

## INDUSTRY VIETNAM 2005-2014: STATUS, ISSUES AND DEVELOPMENT ORIENTATION

*Although with a low starting point, Vietnam's industry has achieved positive results with the average growth rate of over 10% per year, a positive contribution to the economic- social development in Vietnam. However, from 2010 to now, the average growth rate of industrial output value has declined. In fact, growth of industry that bases on outsourcing ( outputs of manufacturing based on mainly inputs from foreign markets) has lasted for many years. This has clearly revealed the inefficiency and lack of sustainability of the domestic industry. Vietnam's industry is currently characterized by the industries belong to first generation, including industrial products that using more labor, unskilled labor and the products of industry that base on outsourcing). The imbalance in industrial structure of Vietnam is one of the problems noted in the recent years. This is reflected in the lack of supporting industries to manufacture capital goods and industries have high scientific content. In addition, development of industries still have spread over country, lack of key industries to make tower cranes for the development of whole industry. Therefore, in order to become a developed industrial country with over 80 million inhabitants, Vietnam's industry require to have an accelerated development strategy and reasonable implement policy.*

*JEL: L00; L52; O14; O25*

### 1. Industrial situation of Vietnam in period 2005-2014

#### *a. Growth of industrial sector in the economy*

Industry is one of the important criteria to assess the level of development of a country. Development of industry plays a large role in the process of industrialization and modernization of Vietnam. After 30 years of innovation in the direction of industrialization and modernization, the Vietnam's industry has had positive results, with an average growth rate of over 10% per year and contributed positively to the socio-economic development of Vietnam. Notably, during the period from 2000 to 2005, Vietnam's economy has changed the economic structure strongly and economic growth is relatively stable. The trend of industrial process is accelerated and the economy modernized. However, from 2005 to now, the growth rate of the whole economy declines, if the economic growth rate (by GDP) of

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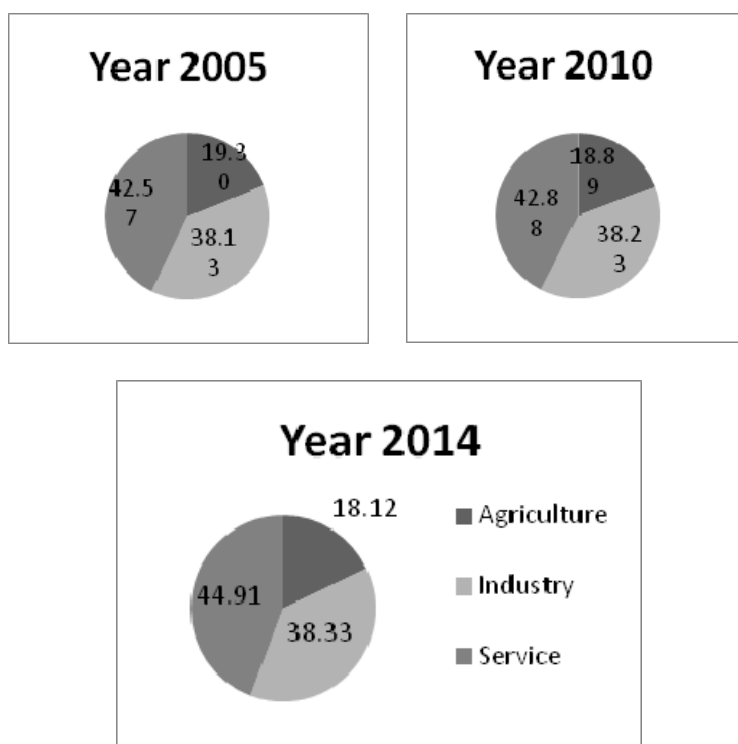
<sup>1</sup> Nguyen Thi To Quyen, Ph.D., from Department of Economic Structure, Vietnam Institute of Economics.

the whole country in 2005 was 8.43%, it was only 5.98% in 2014, in which, the growth of the agriculture-forestry-fishery was 4.04% (2005) and 3.49% (2014), the industry and construction was 10.65% (2005) and 7.14% (2014); service area is 8.48% (2005) and 5.96% (2014).

We can see, overall the industry (including construction) recently has achieved some positive results. The growth of gross domestic products (GDP) is most evident by the construction-industry sector remained the high rate of GDP growth in comparison with GDP growth rate of the whole economy (2010 was 7.17% in comparison with 6.78%; 2014 was 7.14% in comparison with 5.98%). Besides, the economic structural change towards industrialization-modernization now was tending to level off in the past 10 years. This is reflected in the proportion of industrial sector in the economy has been hovering around 38%, and the share of agriculture in the economy decreased slightly. In the year of 2005, the industrial proportion in the economy was 38.13%; 2008 was 37.39%; 2013 was 38.31%; 2014: 38.33% (table 1). This partly demonstrates Vietnam's industry is in a difficult period to be able to continue to grow.

