Significance of the Supporting Industry Action Plan for Vietnam

1. To ensure that policies are actually and effectively implemented
2. To overcome the Middle Income Trap

Kenichi Ohno (VDF & GRIPS)
March 2009

Policy Structure for Industrial Development

<table>
<thead>
<tr>
<th>Description</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Vision                               | - Slogan
- Short and Vague                                                          |
|                                      | - Vision 2020 (Malaysia)
- Detroit of Asia (Thailand)
- Industrialization & Modernization (VN) |
| Strategy                             | - Document specifying goals, roadmaps, policy measures
- Scope & detail depend on each case                                           |
|                                      | - Industrial Master Plan (Malaysia)
- Automotive Master Plan Main Text (Thailand)
- Supporting Industry Master Plan (VN)
- Industrial Cluster Plan (Japan)                                              |
| Action plan                          | - Document, action matrix, formal or informal mechanism, or ongoing process |
|                                      | - Automotive Master Plan Action Tables (Thailand)
- Triangle of Hope Project (Zambia)
- PASDEP action plans (Ethiopia)                                                |
| Review & Adjustment                  | - Numerical monitoring, document report, organizational review, or no formal review |
|                                      | - Interim & final review by joint committee (ToH Zambia)
- Industry specific committees & institutes (Thailand)                          |
Thai Automotive Master Plan 2002-2006

The vision was given by Prime Minister Thaksin:
“To become the Detroit of Asia”

Numerical targets for 2006 were set by private firms:
– Produce 1 million cars per year
– Export 40% of cars produced
– Produce 2 million motorcycles per year
– Export 20% of motorcycles produced
– Export 200 billion bahts of high quality parts
– Achieve localization of 60%

These were achieved one year in advance, in 2005.

Sample Format of Thai Automotive Master Plan

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 Automotive Human Resource Development</td>
<td>3. Automotive training center project</td>
<td>Standardized automotive training center</td>
<td>1. Number of trained persons</td>
<td>Thai Auto. Institute (TAI)</td>
<td>OIB/TAIA/TAPMA/FTI</td>
</tr>
<tr>
<td>3.1 Provide Systematic training to the industry from workers to management level</td>
<td>3.2 Skill training</td>
<td>2. Number of companies sending employees for training</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3.3 Provide training to engineers in the field of advanced engineering and specialized technology</td>
<td></td>
<td>3. Increased income of trained persons</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>4. Cost reduction and profitability</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Zambia: Monitoring of the “Triangle of Hope” Project

Recommendation: To create Multi-Facility Economic Zones (MFEZ)

<table>
<thead>
<tr>
<th>Activities</th>
<th>Status</th>
<th>Expected output</th>
<th>Status</th>
<th>Activity Period</th>
<th>Responsibility</th>
<th>Monitoring Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Identify suitable areas to develop MFEZ</td>
<td>Completed</td>
<td>Suitable land to develop MFEZ</td>
<td>Ongoing</td>
<td>MCTI</td>
<td>Quarterly reports</td>
<td></td>
</tr>
<tr>
<td>ii) Prepare land use plans</td>
<td>Little progress</td>
<td>Suitable land to develop MFEZ</td>
<td>Ongoing</td>
<td>Cabinet Office</td>
<td>Report</td>
<td></td>
</tr>
<tr>
<td>Lusaka South MFEZ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chambishi MFEZ</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>iii) Develop regulations and administrative arrangements for MFEZ</td>
<td>Completed</td>
<td>Trade &amp; production MFEZ rules &amp; regulations</td>
<td>Oct.2006</td>
<td>MLGH</td>
<td>Quarterly reports</td>
<td></td>
</tr>
<tr>
<td>iv) Sensitisation of stakeholders on MFEZ</td>
<td>Little progress</td>
<td>Stakeholders awareness of MFEZ</td>
<td>Ongoing</td>
<td>MLGH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v) Develop master plan for Lusaka MFEZ</td>
<td>Not started</td>
<td>Master Plan ready</td>
<td>Sep.2007</td>
<td>ZDA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Vietnam-Japan Joint Initiative

**Phase 1**, 2003-2005 (44 items, 85% achieved)
**Phase 2**, 2006-2007 (46 items, 93% achieved)
**Phase 3**, 2008-2010 (37 items, ongoing)

Reasons for success:
- Excellent bilateral relation between Vietnam & Japan
- High level political involvement
- Public Private Partnership
- Commitments with a deadline on Action Plan and monitoring
- Support by ODA for implementing Action Plan
- Openness and transparency of the result

Source: Mr. Kyoshiro Ichikawa, Senior Investment Advisor & JICA expert, Hanoi, Dec. 2007.
**Catching Up Process**

**STAGE ONE**
Simple manufacturing under foreign guidance
- Vietnam
- Thailand, Malaysia
- Korea, Taiwan

**STAGE TWO**
Have supporting industries, but still under foreign guidance
- Thailand, Malaysia

**STAGE THREE**
Technology & management mastered, can produce high quality goods
- Japan, US, EU

**STAGE FOUR**
Full capability in innovation and product design as global leader
Glass ceiling for ASEAN countries (Middle income trap)

**Different Speed of Catching Up**

*Per capita real income relative to US*
(Measured by the 1990 international Geary-Khamis dollars)

- **Japan**
- **Taiwan**
- **S. Korea**
- **Malaysia**
- **Thailand**
- **Indonesia**
- **Philippines**
- **Vietnam**

Malaysia’s Cluster-based Industrial Development and Manufacturing++

Malaysia’s Industrial Master Plan 2 (1996-2005) aimed at raising and broadening the value chain positioning.

**Leveling up of each industrial cluster**
- Core production
- Supporting industries
- Supporting services
- Human resources
- Logistics
- R&D