



# Special Alert

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## Government Resolution 115 Promoting Supporting Industries in Vietnam

On 6 August 2020, the Government promulgated Resolution No. 115/NQ-CP ("**Resolution 115**") on solutions to promote the development of supporting industries of the following branches of industry: electronics, key engineering, automobile production and assembly, textiles, footwear, high-tech and military industries. Resolution 115 addresses difficulties related to supporting industries; regulates policies and responsibilities of governmental agencies on improving the investment environment to attract investment capital flows and opportunities of shifting production of multinational companies; and creates favorable conditions for upgrading competitive capacity of enterprises operating in supporting industries and processing and manufacturing industries (the "**Supporting Industry Enterprises**").

With the promulgation of Resolution 115, the Government has set out guidelines for the next ten years for multiple sectors that are affected by the increasing movement of supply chains from China to Vietnam. It can be seen as an effort to direct growth in critical support areas for manufacturing to continue to develop as a sector in Vietnam.

Under Resolution 115, the Government set out two general objectives: (1) by 2025 develop 1,000 enterprises with capacity of directly supplying assembly enterprises and multinational corporations, of which domestic enterprises should account for 30%; and (2) by 2030, double the number of such enterprises to about 2,000.

Particular objectives have also been set out for three branches of industry including components, supporting industries for textile and leather, and supporting industries for high-tech. The components industry will focus on developing metal components, plastic and rubber spare parts and electrical and electronic components to achieve the target of supplying 45% of domestic demand of component products by 2025. The supporting industries for textile and leather should be able to provide domestic

supply accounts for 65% of the textile industry and 75 – 80% of the leather industry by 2025. The supporting industries for high-tech should focus on developing the production of materials, specialized supporting equipment, software and services serving high-tech industries; develop systems providing specialized supporting equipment and equipment supporting technology transfer; establish enterprises in the business of machinery maintenance and repair with international standards; and form a system of research and development and production of new materials, especially electronic materials.

To achieve the above objectives, the Government proposes seven groups of solutions with the main details as follows:

### Improvement of mechanisms and policies

- ✓ To establish and conduct effectively and synchronously specific policies for development of supporting industries to ensure favorable conditions for development of these industries;
- ✓ To plan and implement policies effectively regarding the materials industry and to develop markets for the industries of production and assembly of finished products; and
- ✓ To create a fundamental foundation for industrialization in a modern and sustainable manner.

### Mobilization of resources for development of supporting industries

- ✓ To arrange, ensure and mobilize resources to implement policies regarding the development of supporting industries; and
- ✓ To enhance the role and encourage locals to invest resources to implement the relevant policies, programs and activities on the basis of laws suitable to local socio-economic conditions.

### Credit and financial solutions

- ✓ To conduct preferential policy on interest rates for Supporting Industry Enterprises regarding short-term loans from credit institutions; and
- ✓ To offer compensation of interest rate difference regarding medium and long-term loans of enterprises manufacturing products under the list of prioritized supporting industrial products financed by central, local budgets and official development assistance (ODA), foreign preferential loans.

### Development of domestic value chain

- ✓ To create opportunities to form and develop domestic value chains by attracting effective investments and promoting business connection between Vietnamese enterprises and multinational enterprises and between domestic companies and foreign enterprises;
- ✓ To build centralized industrial zones to establish industrial clusters;
- ✓ To develop the materials industry; and
- ✓ To promote the development of industries of production, and finishing assembly.

## Market protection and development

- ✓ To promote the development of domestic and foreign markets to facilitate development of supporting industries;
- ✓ To establish and implement systems of technical standards to protect domestic producers and consumers;
- ✓ To enhance the quality inspection of imported industrial goods and use technical standards to protect the domestic market in compliance with international commitments and practices;
- ✓ To support Supporting Industry Enterprises to take advantages of signed free trade agreements; and
- ✓ To actively dismantle barriers and counter acts of monopoly or unfair competition.

## Capacity building for Supporting Industry Enterprises

- ✓ To build and operate the technical centers supporting Supporting Industry Enterprises on innovation, research and development, transfer of technology, productivity improvement, etc.;
- ✓ To establish policies providing financial incentives, infrastructure and facilities to enhance the capacity of technical centers; and
- ✓ To develop human resources for supporting industries by promoting connections between training units and enterprises, connecting education with labor markets, promoting international cooperation in training, etc.

## Media information, statistics and databases

- ✓ To build and improve statistical systems and databases of supporting industries for the purpose of connecting Vietnamese suppliers with multinational enterprises, etc.

Relevant ministries and other state agencies have also been assigned particular responsibilities and in the near future will promulgate changes in legal environment regarding supporting industries. Some major changes may affect foreign investors such as: amendments to Decree No. 111/2015/ND-CP dated 3 November 2015 of the Government on development of supporting industries; the encouragement for FDI enterprises manufacturing finished products to set up regional factories in Vietnam; the promulgation of regulations and criteria on FDI attraction, etc.

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