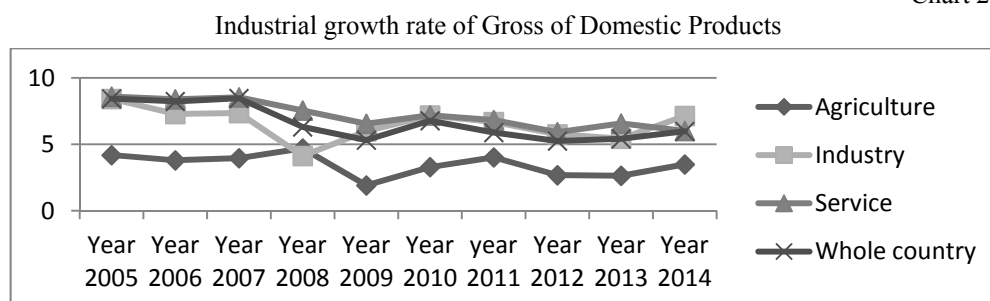
Chart 1

Industrial structure in the economy



Source: Calculated from Data of the Statistical Yearbook of Vietnam 2013 and 2014.

Chart 2



Source: Calculated from Data of the Statistical Yearbook of Vietnam 2013 and 2014.

In the years of 2008, 2009 and 2010, Vietnam's industrial production was greatly influenced by the financial crisis and global economic downturn, so export markets for industrial goods shrunk considerably and this has affected the consequence of industrial production. Gross output of industry in 2009 increased by the lowest (only 8.5%) from 2005 to present. In addition, the increase in prices of most types of imported raw materials in manufacturing such as steel fabrication, basic chemicals, cotton, yarn and textile accessories.... has reduced the added value of industrial products. Although Vietnam had difficulties and challenges, but industrial production maintained high growth rate with an annual growth rate of two digits (the annual average growth rate was 16.1% from the year 2005 to 2008 and 2010 was 10, 5%). However, from the year 2010 to now, the annual average growth rate of industrial output gross has been being only in the single digits (Table 3).

Gross output value of industry has tended to increase, but in essence, the proportion of industrial added value tends to decline, domestic technological capability is low, linkages and cooperation in clusters and sectors are limited, and participation in global value chains is only in stages on taking advantage of labor costs and natural resources. According to reporting of the Ministry of Industry and Trade, noticeable issues are the added value of the industrial sector remained in low level. Column of profit rate per capital in table 1 shows that, the efficiency of production and business of the industry has tended to decrease since year 2007 until now.

Table1

Production efficiency of Vietnam industrial sector 2007-2014

	Profit margin /capital (%)				Profit margin/turnover (%)			
	2007	2010	2011	2012	2007	2010	2011	2012
Industry	9.60	5.90	4.30	3.57	8.65	6.07	17.71	16.05

Source: Calculated from Data of the Statistical Yearbook of Vietnam.

*b. Development of industrial production and industrial production structure of Vietnam*

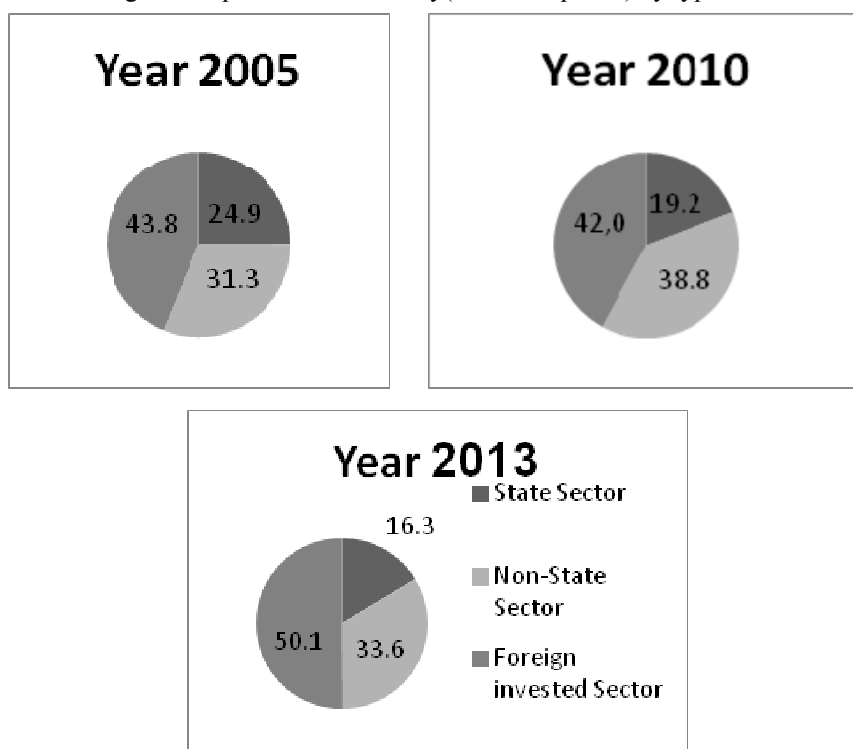
- Vietnam industry by types of ownership

