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Your Partner for Growth in Asia

Vietnam's integration into the global value chain – How Vietnam's supply chain differs from its peers in the region?

Dezan Shira & Associates

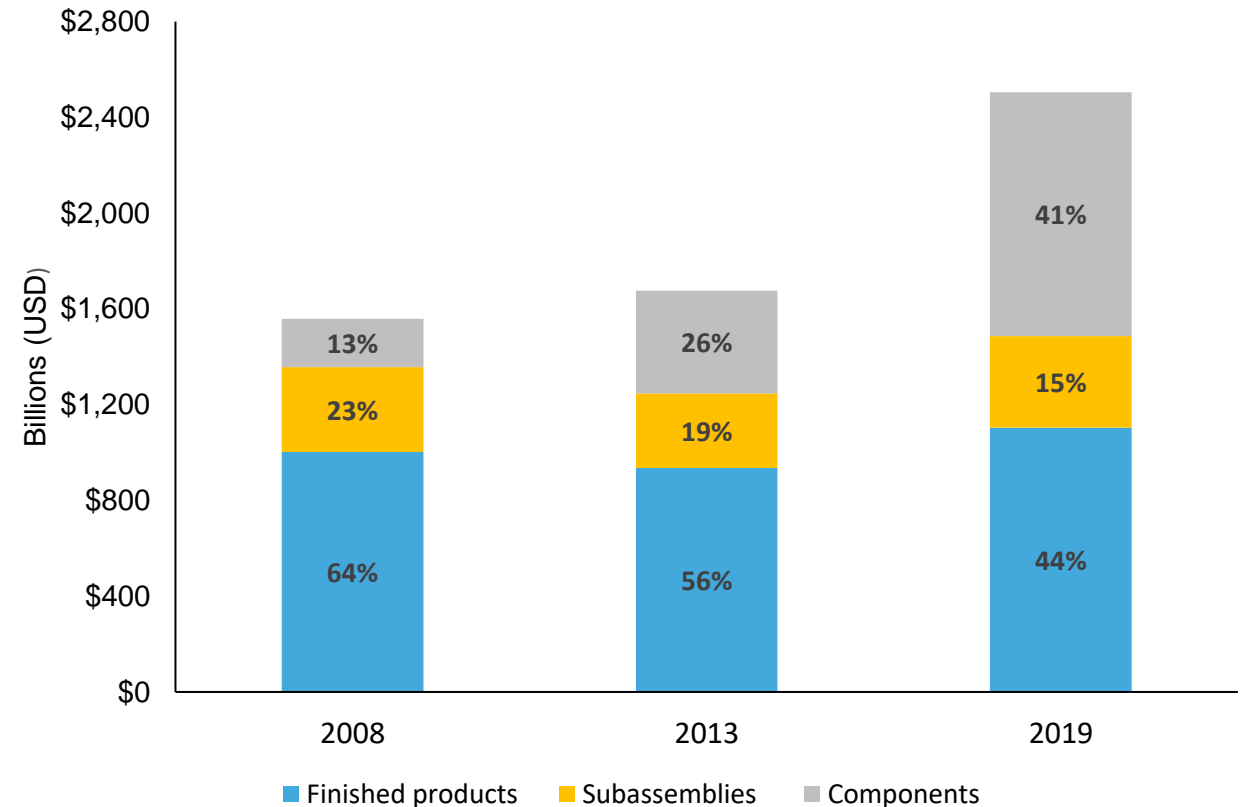


- 1. Global value chain – Electronics sector**
- 2. Vietnam's role in the global value chain**
- 3. Vietnam's challenges and strengths to move up the value chain**
- 4. Our methodology**

Global Value Chain in Electronics by product groups

Groups	Definition
Finished products (3Cs – computer equipment/ communication equipment, consumer electronics & industrial final products)	Computer equipment
	Communication equipment
	Consumer electronics
	Industrial final products
Subassemblies	3C sub-assemblies
	Industrial Assemblies
Components	Electronics components

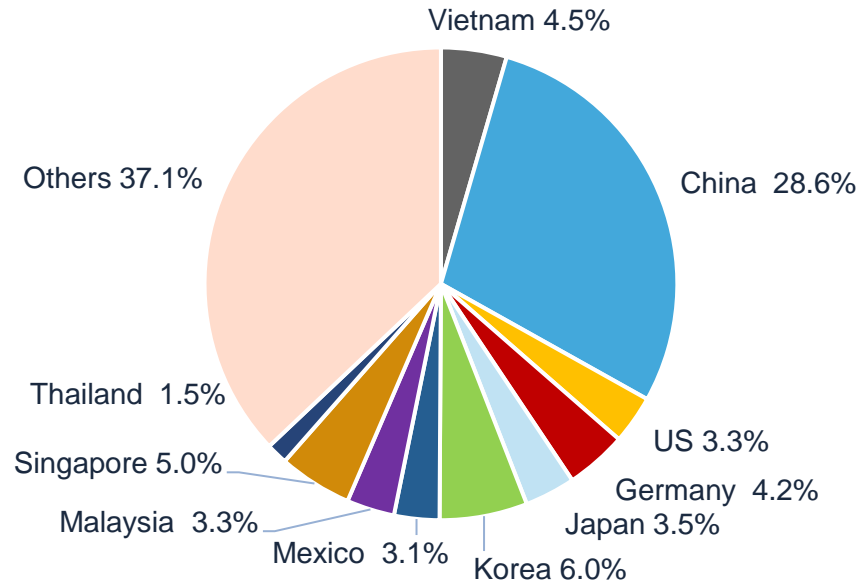
WORLD EXPORT VALUE BY PRODUCT GROUPS



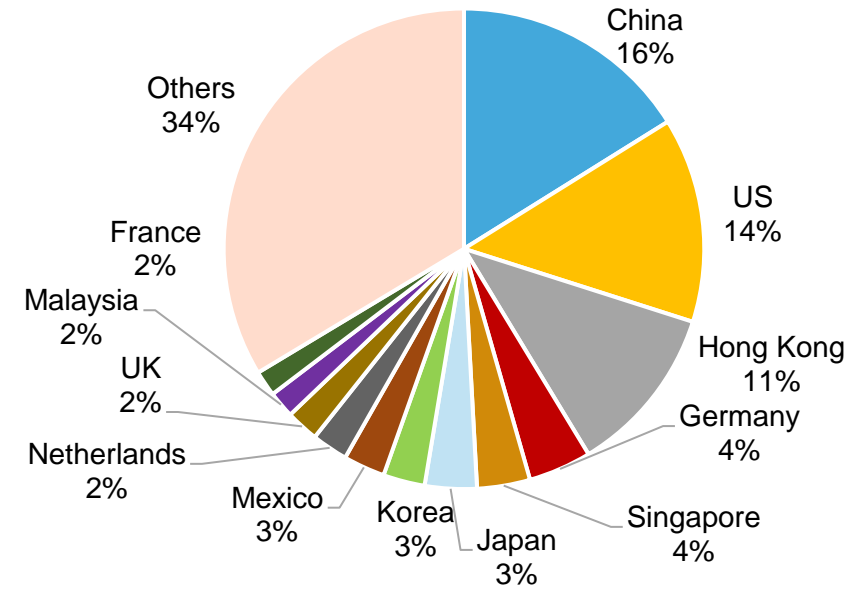
Electronic products were classified into three categories: finished products, subassemblies and components, as per definitions from United Nations Conference on Trade and Development (UNCTAD) HS 2012. Details: http://unctadstat.unctad.org/EN/Classifications/DimHS2012Products_Ict_Hierarchy.pdf

