



How Can We Prepare A Road Map For Global Standard Production Through Analysis Vietnam's Auto Industry Strategic Policies and Export Expansion

Masood Khan



Vietnam's transformation into a manufacturing powerhouse has been nothing short of remarkable. While the country is globally recognized for its electronics and textile exports, the automotive and auto parts manufacturing industry has emerged as a rising star, propelled by forward-looking government policies, tax incentives, regional trade integration, and a strong focus on localization and sustainability.

Today, Vietnam's auto parts manufacturers are not only meeting domestic demand but also scaling up production volumes to integrate into global supply chains. This article explores how Vietnam is positioning its auto parts sector as a competitive export-oriented industry and what lessons can be drawn for emerging economies.

I. A Strategic Vision: Automotive Industry Development to 2035

Vietnam's automotive industry began evolving with the Automobile Industry Development Strategy to 2025. Vision to 2035, approved by the

Prime Minister in 2014. The strategy emphasizes a multifaceted approach:

- Meeting domestic demand
 - Expanding into export markets
 - Strengthening supporting industries
 - Enhancing competitiveness
 - Integrating into global supply chains
- This long-term roadmap provides the policy certainty and direction necessary to attract foreign direct investment (FDI) and encourage local players to build capacity.

II. Tax and Incentive Framework to Boost Local Production

The Vietnamese government has implemented various tax and financial incentives to stimulate auto parts manufacturing:

- Zero percent preferential import tax on auto components used for local assembly (2018–2027). This helps local assemblers reduce costs and boosts demand for localized components.
- Special tax incentives for the automotive support industry (2020–2024), encouraging manufacturers to localize supply chains.
- Reduced special consumption

tax rates on battery-powered vehicles compared to internal combustion engine (ICE) vehicles—indirectly incentivizing the development of parts used in EVs. These tax policies not only make Vietnamese components competitive within ASEAN but also encourage companies to expand production and explore global markets.

III. Leveraging Trade Agreements for Global Market Access

Vietnam has strategically positioned itself by entering several Free Trade Agreements (FTAs), which help reduce tariffs and open access to high-value markets:

- ASEAN Trade in Goods Agreement (ATIGA): Enables duty-free movement of auto parts and vehicles across ASEAN member countries. This gives Vietnamese manufacturers a clear competitive edge in regional supply chains.
- European Union-Vietnam Free Trade Agreement (EVFTA): This landmark deal grants Vietnamese auto parts exporters preferential access

to the EU—one of the world's largest automotive markets. Gradual tariff reductions on imported vehicles and components enable Vietnamese firms to integrate into European production networks.

- Participation in CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and other FTAs further cements Vietnam's role as a global supplier of competitively priced, high-quality automotive parts.

IV. Green Mobility Push: EV and Eco-Friendly Parts Manufacturing

In line with global trends, Vietnam's Ministry of Industry and Trade has prioritized eco-friendly vehicle production, including electric, hybrid, and solar-powered cars. This has significant implications for auto parts manufacturers:

- A shift in demand toward electrification components such as batteries, electronic control units (ECUs), sensors, and wiring harnesses.
- Local parts suppliers are being encouraged to diversify into battery technologies, lightweight materials, and energy-efficient components that meet international green standards.

Government-led pilot programs, green finance availability, and training centers are helping SMEs adopt new technologies and pivot toward sustainable component production.

V. Strategic Goals for the Coming Decade

To overcome these challenges and solidify its role in global automotive supply chains, Vietnam has set ambitious targets:

- **Vehicle Sales:** Increase domestic vehicle sales to 1–1.1 million units by 2030—this will provide a steady foundation for parts manufacturers to scale.
- **Export Milestones:** Export 90,000 cars with a total value of US\$10 billion, and even more in supporting parts and components.

- **Industrial Clusters:** Continue developing specialized auto parts manufacturing clusters in regions like Hai Phong, Vinh Phuc, and Ho Chi Minh City to reduce logistics and operational costs.
- **Technology Upgradation:** Invest in automation, AI integration, and high-precision engineering for next-generation components.

VI. Success Stories and Industry Leadership

Vietnam is already home to some successful examples:

- **THACO Group,** Vietnam's largest auto and parts manufacturer, exports components to Korea, Malaysia, and Japan, and recently began supplying to Europe.
- **VinFast,** the country's first homegrown car manufacturer, has committed to exporting EVs and parts to North America and Europe, driving demand for localized parts.
- Several Japanese, Korean, and European firms have invested in parts manufacturing plants—bringing technology, training, and access to export markets.

VII. What Can Emerging Countries Learn?

Vietnam's experience offers valuable lessons for other developing nations

seeking to build export-oriented auto parts industries:

1. **Stable Long-Term Policy Vision** ensures investor confidence and gives companies time to plan localization.
2. **FTAs and Trade Integration** allow easier access to global markets and reduce entry barriers.
3. **Supportive Tax Incentives** make localized production more attractive than imports.
4. **Green Transition** planning ensures long-term relevance of parts manufacturers.
5. **Public-Private Collaboration** allows coordinated strategy on technology, finance, infrastructure, and skills.

Suggestion:

Vietnam Gears Up for a Bigger Role in Global Auto Parts Supply Chains

Vietnam is no longer just a low-cost manufacturing base—it is becoming a smart, globally integrated auto parts producer. With its government's proactive policies, improving production standards, growing green initiatives, and strong trade access, Vietnam is poised to multiply its parts manufacturing volume and become a critical supplier in Asia, Europe, and beyond.

For Pakistani or regional manufacturers looking to follow suit, Vietnam provides a replicable framework—start local, think global, and build strategic alliances. The road to global competitiveness starts with consistent policy, strong trade linkages, and relentless focus on quality and innovation.



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