In 10 years from 2005 to 2014, gross output of industry generally is assessed relatively high and tends to increase (988,540.0 billion in 2005 and gross output of industry raised to 5,469,110.3 billion by 2013). However, the growth rate tends to decrease: period 2005-2009, the growth rate of gross industrial output per year (at constant prices) increased by 14.6%, but to period 2010- 2013, the average gross output of industry has only raised to 9.4% per year (see Table 2).

Vietnam industry has shifted towards reducing the proportion of the State sector, increasing the proportion of non-state and foreign invested sector. Gross output of industry of the foreign invested sector accounted for the largest share: 50.1% of the year 2013 in comparison to 16.3% in the State sector and 33.6% in the Non-state sector at the same time (chart 3). At each type of ownership, gross output of industry of State sector in 2013 increased by 3.6 times in comparison to 2005, the non-state sector in 2013 increased 5.9 times in comparison to 2005 and the foreign invested sector in 2013 increased 6.3 times in comparison to 2005.

Chart 3

Structure of gross output value of industry (at current prices) by types of ownership



Source: Calculated from Data of the Statistical Yearbook of Vietnam in 2008 to 2014.

Capital which dominates the industrial development of States sector for many years has shown signs of decline in proportion, so the industrial production in the state sector affected. Besides, although the industry of non-state sector in the period from 2005-2010 had difficulties of capital, market and technology, but an average growth rate of gross output of industry remained 17.5% from 2005 to 2010. However, from 2010 onwards, the non-state sector of industry has diminished, from 9.6% in 2010 to 7.8% in 2013 (Table 2). Although the scale and capital are limited, but can be seen, in the period from 2005 to 2010, non-state sector is one of the important subjects to contribute to the changing industrial structure by ownership types.

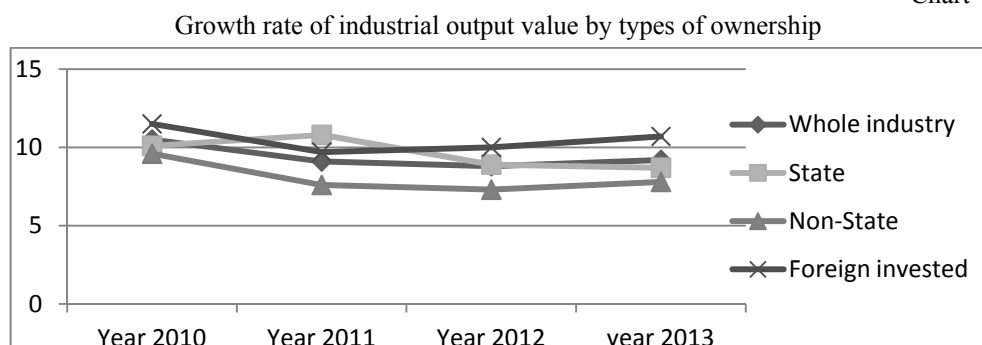
With the policy of opening up to foreign investors, especially promulgating of the Enterprise Law 2005-law applicable to both the domestic and foreign invested enterprises (Enterprise Law number 60/2005-QH11 now had no valid from the date of 30.06.2015 and they were replaced by the latest 2014 Enterprise Law No. 68/2014/QH13). At that time, this Law really was a breakthrough for foreign investors to help them to choose the kind of business to act under the patronage of this Law. It is important that the Enterprise Law does not discriminate between domestic and foreign invested enterprises, they are equality in Law, equality in access to land, financial resources and employees as well as enjoying the same investment incentives. Therefore, over time many FDI companies interested to invest in some industries in Vietnam, especially the manufacturing industry. Since then, the gross output of industry of FDI in the whole industry is increasing and accounts for a high proportion: from 43.8% in 2005 to 50.1% in 2013 (Chart 3).