Global Value Chain by countries

TOP ELECTRONICS EXPORT COUNTRIES 2019



TOP ELECTRONICS IMPORT COUNTRIES 2019

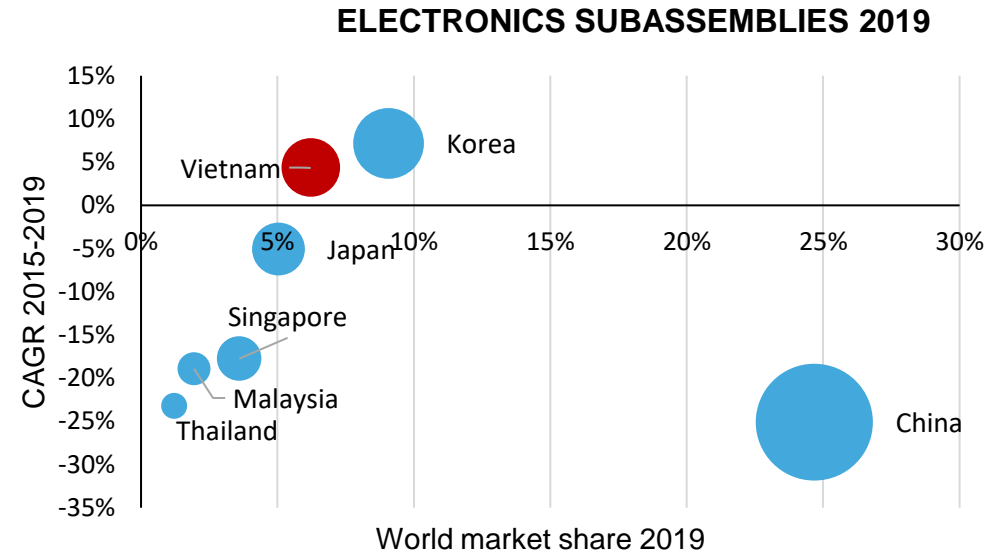
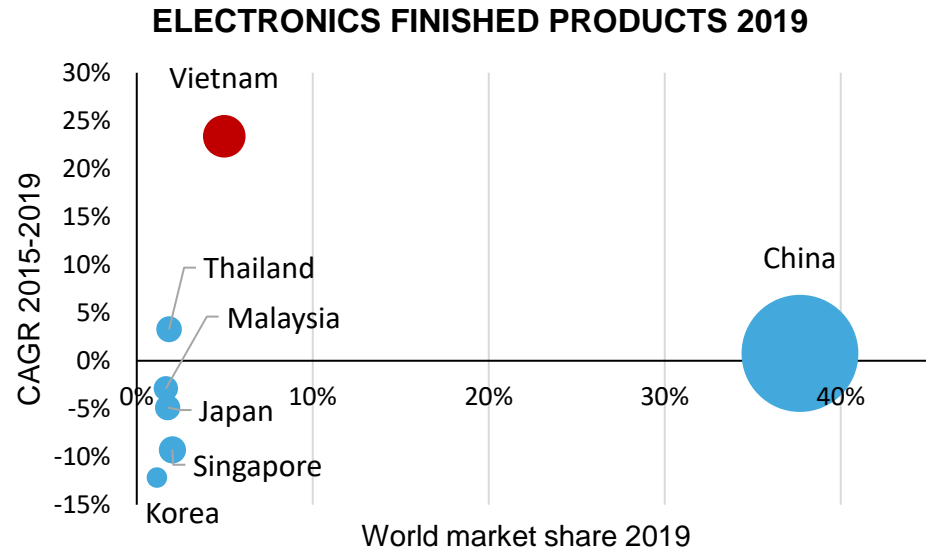


Source: UNCTAD

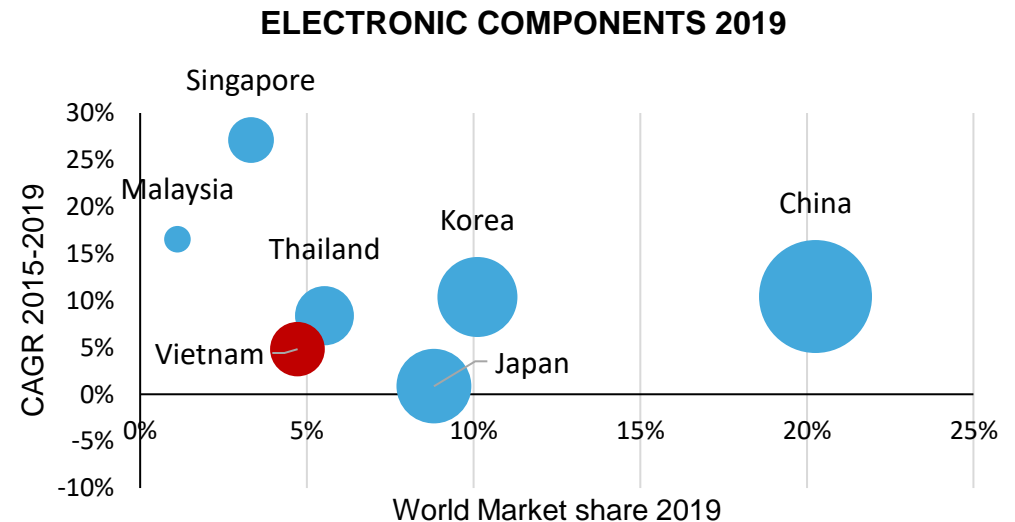
Vietnam in the global electronics value chain



Vietnam electronics export growing in the value chain



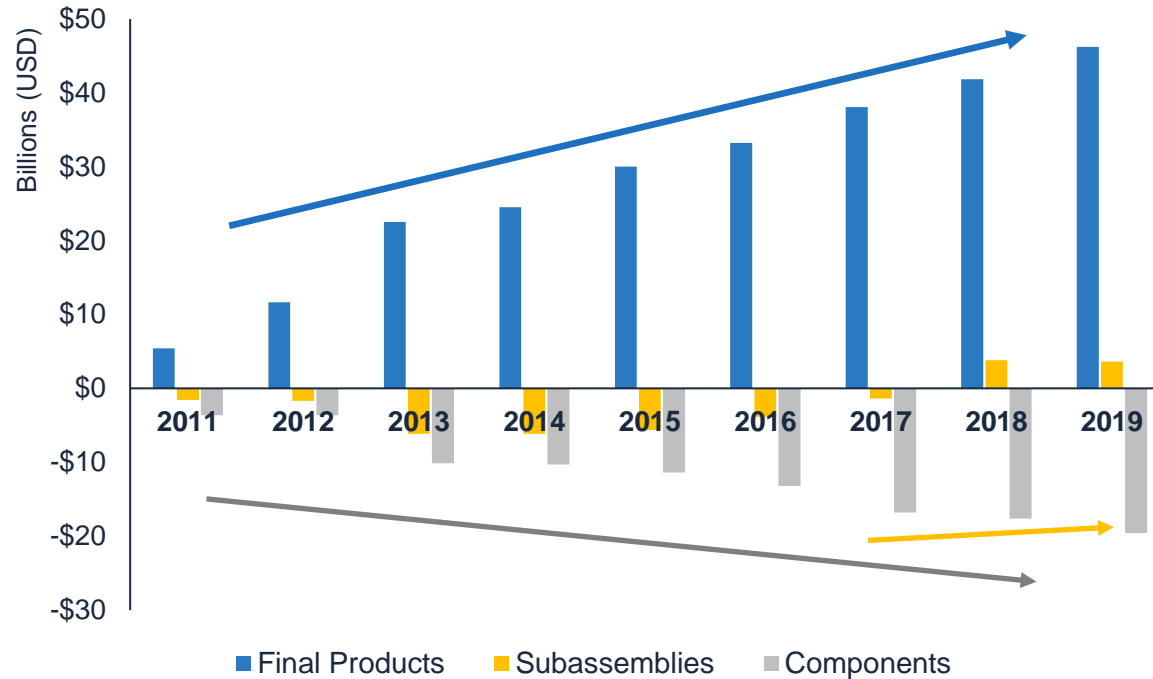
The bubble size represents the export value of each country in 2019



