

VDF Workshop

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Supply Chain Management (SCM) as a Key Strategy to Induce Electronics FDI: Lessons from Malaysia

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SCM is an important prerequisite to attract FDI from multi-national companies (MNCs). In order to promote the development of SCM, Vietnam can learn from both the success and failure of Malaysia. Malaysia was very successful in agglomerating final assemblers and foreign parts suppliers because it offered basic infrastructure and institutional incentives such as low import tariff. The development of SCM, however, was interrupted, because local parts vendors could not supply sufficient necessary parts, such as bulky parts, for final assemblers.

Learning from the experiences of Malaysia, Vietnam should consider parallel strategies to agglomerate local parts vendors for advanced stage of SCM, as well as foreign companies (assemblers and parts vendors) for the beginning stage. In particular, it is important to consider how to achieve smooth technology transfer from foreign assemblers and parts vendors to local parts vendors.

In the free discussion, participants exchanged the view in various topics. A researcher stated that Vietnam did not need to domestically supply all the parts since it was sometimes better to import low-price parts. He also asked about the criteria to select the parts for localization. Dr. Ohno pointed out that agglomeration of foreign parts industries and local parts industries would not proceed sequentially but in parallel. He also proposed criteria for optimum parts localization by size of parts (bulky or compact) and nature of parts (specific or common).

Another questioned institutional differences between Malaysia and Vietnam, in order to step up to "Stage 2 & 3" (smooth parts imports and FDI from parts suppliers). Mr. Mori explained smooth logistics transaction in Malaysia. There was also an comment on current problems of customs procedures in Vietnam, which reduced the competitive advantages of Vietnam

The incentive for technology transfer was also discussed. A researcher had concerns that some MNCs did not have any intension to transfer technology in Vietnam, due to small domestic market in Vietnam.

Participants were mainly concerned with the concrete policy to develop appropriate SCM to compete with other East Asian countries. These topics will be continuously studied in VDF.