Table 2  
Growth rate of industrial output value (at constant 2010 prices) by types of ownership (%)

	2009	2010	2011	2012	2013
Whole industry	8.5	10.5	9.1	8.8	9.2
State sector		10.1	10.8	8.9	8.7
• Central		11.6	12.5	10.2	9.8
• Local		0.2	-0.2	-0.16	-0.19
Non-state sector		9.6	7.6	7.3	7.8
Foreign invested sector		11.5	9.7	10.0	10.7

Source: Calculated from Data of the Statistical Yearbook of Vietnam in 2010 and 2013.

Chart 4

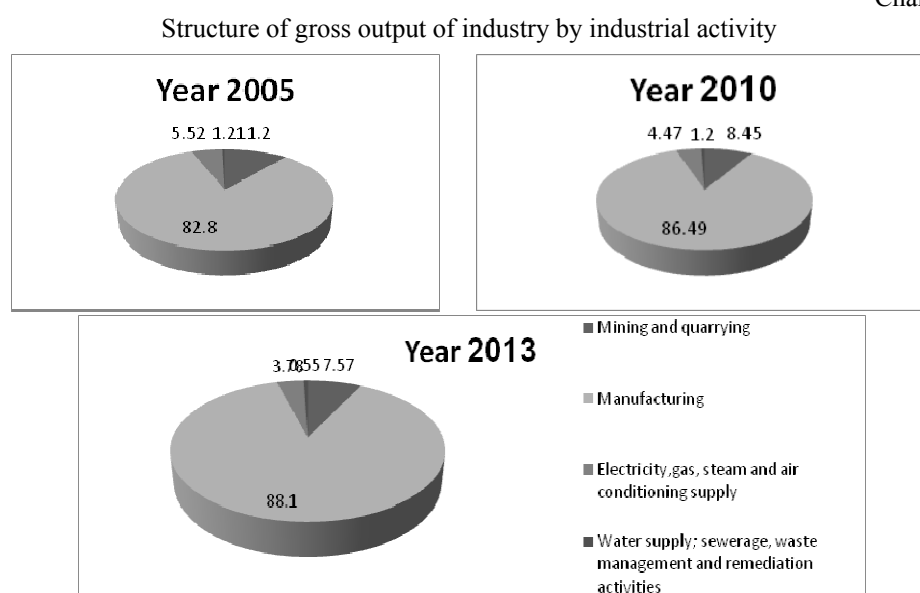


Source: Calculated from Data of the Statistical Yearbook of Vietnam in 2010 and 2014.

- Vietnam industry by industrial activity

Industry of Vietnam is quite diverse and consists of four main groups: Mining and quarrying industry with 3 main branches and one is belong to mining support service activities; manufacturing industry with approximately 24-26 branches; Industry of electricity, gas, steam and air conditioning supply; and 4 main branches in the environment industry (water supply, sewerage, waste management and remediation activities,...). Because of this diversity but typical is diversity of the manufacturing industrial activity, so the degree of concentration and specialization of whole industry in general and of manufacturing activity in particular is relatively low, because all of industrial activities want development, so this leads to unfocused investment in industry of Vietnam.

Chart 5



Source: Calculated from Data of the Statistical Yearbook of Vietnam in 2010 and 2013.

Group of manufacturing industry accounted for the largest proportion in the whole industry of Vietnam and this proportion tends to raise though not significantly ( Chart 5).The growth rate of industrial production of this manufacturing industry increased with higher speed than that of the whole industry: 11.9% compared with 8.7% in 2008 and 8.7% compared to 7.6% in 2014 (table 3).Besides, the manufacturing industry over time has always attracted the attention and investment of foreign direct investment. According to statistics of the Foreign Investment Department Agency, as of November 2014, the manufacturing industry in the whole country has attracted 9.407 projects with a total registered capital amounted to 138.5 billion (account for 56 % of total registered FDI capital of the whole country).

In fact, the proportion of gross output value of the manufacturing industry in the whole industry is high and tending to increase, this has created more jobs and income for workers. This group of industrial activity though has brought social significance in creating more

jobs, but most industrial activities in group of manufacturing industry mainly just stop at level of outsourcing (because most inputs of some manufacturing industries must be purchased from abroad ).Therefore, cumulative and promoting function of the economy in general are limited, especially the economy will be able to bear the risks of currency fluctuations in the world.