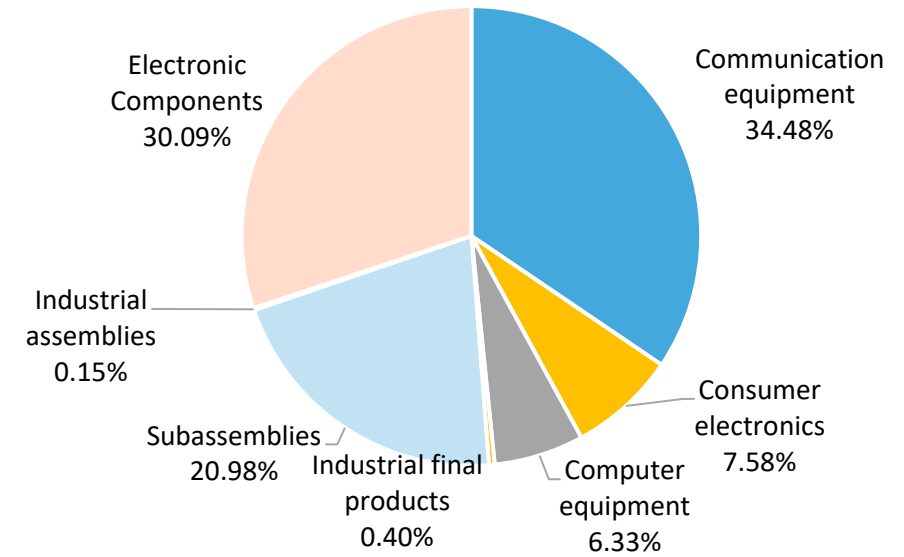
Source: UNCTAD

3C finished products dominate the Vietnam electronic industry

VIETNAM ELECTRONICS TRADE BALANCE



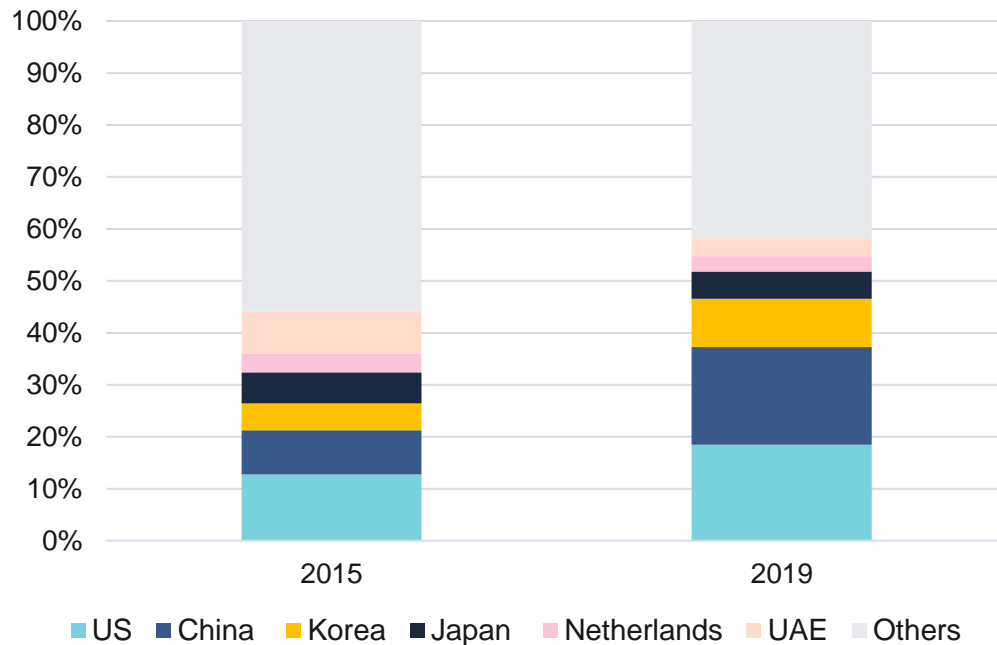
SHARE OF VIETNAM ELECTRONIC CATEGORIES EXPORT, 2019



Source: UNCTAD

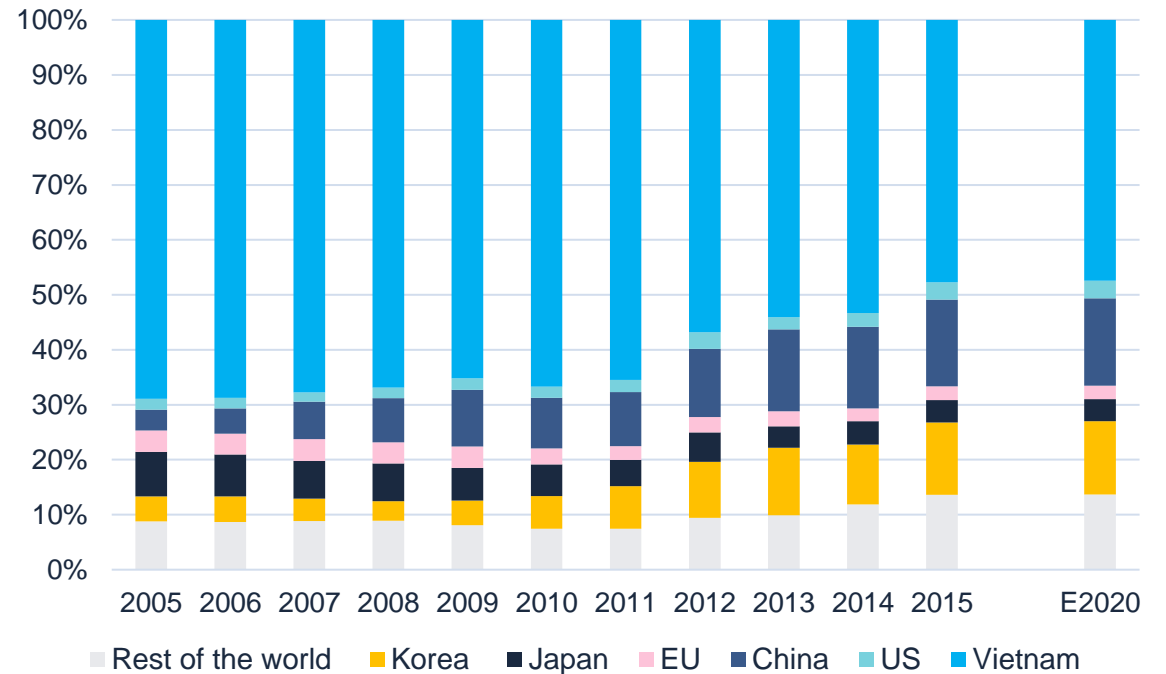
Vietnam electronics value chain links to Asian countries

VIETNAM'S ELECTRONICS TOP EXPORT DESTINATIONS



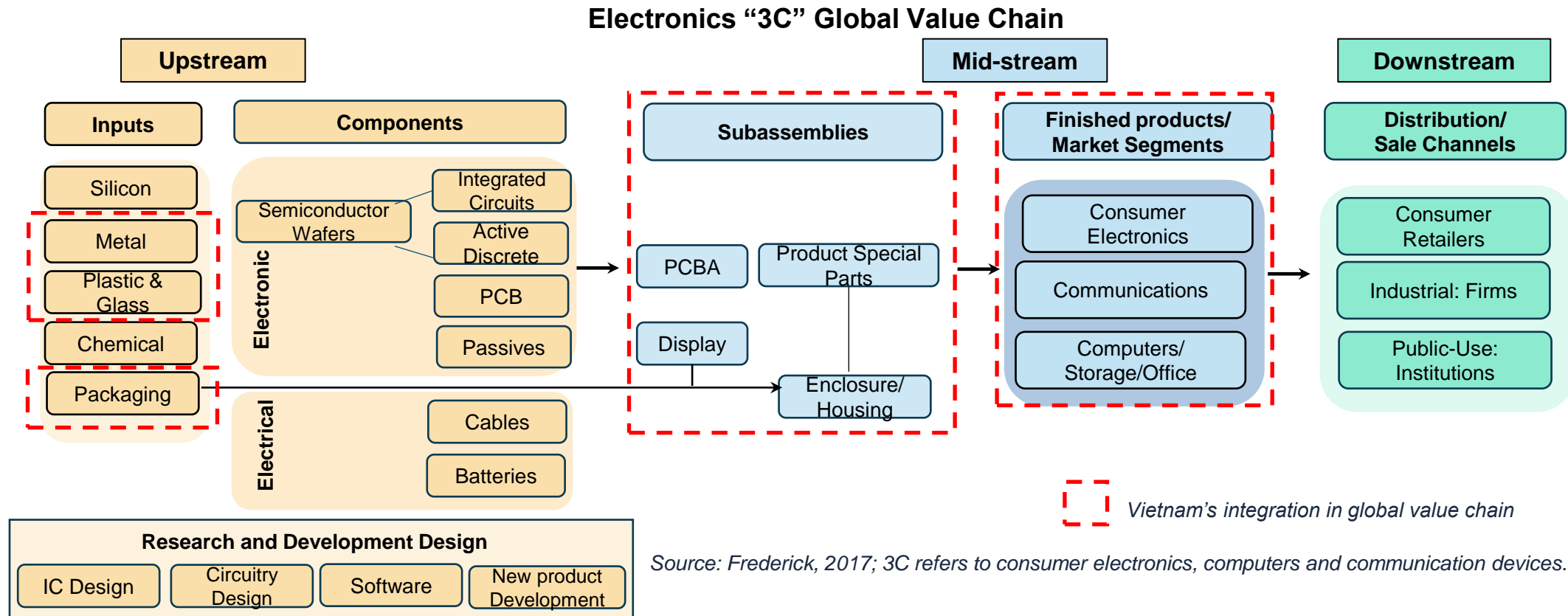
Source: UNCTAD

ORIGIN OF VALUE ADDED OF VIETNAM IN GROSS ELECTRONICS EXPORTS



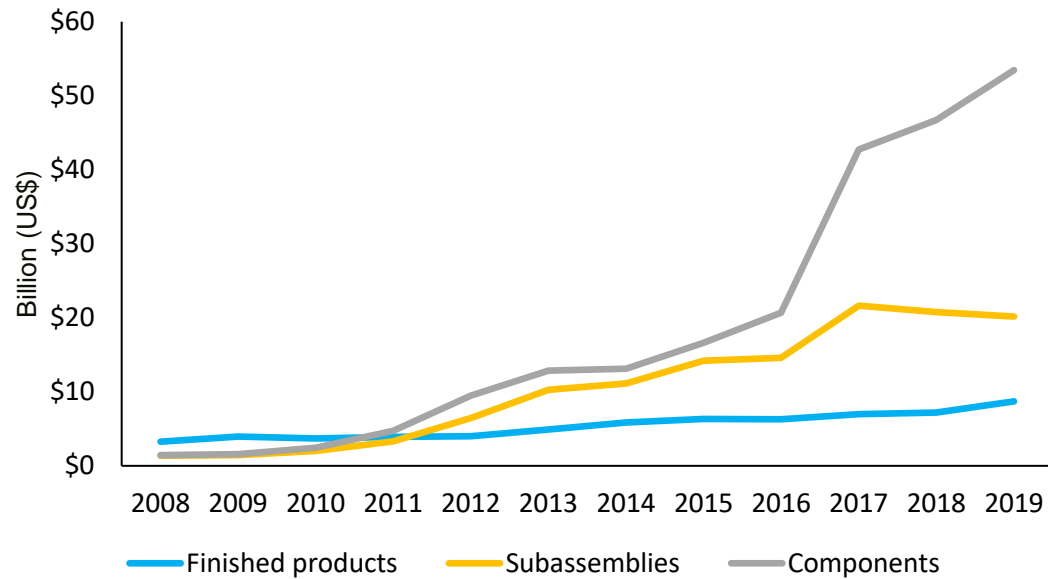
Source: OECD

Vietnam role in the global electronics value chain is limited to be an integrator of components

