

Vietnam Issues Official Letter on Automobile Industry

By [Thomas J. Treutler, Esq. \(thomas.t@tillekeandgibbins.com\)](mailto:thomas.t@tillekeandgibbins.com)
TILLEKE & GIBBINS CONSULTANTS LIMITED – Hanoi, Vietnam

On 4 February 2008, Vietnam's Government Office issued *Official Letter No. 819/VPCP-CN On the Implementation of the Strategy and Master Plan for the Development of the Automobile Industry* ("Official Letter 819"). *Official Letter 819* provides insight into the Vietnamese Government's strategies for developing the automobile and auto parts industry, and can be considered a signal that the Government hopes to jumpstart the domestic auto industry. In particular, in *Official Letter 819*, Deputy Prime Minister Hoang Trung Hai directed the Ministry of Planning and Investment ("MPI") to increase calling for, and attracting, foreign investment in the development of the auto industry in accordance with the approved Master Plan, especially in the area of producing auto components and parts. A summary of the contents of *Official Letter 819* appears below.

More specifically, according to *Official Letter 819*, pursuant to a proposal from the Ministry of Industry and Trade ("MIT"), in regard to implementing the Strategy and Master Plan for the Development of the Vietnamese Auto Industry Through the Year 2010, With a View Toward the Year 2020, Deputy Prime Minister Hoang Trung Hai was of the following opinion:

The MIT shall monitor and inspect the situation of investment, assembly and production of automobiles and automobile parts of enterprises in all economic sectors in accordance with the Strategy and Master Plan for the Development of the Vietnamese Automobile Industry Through the Year 2010 With a View Toward the Year 2020 that has been approved. MIT shall periodically update and adjust the Master Plan as suitable with the situation of socio-economic development of the country and international commitments. MIT is to lead and coordinate with relevant authorities to perfect regimes and policies regarding:

- (a) Encouraging investment in the production of automobiles and production of automobile parts domestically in a manner that is reasonable and suitable with commitments on [international economic] integration of Vietnam;
- (b) Strengthen management of the market to combat counterfeit goods, knock-off goods, and commercial fraud, and to develop and open up to society the system for distribution of automobiles to contribute to automobile market stabilization;
- (c) Strengthen the promotion of commerce, and assist in activities for seeking and developing export markets for products of the automobile industry; and
- (d) Draft and announce standards having the characteristics of technical barriers for complete automobiles imported into Vietnam.

The Ministry of Science and Technology (“MOST”) must: lead and coordinate with relevant authorities to draft and promulgate technical standards on quality for automobiles and auto parts in respect of automobiles circulating domestically, ensuring suitability with WTO principles, and preventing the assembly and production of automobiles and production of auto parts of inferior quality which cause pollution to the environment. MOST must also inspect and closely monitor the transfer and receipt of technology of enterprises assembling and producing automobiles and producing auto parts, ensuring that the technology transferred is truly advanced technology.

The Ministry of Finance (“MOF”) shall lead and coordinate with MIT and relevant agencies to urgently draft and submit to the Prime Minister for promulgation a regime for assisting projects in the production and manufacture of automobile engines, gear boxes and transmissions. The MOF shall, based on the commitments of Vietnam in the WTO and CEPT/AFTA, draft and announce a roadmap for reducing import duties on automobiles and automobile parts that is suitable. Also, the MOF shall research and perfect special consumption tax policy and other financial policies in respect of automobiles, suitable with the objectives of the Strategy for Developing the Automobile Industry and for developing domestic transportation and which is suitable with international standards.

According to *Official Letter 819*, the Ministry of Transportation shall urgently complete the review, finalization and promulgation of new regulations and technical and safety standards and conditions for automobiles produced and imported with the aim of increasing quality and safety standards, to replace regulations which are no longer suitable.

The Ministry of Planning and Investment shall increase calling for, and attracting, foreign investment in the development of the auto industry in accordance with the approved Master Plan, especially in the area of producing auto components and parts.

Under *Official Letter 819*, local governments were also to direct the strict adherence to processes for evaluating investment projects in the assembly and production of automobiles and the production of auto parts, focusing on the evaluation of the following items: Technical level of technology, financial capacity of investors and equipment and solutions for protecting the environment to avoid situations where investors are licensed but do not commence with investment or investors take advantage to import equipment and technology that is outdated, overuses power and raw materials, or does not meet environmental protection standards. Local agencies are to increase inspections and monitoring of environmental pollution levels of facilities assembling or producing automobiles or producing auto parts in their respective regions, and to timely propose measures to rectify pollution. Local authorities are to strictly and closely implement regulations in force on the evaluation of designs for facilities in the assembly and production of automobiles and the production of auto parts locally.