Structure of industrial production by industry activity in Vietnam remains to be backward, unbalanced and lack of sustainability, especially within manufacturing group. Vietnam focus on developing the manufacture of food products, light industry like apparel, footwear, furniture and outsourcing, but without the development of heavy industry, especially the lack of manufacture of production materials and the activity of industry with high scientific content. According to figures of the General Statistics Office in 2010 and 2014, manufacture of food products in group of manufacturing industry accounted for the highest percentage, followed by textile, leather and footwear industry. Overall, Vietnam is focusing on the development of industries that use a lots of labor, unskilled labor with low labor cost, so in the process of industrial development, Vietnam is only as the recipients of outsourcing contracts, dependent on foreign raw materials. Almost Vietnamese enterprises can only undertake production phases which contain little added value and the phases which generate most of the profit are undertaken by foreign enterprises.

Table 3 shows that, the growth rate of industrial production of each group of industry activity also differ. The growth rate of industrial production of the mining and quarrying industry is the lowest, indicating that policy on the natural resources saving is efficiently and in line with the policy of growth model shift from quantity to quality and from width to depth.

Table 3

Growth rate of industrial production by industry activity (%)

	2008	2009	2010	2011	2012	2013	2014
Whole industry	8.7	7.8	8.8	7.3	5.8	5.9	7.6
1. Mining and quarrying	-0.8	10.3	0.5	0.9	5.0	-0.6	2.4
2. Manufacturing	11.9	6.0	11.8	9.9	5.5	7.6	8.7
3. Electricity, gas, steam and air conditioning supply	16.5	13.0	14.2	9.7	11.5	8.4	12.5
4. Water supply; sewerage, waste management and remediation activities					8.2	9.5	6.3

Source: Data from Statistical Yearbook of Vietnam in 2012 and 2014.

Industrial production in 2013 and 2014 recovery significantly compared to 2012 in all industry activities. For the whole of 2014, growth rate of industrial production increased by 7.6% total, much higher than the increase of 5.9% in 2013 (Table 3). Although the growth rate of industrial production increased year by year, showing positive signs in appearance or quantity (production growth), but efficiency of industrial production in fact declined as well as low industrial growth quality and the it's improvement is still slow, while Vietnam's development goal is basically to become a modern industrialized nation by 2020 is approaching.

However, noteworthy is the growth of industrial activities such as textiles, garments, footwear, machinery and mechanical appliances, electrical equipment products, electronic products, plastic products... in manufacturing industry primarily dependent on raw materials and intermediate goods which imported with high cost and tend to increase in the recent years. Materials source for the production which cannot meet the needs of many manufacturing industries, such as plastic raw material that are produced in Vietnam to meet only 10% of the domestic demand; the domestic produced fabric meets only about 20-30% garment requirements for export; shoe-leather materials for domestic production accounts for only 25-30% of demand of domestic market; the majority of the main raw material for production of technical products to be imported; production of domestic steel meets only 20% of market demand... Now, there are 1,303 enterprises that producing components and spare parts, but most of them are small-scale enterprises with a low technical level. Vietnam's assemblers used the domestic spare parts with a percentage of 10% for new high technology industry; the production of synchronous equipment is about 20% and cars is about 15-40%... Therefore, imported volume of raw materials from abroad is still high. This has limited ability to increase the value of domestic industrial production and contributed to reducing the efficiency of industrial production. It can be seen, sector of manufacturing of capital goods (machinery, instrument, accessory; fuels and raw material) in which supporting industry is really weak.

According to data reported by the Ministry of Industry and Trade of 2014, textile is the major export industry, the export turnover in 2014 reached \$24 billion – an impressive figure (raised up 13.4% as compared with 2013), but Vietnam had to import materials with turnover more than \$15.8 billion (raised up 16.3% as compared to 2013) and the added value of textile industry is very low because the imported value of raw material input accounted for 60-70%.

According to estimates by the Ministry of Industry, the supporting industry dependent on nearly 80% imported raw materials at present. This situation is largely due to Vietnam's businesses do not want to invest in the factory for a long payback, but they just like importing raw material for reselling to get profit. In fact, there are so few Vietnam's enterprises that involve in supporting industry, if so, it is mainly they involve in the packaging operations, carton and plastic production in some industrial activities, typically electronics industry. Currently, the network of supporting industries in Vietnam are mostly the foreign invested enterprises in charge, the gap in quality standards between domestic and foreign invested enterprises is quite big, and there is very little linkage between them. Most of domestic enterprises are small and medium, they still maintain working style of a self-sufficient economy, so the ability to meet the demand for quality is poor.