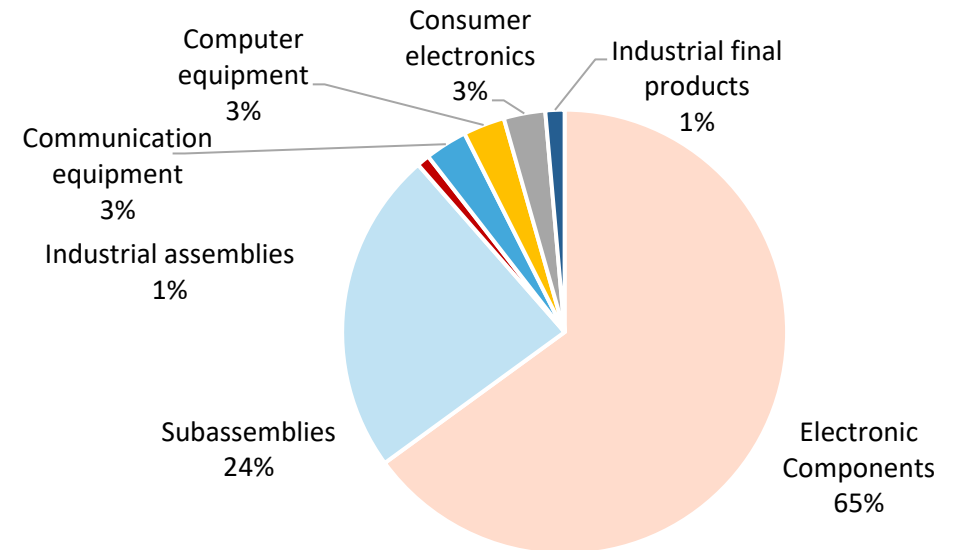


Vietnam heavily imports components and sub-assemblies

VIETNAM ELECTRONIC IMPORT VALUE BY CATEGORIES

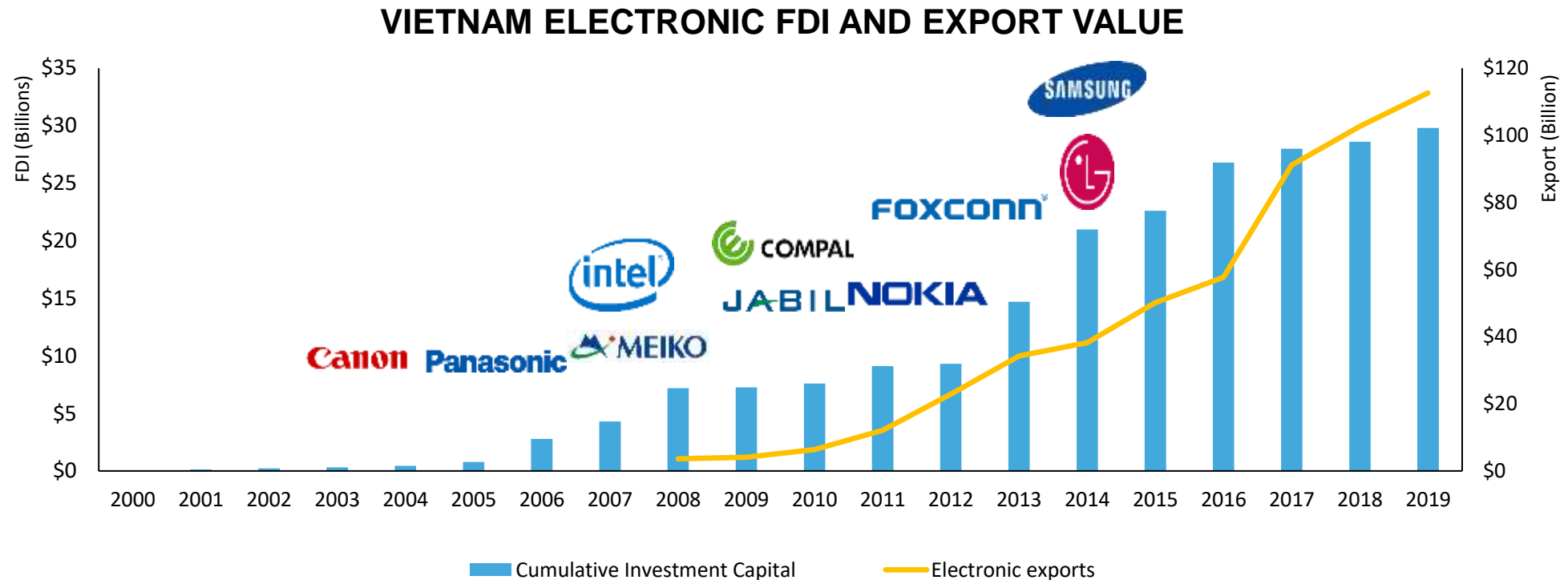


SHARE OF VIETNAM ELECTRONIC CATEGORIES IMPORT 2019



UNCTAD

Vietnam's electronic industry and exports are driven by foreign investors



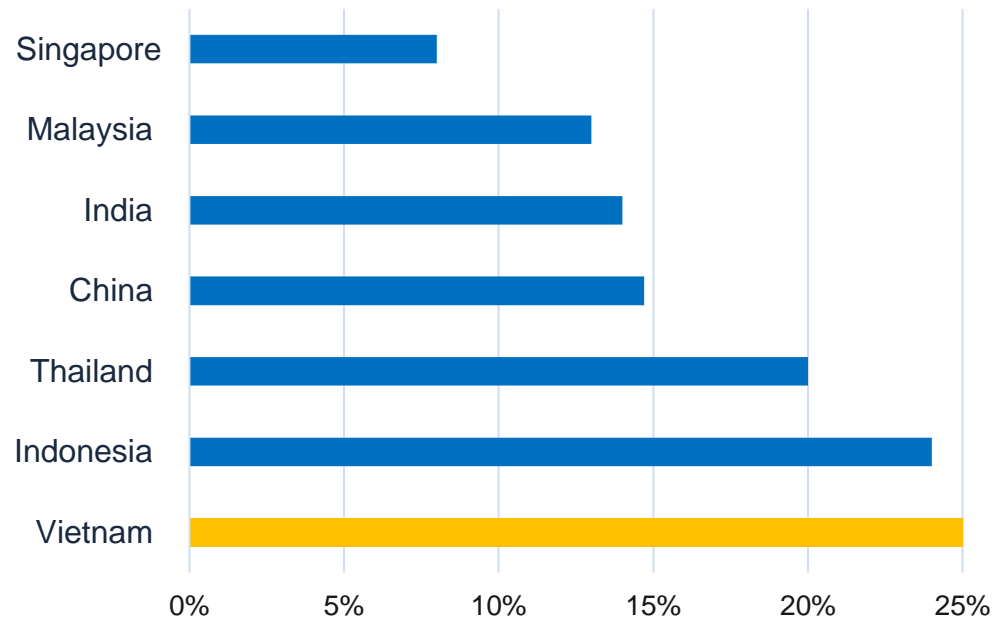
UNCTAD, FIA Vietnam

Vietnam's challenges



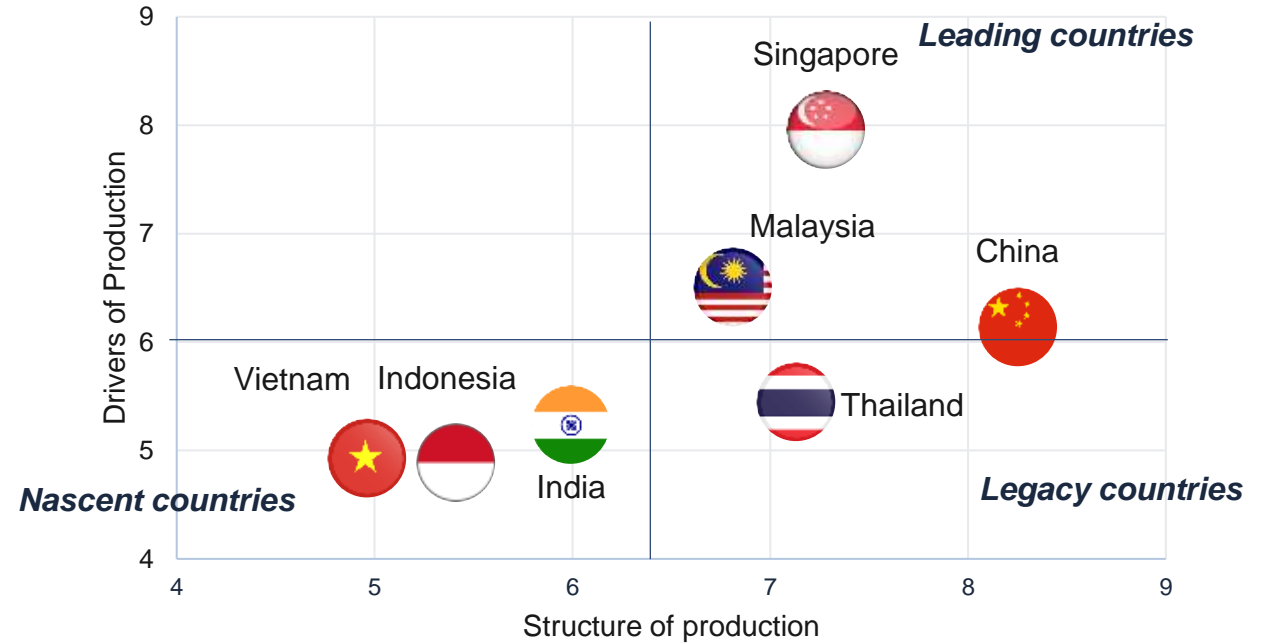
Infrastructure – high logistic cost and limited production capabilities

LOGISTICS COST AS PERCENT OF GDP



