and the Philippines are expected to be the two fastest growing auto markets in Southeast Asia between 2017 and 2021. The Philippines car production will increase by 300% at 359,000 vehicles and Vietnam will double to 112,000 units by 2021. Vehicle sales in the Philippines and Vietnam will grow at an average annual rate of 15%. BMI Research argues that Southeast Asia is the region where the world's auto makers are heading. The young population and the demand for auto shopping for life will have an impact on growth over the next five years. For the two countries of Vietnam and the Philippines, the economic growth rate is growing strongly; stable, among the group of countries with the fastest growth in the world, the trend of changing the use of motorcycles to the car will be very high. In spite of the strong growth, BMI Research has confirmed that the Vietnamese and Philippine automobile markets are unlikely to surpass Southeast Asia's top two markets - Thailand and Indonesia. Car sales in six major markets in Southeast Asia reached 268,428 units in July, up 15% from the same period in 2016. The region's auto sales in the first four months of the year grew at double-digit, with all markets (except Vietnam) increased. The strongest growth is Indonesia, the most populous

Muslim nation in the world. Sales in Southeast Asia's largest car market grew 38% year-on-year to 85,131 units, up nearly 20,000 units from June. In Malaysia, new car sales rose 14% to 48,553 units. piece Meanwhile, in Thailand, the second largest car market in the region, sales increased 7% to 65,178 units. Thailand is one of the largest Buddhist countries in the world, so the Muslim holy month of Ramadan has had a small impact on the market and sales have steadily increased since the beginning of the year. The Philippines, the region's most vibrant auto market, rose 22 percent, marking the biggest step in four months. The exception is the Vietnamese market, with sales plunging 27%, as consumers are anxiously awaiting the 2018 milestone, the time when import tax on auto parts from regional countries, such as Thailand and Indonesia, will be 0%, dragging down car prices by about 20%. In the first seven months of 2017, new car sales in Southeast Asia increased 6% to 1,894,312 units, on track to reach a total of 3.4 million units in 2017. more than 3.2 million new cars were sold in the region.



Fig.2: The car kind self in Vietnam

The car market has been stuck for months. A report by the Vietnam Automobile Manufacturers Association (VAMA) shows that the total car sales of the car market from the beginning of this year decreased compared to the same period last year. Specifically, until the end of September 2017, VAMA members sold 184,843 vehicles, down 8% over the same period in 2016. In particular, car travel decreased 7%; commercial vehicles decreased by 7% and specialized vehicles decreased by 18%. If at the beginning of 2017, VAMA optimistic forecast growth in the automotive market in Vietnam will reach 2 digits, so far, the market picture is quite gloomy with the storm off, but consumption umbrella I still do not grow. For example, Toyota has many incentive programs such as donation fee for car buyers, a one-year premium package worth 11 million VND, lucky draw, donation package 3 years, but this company still does not hold the No. 1 position in market share. Remarkably, if every year, the car market will heat up, the opposite year, business activity is still down. VAMA said September car sales plunged with 21,216 vehicles sold, down 4% from the previous month and down 20% from the same period last year.

Most of the companies had sales decline in September. In particular, sales of Thaco reached 5,640 units, accounting for 29.3% of total sales of VAMA, down 44% over the same period in 2016. This is also the 7th consecutive month Thaco has the car sales decline and also has the lowest market share since the beginning of the year. Also in September, Toyota sold 4,109 units, representing 21.3% of total sales of VAMA, down 20%; Ford reached 2,271 units, representing 11.8%, down 14%; GM Vietnam 718 units, down 9%; Mercedes-Benz Vietnam reached 622 units, down 11% over the same period in 2016. The market recorded only Honda has grown with 2,073 cars sold, 2 times higher than the same period last year and increased more than 1,000 compared with August 2017 thanks to increased CR-V sales (up more than 1,300 vehicles). The automakers are not out of the race to boost sales. Specifically, Audi Vietnam launches stimulus programs worth half the registration fee for new Audi A4, A6 or Q7 2.0 car buyers, payment and delivery in October. This promotion is equivalent to 5 - 6% of the car value depending on the registration fee of each province and city. Meanwhile, Mercedes-Benz Vietnam (MBV) announced its incentive program, including a 50 million dong registration

fee and a genuine financial package (or three free maintenance passes).

Currently, car manufacturers and dealers have just over two months of effort to drive market growth, but overcoming 300,000 vehicles by 2016 is unlikely. Even businesses estimate that the total market turnover this year is only over 200,000 cars, because the Vietnamese are waiting until 2018, the car import tax in the ASEAN region to 0%, the consumption tax Particularly, it will be reduced to 35% for vehicles with a cylinder capacity of 1.5L or less; reduced to 40% with 1.5L to 2.0L. Forecasts to 2018, car sales can grow suddenly, as domestic consumers have more opportunities to access cheap cars.

Conclusion

Currently, many models assembled in the country are being reduced by businesses selling tens of million VND. Meanwhile, many consumers are shaking away the psychological wait when the new policy can cause the price of cars in 2018 will be difficult to reduce as expected. Specifically, with Decree 116 promulgated by the government in mid-October, 2017 and coming into effect on 2018, regulations on conditions of production, assembly, import and automobile business are creating Barriers to imported cars. According to expert analysis, despite meeting the conditions for import tax of 0%, but with the new regulations on testing, emission testing and safety quality according to Decree 116, car prices Imports from ASEAN into Vietnam from 2018 can hardly be reduced to compete with locally assembled vehicles.

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