Take more example about engineering, a representative of the Vietnam Lilama Corporation said: "Vietnam has not been able to produce the basic materials in the recent years. As the ones who performed contract of Engineering -Procurement of Goods – Construction (EPC), we can see, almost these works imported nearly 100% raw materials. Even the machines are said to be of Vietnam as lifting equipment, Quangtrung cranes, Haiduong Pump, power transformers, .. the materials to make them are also imported from other countries. Therefore, depending on import of input materials lead to high cost, many domestic companies cannot *set foot* in the bidding" Mr.Chairman and CEO of Quangtrung's



mechanical Enterprise also said: "Thousands of types of basic mechanical products go through 7 steps, from design and manufacture of molds, embryogenesis, cutting processing trim, assembling, testing and finally shipping. However, Vietnam is only interested in the assembly, the investment in other steps have not focused, so you can try asking how can we succeed? "Also, industry of agricultural service (manufacturing of farming tools and processing of farm products...) still has not been paid attention to. Although Vietnam aimed at increasing the share of industrial GDP, it is not considered modernization and industrialization of agriculture and rural is the top important issues. The proportion of agricultural GDP in total GDP remains low (just under half of the gross output of industry and under 1/3 of total exports) and the trade deficit is mainly due to the domestic sector.

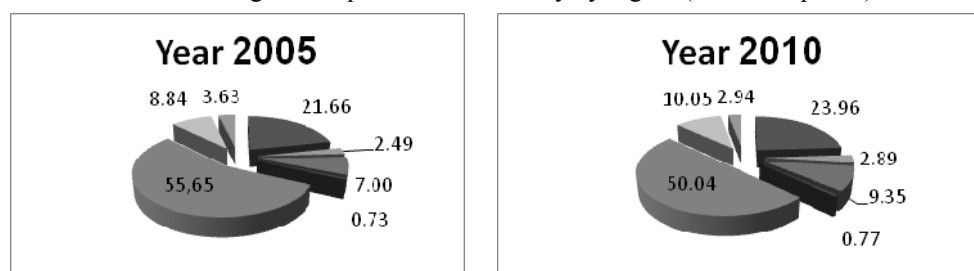
- Industry of Vietnam by region

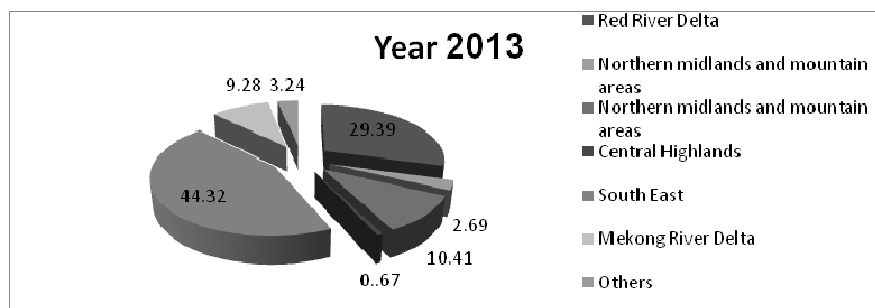
Industrial structure by geographical regions are formed mainly through the distribution of local industry, particularly the formation and development of export processing zones and high-tech industrial zones. However, this distribution in Vietnam is uneven between regions and among localities. Distribution of industrial space in Vietnam has initially formed towards exploiting the advantages of geographic allocation and potential of local. It can be seen, the space of industrial development in this time is still formed in a natural way according to local's strengths, but there is no reasonable distribution on a national scale. This industrial distribution is shown very clear when it is seen in view of the perspective of development of the economic regions as well as key economic regions. Industrial activities are mainly distributed in some areas.

In general, industrial activity is mostly centered around two regions, the Red River Delta and the South East Region, although other regions such as the Mekong Delta also contribute significantly to the industrial output. In the north, the Red River Delta and vicinity areas have a high concentration of industry with diversified and modern structure of industrial activity. In the South, industrial band are formed in which emerged the leading industrial centers of Vietnam, in Ho Chi Minh City, Dong Nai, Vung Tau and Binh Duong,... Gross industrial output value of the Southeast region is highest as compared to other regions, but the growth rate of industrial output value has decreased from 2005 to present. In the remaining regions, particularly in the Mountainous region, industrial development is slow and backward, industrial distribution is scattered and disjointed.

Chart 6

Structure of gross output value of industry by region (at current prices)





Source: Data from the Statistical Yearbook of Vietnam in 2013.

The division of industrial territory in Vietnam is the result of many factors. The concentrated industrial areas are often associated with the presence of natural resources, skilled labor force, market, infrastructure and geographic favorable location. Opposite, in the Central Highlands and Mountainous region faces many difficulties in industrial development, this was due to the lack of synchronization of factors like natural resources, skilled labor force, market economy,... and especially the infrastructure of transportation. It can be seen, thanks to the effective exploitation of the inherent strengths, Southeast become the leading region with the proportion accounted for nearly half of gross output value of industry of whole country (in 2013). Next is the Red River Delta and Mekong Delta, but proportion of gross output value of industry is much lower in comparison to the other regions. Only three these regions accounted for approximately 83% gross output value of industry of whole country. The proportion of gross output value of other regions is almost negligible, especially in Mountainous and Central Highlands.