Source: DSA research

READINESS FOR THE FUTURE PRODUCTION



Details: http://www3.weforum.org/docs/FOP_Readiness_Report_2018.pdf

Labor force – low skilled

SIZE OF LABOR FORCE 2019



China

778 Mil



India

500 Mil



Vietnam

57.8 Mil



Thailand

39 Mil

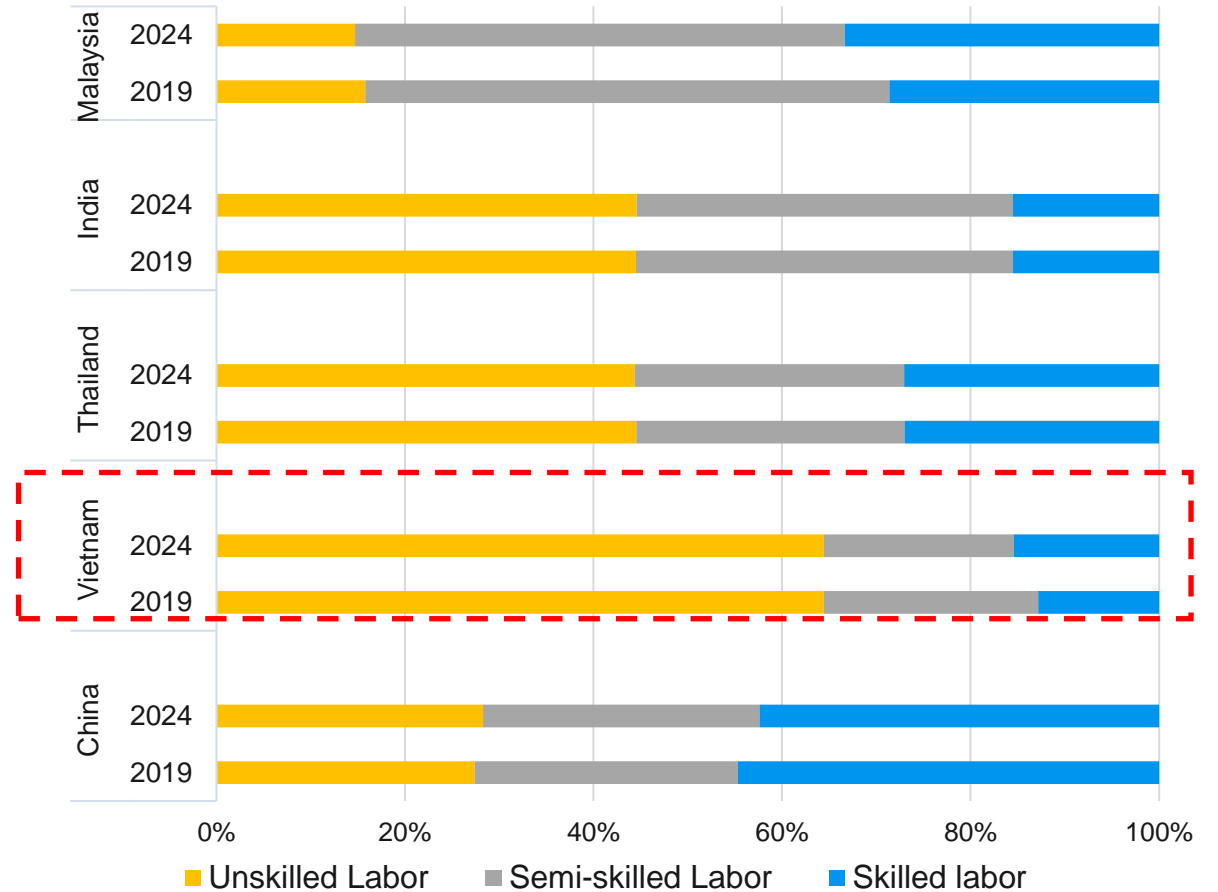


Malaysia

15.9 Mil

Source: World Bank

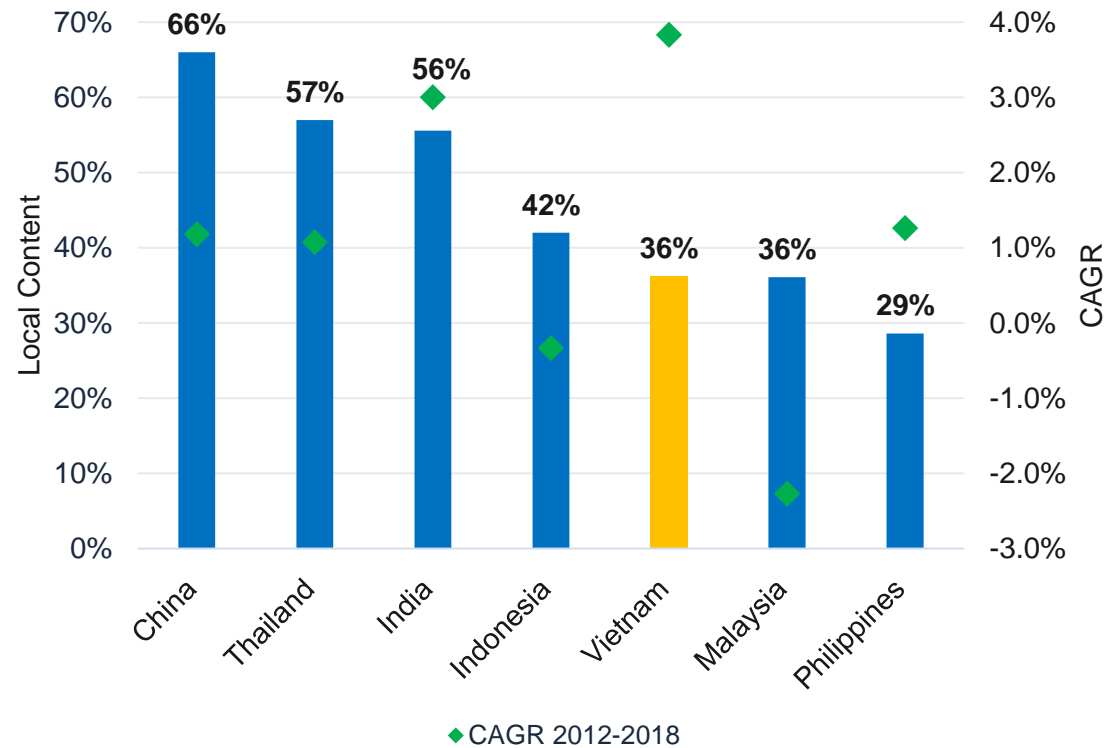
LABOR FORCE BROKEN DOWN BY SKILL LEVELS



Source: DSA

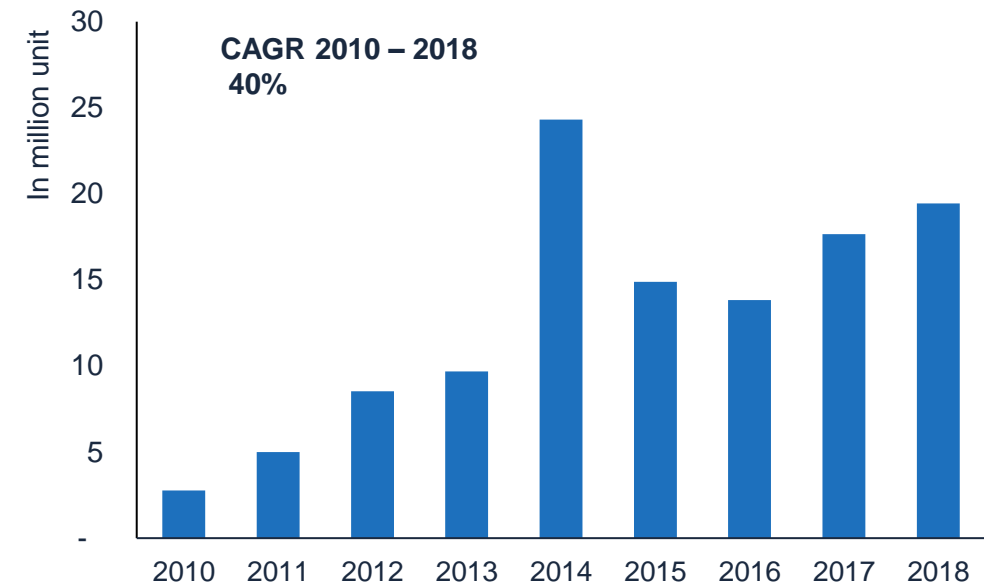
Weak supporting industry and low rate of local components

AVERAGE LOCAL CONTENT OF MANUFACTURING COMPANIES



Source: JETRO

PRODUCTION OUTPUT OF MAJOR ELECTRONIC COMPONENTS

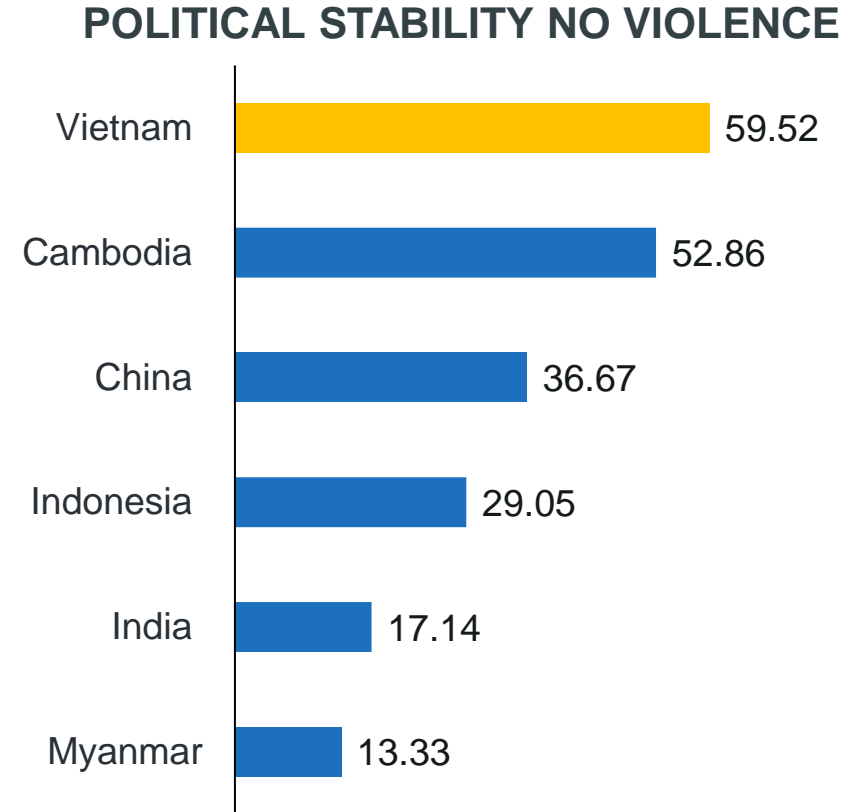
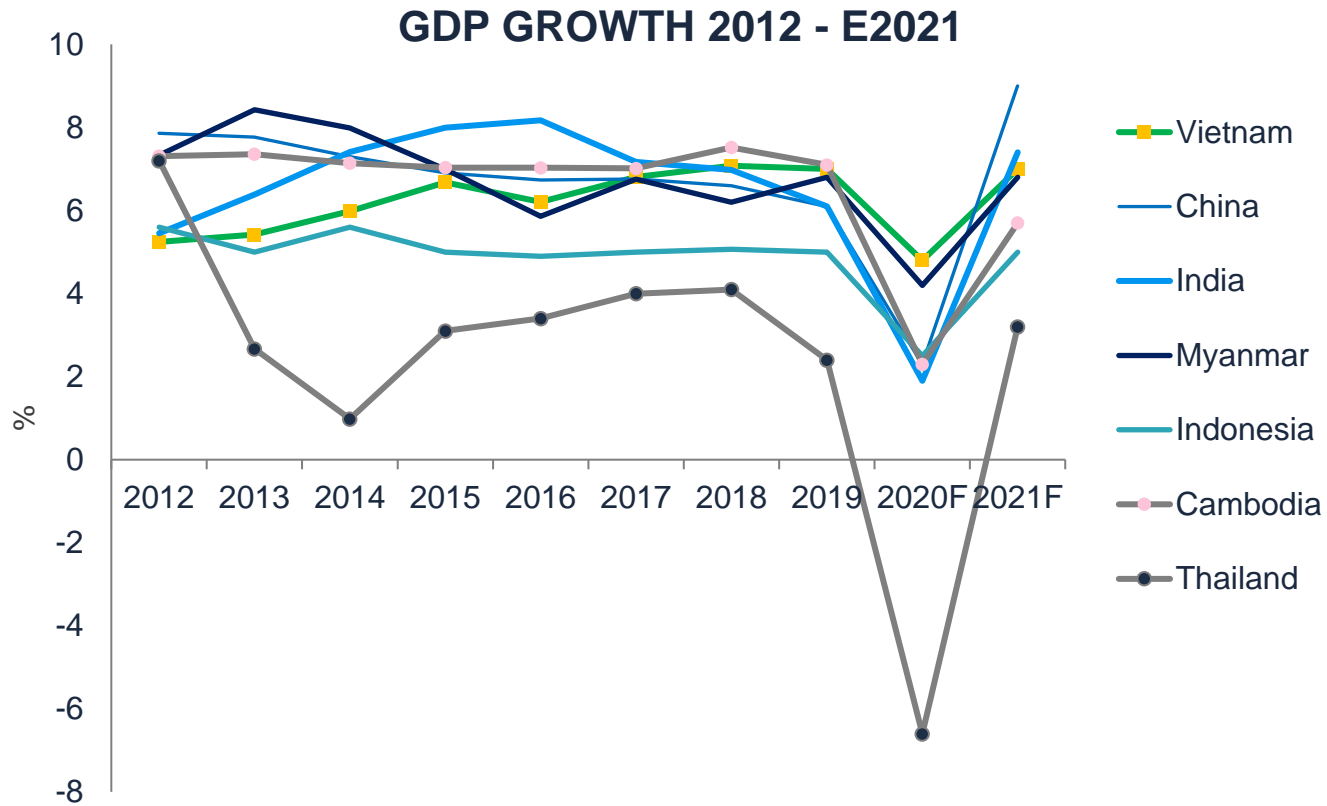


Source: GSO

Vietnam's strengths



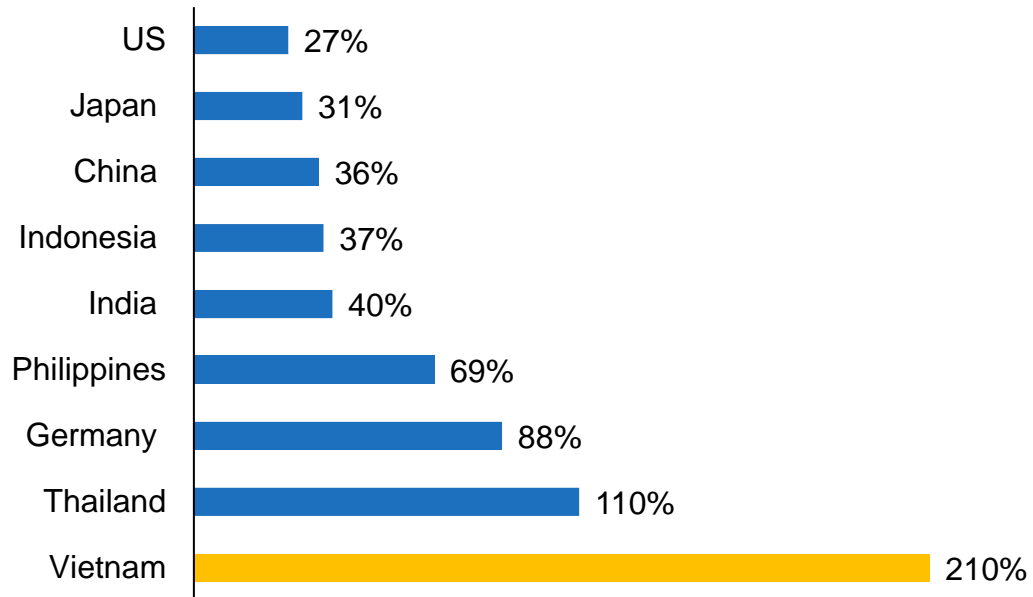
BUSINESS ENVIRONMENT – Economic and political stability