However, as we consider the development of industry by region, rate of industrial growth by region in the recent years is relatively equal. The weakest problem here is linkage between regions in industrial development, most of regions developed industry without coherence with other areas.

## 2. Some of the problems raised in the industry of Vietnam

- Although Vietnam's industry has achieved good remarkable results in the recent years with a low starting point, we can say, Vietnam's industry is currently characterized by the industries belong to first generation, including industrial products that using more labor, unskilled labor and the products of industry that base on outsourcing (outputs of manufacturing based on mainly inputs from foreign markets). ***Problems on the industrial structure here are emerging clearly.*** Spatial distribution in industrial development in a whole country and even within economic regions still lack a reasonable and have many shortcomings especially the industrial structure is still a backward and imbalanced structure. Vietnam is focusing on the development of industries that use more labor, unskilled labor with low cost and focusing on the development of industrial products that base on outsourcing, while these industries

mainly belong to manufacturing ones. Remarkably, structure of the industry activities belong to group of manufacturing industry is also really imbalanced: Government emphasis on the development of manufacturing of food products, light industry apparel, footwear, furniture and outsourcing while lack of the development of heavy industry, especially the lack of supporting industries to manufacture capital goods and industries have high scientific content. In addition, many industries still have spread development, lack of key industries to make tower cranes for the development of whole industry.

Although manufacturing industry accounts for a high proportion of total gross output value of industry, for many years the enterprises in Vietnam's manufacturing industry play role only as the outsourcing recipient and assembly to make products from simple to complex ones, have depended on the imported raw materials so scientific and technological content of products is low, added value is the lowest in the value chain of industrial production. Therefore, the competitiveness of industrial products is low. The result is that, although manufacturing industry accounted for highest proportion of gross output value in the whole industry, but it's quality and efficiency are low. Growth of industry (mainly manufacturing industry) that bases on outsourcing has lasted for many years. This has clearly revealed the inefficiency and lack of sustainability of the domestic industry.

Although Vietnam's policies focused on development of food manufacturing industry, in fact the food manufacturing and processing industry over time only meet just a small fraction of needs of manufacturing of food and agricultural products for export and service of domestic consumption, mainly primary processing. In addition, during the period from 2012 onwards, the industry has focused on exploiting mineral resources with a high level (except crude oil), so this results in risk of exhausting of resources. This is largely due to ineffective management of exploitation, especially Vietnam has no vision on detailed exploitation planning for the long term.

- Supporting industry in Vietnam is underdevelopment, so this entailed the importing most of the inputs such as machinery, equipment and raw material production, especially in the fields of textile, footwear, mechanical, .... from other countries, mainly from the ASEAN markets, especially China. This also expresses an industrial structure imbalance in that this industrial structure cannot produce capital goods for the entire economy due to lack of supporting industry. The importation of most input of raw materials for industrial production makes Vietnam's industry has always been dependent on the outside by the fluctuation in prices of raw materials of the world.

Industrial qualifications in Vietnam is still very low evaluation compared to other countries in the region, only China in the 1980s, 1970s or Malaysia's equivalent to the level of development of Korea in the 1960s (VDF, JICA, 2011).the growth rate of industrial production.

There are many reasons for the underdevelopment of supporting industry, but mainly because Vietnam cannot create a value chain in industry through the link between businesses, as well as cannot use financial and non-financial services to exploit the competitive advantages for development of this industry. In other words, the cooperation and link between the regions, businesses and between rural-urban development in industrial production still weak.

- Production of industry in general and manufacturing industry in particular using mainly low technology level. Common ground on the Vietnam's qualifications of technology and equipment have backward from two to three of generations as compared with industrialized countries. The proportion of high technology accounts for only 19.2%, medium technology accounts 26.8%, low and outdated technology accounts for 54.0%.

### **3. Orientation of Vietnam's industrial development strategy until 2025 and vision toward 2035**

In order to become a developed industrial country with over 80 million inhabitants, Vietnam's industry require to have an accelerated development strategy and reasonable implement policy.