Source: World Bank

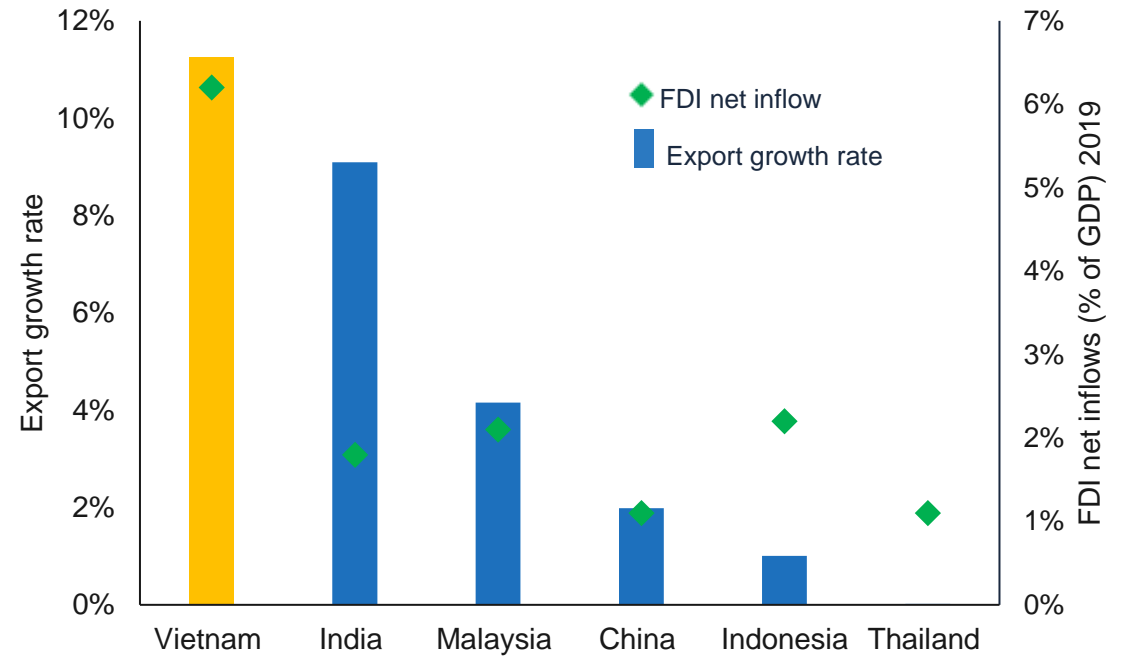
Country of growth

INTERNATIONAL TRADE AS A SHARE OF GDP 2019



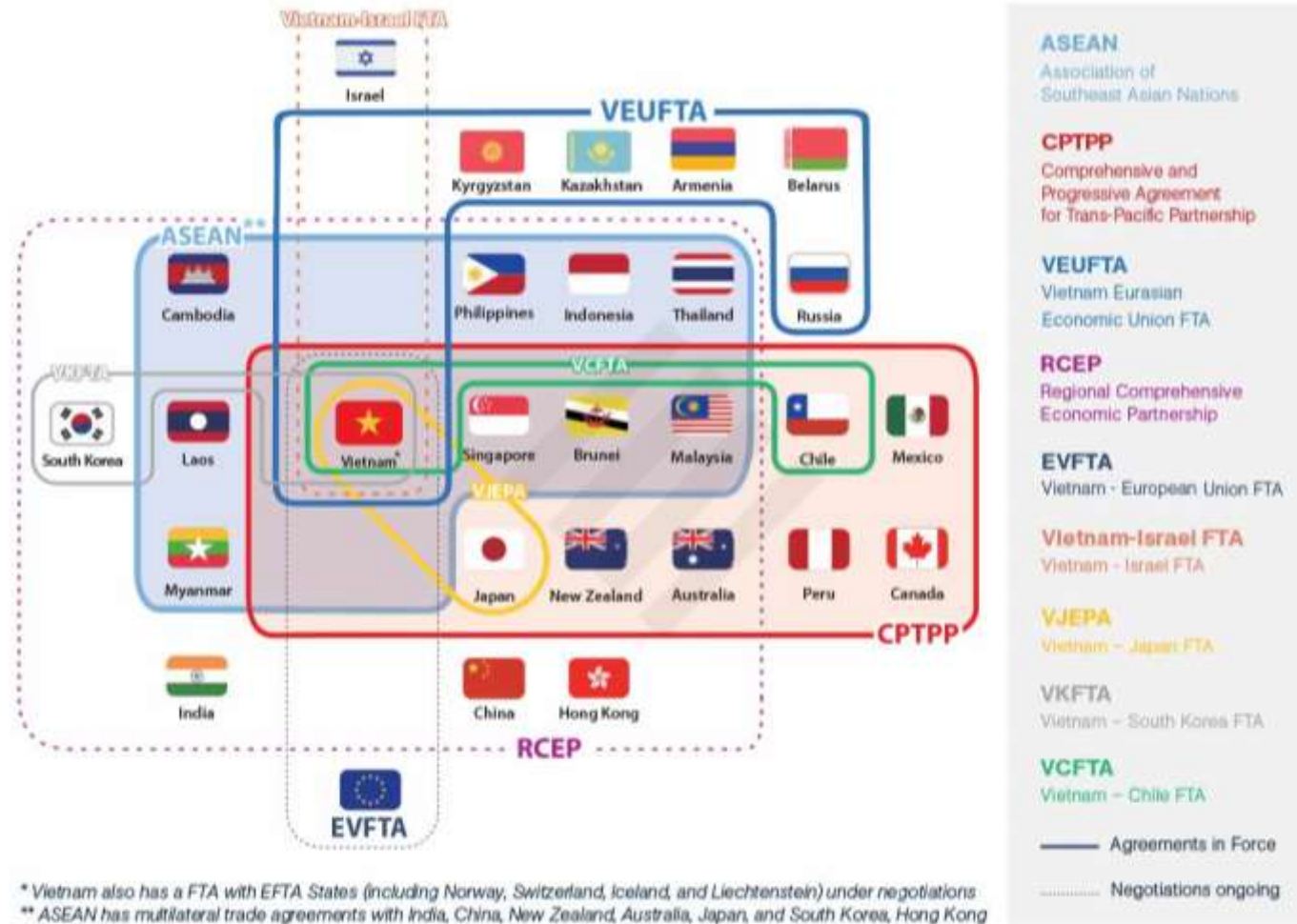
Source: World Bank

AVERAGE ANNUAL GROWTH RATE OF ELECTRONICS EXPORT 2015-2019



Source: World Bank, UNCTAD

An economy opens to trade



Source: WTO Center, VCCI

Graphic © Asia Briefing Ltd.

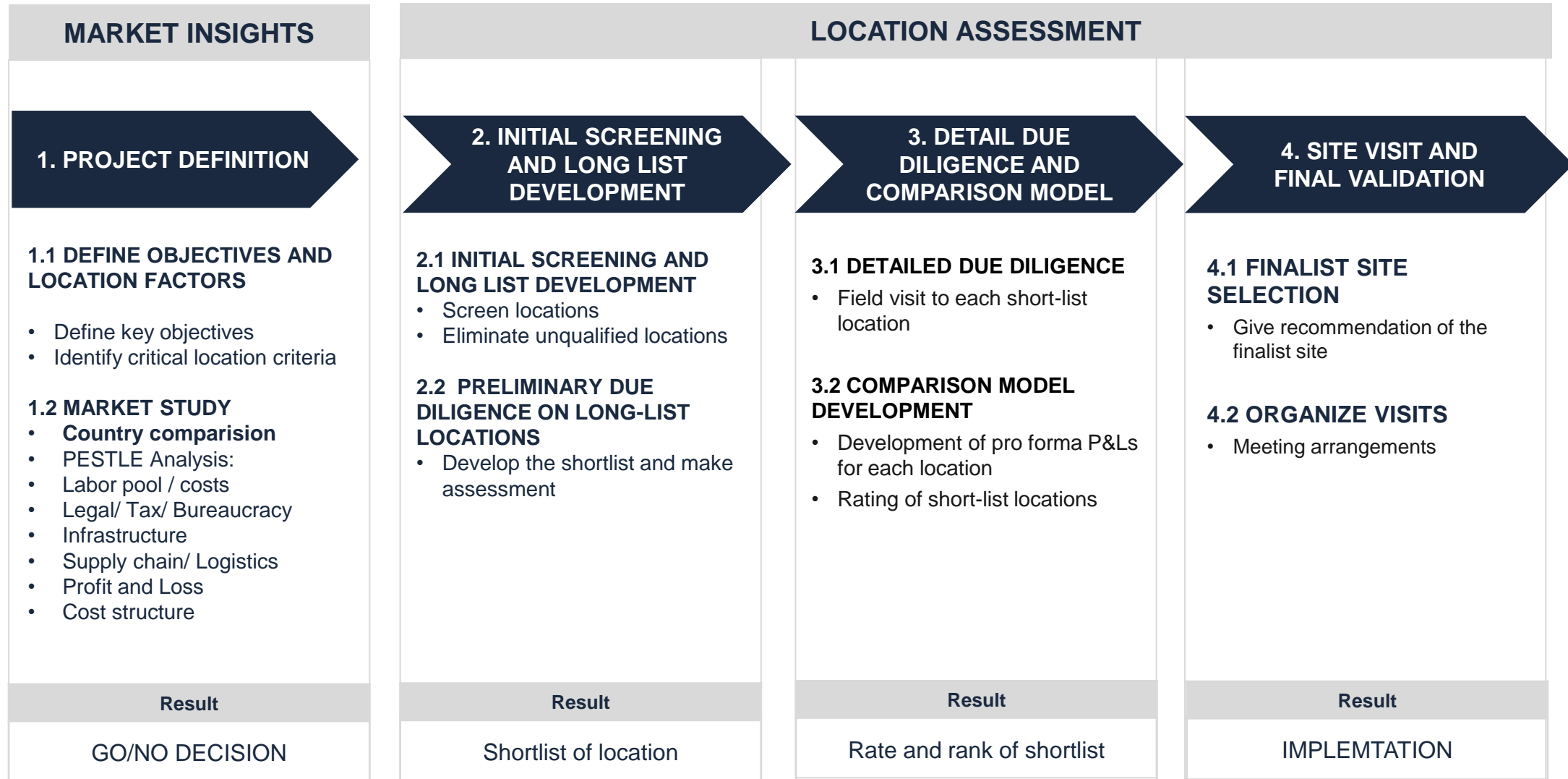
Government policy

	Incentives	Moving forward
Import/ export tariff Value added Tax	<ul style="list-style-type: none"> Electronic components are entitled to import tax of 0%. The tax of components imported for processing for foreign invested companies and export back to foreign companies are 0% Enterprise's experience imports tax rate of 0% for machine import in electronic component and raw material. 	<ul style="list-style-type: none"> Focus on IT Software and R&D system Manufacturing of ICT products based on developed front-back supply networks and accumulated manufacturing know-how Internet of things and 5G communication Linking backward to promote high valued added electronics products such as displays, semiconductor and other components
Income tax	<ul style="list-style-type: none"> Enterprises taking part in production of supporting industries will be granted corporate income tax incentive equal to Special Economic Zones and Hi-tech projects <ul style="list-style-type: none"> Preferential rate of 10% for 15 years Exemption for 4 years and 50% reduction of payable tax amounts for 9 subsequent years since taxable income 	
Labor policies	<ul style="list-style-type: none"> Enterprise can receive financial support from the Supporting Industry Development Program for human resource training in Special Economic Zones 	
Technology policies	<ul style="list-style-type: none"> The investment projects in Supporting Industry Development R&D can be partly funded, 50% of the cost for trial production project, 50% for the investment in research equipment 	

Our Methodology



OUR STRUCTURED PROCESS



Speaker





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Rebecca An is an Assistant Manager of Business Intelligence based at Dezan Shira & Associates' HCMC office. She has been involved with various site selection, partners and vendor identification and vetting and industrial market opportunity analysis studies. Ms. Rebecca has worked well with both MNCs, government agencies and local companies in variety of sector including manufacture, agriculture, electronics, F&B and other services sectors.

Prior working at Dezan Shira, she worked in trade and investment consulting, within research roles. She holds a BA in Management and Entrepreneurship from Lancaster University.

For more info please visit:
www.vietnam-briefing.com

The screenshot shows the Vietnam Briefing website homepage. At the top, there is a navigation bar with the logo "VIETNAM BRIEFING" and the tagline "From Greater Asia & Resources". To the right of the logo are search, language (EN), and subscribe icons. Below the logo is a purple navigation bar with categories: ECONOMY & TRADE, TAX & ACCOUNTING, LEGAL & REGULATORY, INDUSTRIES, and HR & PAYROLL.

The main content area is divided into two columns. The left column features a "FEATURED ARTICLES" section with a large article titled "COVID-19: How to Implement Decree 41 on Deferring Tax Payments". The article text states: "Vietnam Briefing highlights Decree 41 and procedures on how to implement the extension on tax and land rental fee payments for those affected by COVID-19." Below the article is a "TAX & ACCOUNTING" tag. To the right of the article is a large image of a hand using a calculator on a desk with a laptop and a cityscape in the background.

The right column features a "LATEST NEWS" section with three articles:

- June 04, 2020: Vietnam Business Operations and the Coronavirus: Updates (tagged HUMAN RESOURCES & PAYROLL)
- June 02, 2020: COVID-19: How to Implement Decree 41 on Deferring Tax Payments (tagged TAX & ACCOUNTING)
- May 29, 2020: COVID-19 in Vietnam: Travel Updates and Restrictions (tagged HUMAN RESOURCES & PAYROLL)

Below the featured article and latest news, there is a grid of three smaller article cards:

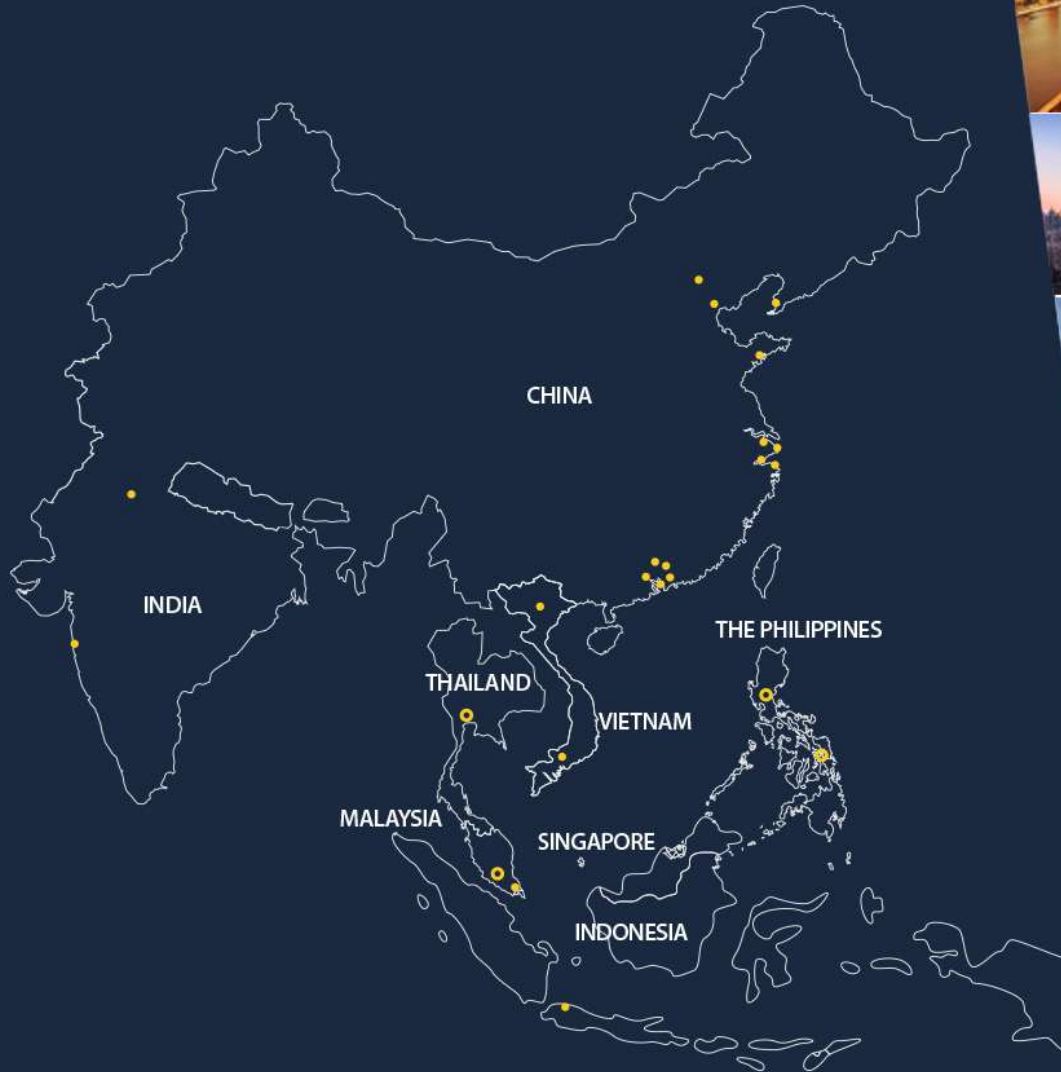
- Left card: "Vietnam Business Operations and the Coronavirus: Updates" (tagged HUMAN RESOURCES & PAYROLL) with a green virus icon.
- Middle card: "Vietnam Issues Investment Incentives for SMEs" (tagged LEGAL & REGULATORY) with an image of a boat full of colorful produce.
- Right card: "Vietnam's Business License Tax Exemption: Highlights of Decree 22" (tagged TAX & ACCOUNTING) with an image of people in a field wearing conical hats.

At the bottom right of the latest news section, there is a "SEE ALL >" link.



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