According to Vietnam's development strategy for the industry until 2025 and vision toward 2035 was approved by the Prime Minister dated 09/6/2013 (Decision No. 879 / QD-TTg), industry of Vietnam will meet the requirements in the integration process and achieve given objectives in the next stage. Vietnam's industry will develop in rational structure by industrial activity and region, able to compete to develop in integration process with modern technology and able to join the global value chain in some certain specialized fields, able to basically meet the requirements of the economy and of an exporter; able to have qualified workforce to meet the needs of modern production.

#### **Box 1**

##### **Vietnam's objectives of industrial development until 2025, vision toward 2035**

- The annual growth rate of industrial added value will reach 6.5-7% by 2020, 7-7.5% during 2021-2025, and 7.5-8% during 2026-2035.
- The annual growth rate of industrial production value will reach 12.5-13% by 2020, 11-12.5% during 2021-2025, and 10.5-11% during 2026-2035.
- To strive that industry and construction by 2020, 2025 and 2035 will account for 42-43%, 43-44%, and 40-41% of the national economy, respectively.
- The rate of industrial exports to the total exports will reach 85-88% by 2025, and over 90% after 2025.
- The value of hi-tech industrial products and hi-tech application products by 2025 and after 2025 will account for approximately 45% and over 50% of the GDP, respectively.
- The industrial sector's ICOR will be 3.5-4% during 2011-2025; and 3-3.5% during 2026-2035.
- The energy-GDP elasticity coefficient will reach 1.5 by 2015, 1 by 2020, and maintain at 0.6-0.8 by 2035, in proximity to other countries in the region.
- The annual greenhouse gas emissions will increase at the rate of 4 to 4.5%.

Source: Vietnam's industrial development strategy until 2025, vision toward 2035.

Vietnam's industrial development strategy until 2025, vision 2035 will effectively mobilize resources from all domestic economic sectors and external resources to develop and restructure the industrial sector towards modernity; focus on training skilled, disciplined and innovative workforce for the industrial sector; prioritize the development and transfer of technologies in the industrial sub-sectors and fields with competitive advantages and modern and advanced technologies such as agricultural, forestry and fishery product processing, electronics, telecommunications, new and renewable energy, mechanical engineering, and pharmaceutical chemistry; rearrange the allocation of industrial space in order to promote the combined strength of sub-sectors, regions and localities for deep participation into the global value chain.

Box 2

Groups of industries selected as development priority are as follows

*a) Processing and manufacturing industries*

- Mechanical engineering and metallurgy

From now through 2025, to prioritize the following groups of industries and products: machinery and equipment serving agriculture, automobiles and mechanical spare parts, and steel for production. After 2025, to prioritize the following groups of industries and products: shipbuilding, nonferrous metals and new materials.

- Chemicals

From now through 2025, to prioritize base chemicals, petro-chemistry and manufacture of technical plastics and rubber; after 2025, to prioritize the development of pharmaceutical chemistry industries.

- Agricultural, forestry and fishery product processing

From now through 2025, to prioritize to increase the processing ratio of key agricultural, fishery, aquatic and timber products in line with the restructuring process of the agricultural sector. To apply international standards to the production and processing of agricultural products, to build the trademarks and raise competitiveness of Vietnamese agricultural products.

- Garments, textile, leather and footwear

From now through 2025, to prioritize the production of raw and auxiliary materials serving production for domestic market and export; after 2025, to prioritize the production of fashion clothing and luxury shoes.

*b) Electronics and telecommunications industries*

From now through 2025, to prioritize the development of computer equipment products, telephones and components. After 2025, to prioritize the development of software, digital content, information technology services and medical electronics.

*c) New energy and renewable energy industries*

From now through 2025, to promote the development of new energy and renewable energy of different forms such as wind energy, solar energy and biomass energy. After 2025, to develop atomic energy for peaceful purposes, and to prioritize the development of renewable energy of such forms as geothermal energy, ocean wave energy, etc.

Source: Vietnam's industrial development strategy until 2025, vision toward 2035.

In order to Vietnam's industry meet the new requirements of the country in strategic directions and goals above, the first, Vietnam should have the mechanisms, specific and flexible policies that suit developments of industrial sector as well as meet the integration requirements at each particular moment.

Next, Vietnam must continue to improve the industrial structure in the direction of promoting of supporting industry, have spatial planning for the development of industry by regions. Planning should be based on the comparative advantages of industrial development of each region in order to avoid spreading of industrial development over country.

Finally, although there is planning for the industrial development of each region, it is important to strengthen the links between regions and between localities in the region as well as between enterprises in order to boost industrial development of each region towards the development of the whole industry. In that connection, regions and locals in a region are able to develop their own strengths, without fear of affecting to promoting common advantages of the economy or of the region thanks to the more reasonable division of labor.

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