

This volume contains the policy proposal of the Motorbike Joint Working Group submitted to the Ministry of Industry of Vietnam in May 2007. The Motorbike Joint Working Group is a non-government group of producers, experts and officials which was formed in Spring 2006 to work jointly for the purpose of drafting the motorbike master plan.

This document is not the same as the motorbike master plan approved by the Minister of Industry and Trade in August 2007.

The Vietnam Development Forum (VDF) is a joint research project between the National Graduate Institute for Policy Studies (GRIPS) in Tokyo and the National Economics University (NEU) in Hanoi. VDF served as coordinator and secretariat of the Motorbike Joint Working Group.

## AN EXPLANATORY NOTE

This introductory note explains the background for the policy proposal contained in this volume.

### *MOI and VDF*

In Vietnam, a large gap has emerged between the old method of drafting economic policies and the rapidly changing reality under market-orientation and global integration. Many of the officials at the Ministry of Industry (MOI)<sup>1</sup> are well aware of this situation, and seek practical and concrete intellectual inputs to revise their policy formulation method.

Since its establishment in 2004, the Vietnam Development Forum (VDF), a policy research project between Vietnam and Japan, has cooperated closely with MOI to improve industrial policy. Many workshops, symposiums and publications were sponsored by VDF in cooperation with MOI for this purpose.

In 2005 and 2006, VDF and MOI organized three joint missions to Thailand, Japan and Malaysia to collect key industrial policy documents and study how these countries conducted industrial policies. From these missions we identified two major weaknesses of Vietnam's industrial policy formulation in comparison with the neighboring countries, namely, (i) the lack of stakeholder involvement, especially the business community; and (ii) the lack of inter-ministerial coordination, in the process of drafting, implementing and monitoring industrial policy<sup>2</sup>.

VDF and MOI continue to work together to take the initial step in improving policy formulation. The formation of the Motorbike Joint

---

<sup>1</sup> In August 2007, the Ministry of Industry was merged with the Ministry of Trade to become the Ministry of Industry and Trade. In this volume, the term *Ministry of Industry*, abbreviated MOI, is used throughout to indicate the Vietnamese ministry responsible for the motorbike industry. The terms *motorbike* and *motorcycle* are also used interchangeably.

<sup>2</sup> The missions' findings are published in VDF, *Industrial Policy Formulation in Thailand, Malaysia and Japan: Lessons for Vietnamese Policy Makers*, 2006, in Vietnamese and English. VDF also has a number of related publications on industrial policy, supporting industries, Japanese development, etc. free of charge in hardcopies or downloadable from [www.vdf.org.vn](http://www.vdf.org.vn).

Working Group and its activities to draft the motorbike master plan in 2006 and 2007 were part of such effort.

### *Initiation of joint work*

The drafting of industrial strategies and master plans<sup>3</sup> is the responsibility of the Industry Policy Strategy Institute (IPSI) under MOI. Apart from the Ministry's regular work schedule to draft key industrial master plans one by one, the drafting of the motorbike master plan was one of the 44 agreed items for action (Item no.41) in the Vietnam-Japan Joint Initiative Phase 1 (2003-2005) for the purpose of improving business environment with a view to strengthen Vietnam's competitiveness. The Japan International Cooperation Agency (JICA) dispatched an industrial expert, Mr. Taizo Otani, to IPSI in late 2005 to support the drafting process.

Subsequently, the drafting of the motorbike master plan was assigned to an IPSI team headed by Mr. Nguyen Anh Nam (see footnote 3 for the distinction between *strategy* and *master plan*). During 2005 Mr. Nam had sought VDF's advice in preparing another master plan (supporting industries). Mr. Nam re-approached VDF in early 2006 for joint work toward the drafting of the motorbike master plan, and VDF consented on the conditions that (i) the work must involve stakeholders deeply, especially major motorbike producers; and (ii) methodology, content and structure should not be constrained by past practices.

A small informal gathering was arranged to mutually introduce IPSI, experts, and major motorbike producers. In a separate meeting, VDF asked the general directors of Honda and Yamaha, the two largest motorbike assemblers in Vietnam, about their intention to actively participate in the drafting of the master plan. They both highly welcomed the opportunity to work with MOI although that would take a large amount of their time and the end result was still uncertain. Both IPSI and

---

<sup>3</sup> In Vietnam, it is customary to produce a short *strategy* (chiến lược) before drafting a more detailed *master plan* (quy hoạch). Both are submitted to prime minister or responsible minister, with possible revisions before final approval. The master plan is accompanied by a short summary document which is signed by prime minister or responsible minister for approval. The motorbike strategy was approved by the MOI Minister in September 2006 and the motorbike master plan was approved by the MOIT Minister in August 2007.

the two assemblers requested VDF to be the coordinator and facilitator of joint drafting. VDF supported the drafting process through networking, drafting, editing, translation and interpretation, logistic support, and additional funds supplementing the IPSI budget.

In April 2006, preliminary study meetings were organized to work out the scope, framework and time schedule. Participants included IPSI, Honda, Yamaha, Japanese industrial experts, and VDF. Subsequently, preliminary study meetings were upgraded to the Joint Working Group (JWG), which was officially recognized by MOI and the Vietnam-Japan Joint Initiative Phase 2 (2006-2008) as a joint drafting body of this master plan. The VDF and MOI signed an agreement for joint work in September 2006.

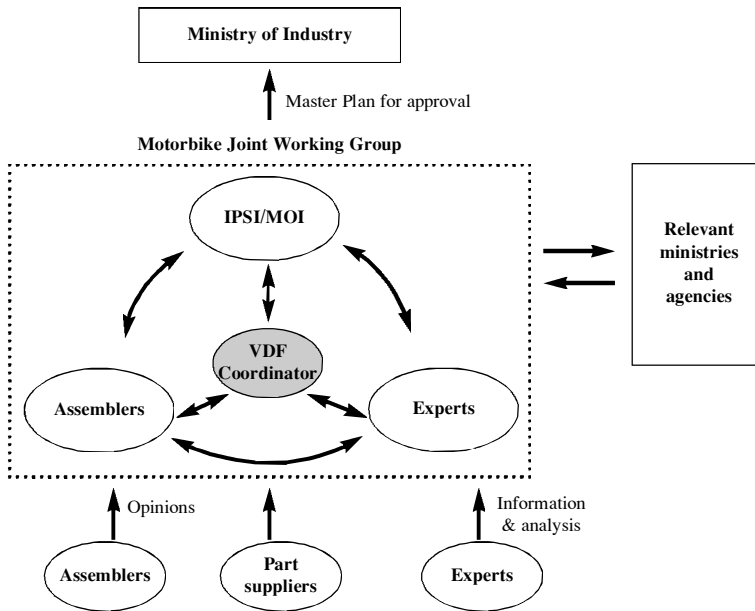
### *Purposes and activities*

The most important purpose of joint drafting, which deviated from MOI's existing procedure, was to produce a master plan which can be owned and supported by both producers and government. For this, joint work based on mutual trust was considered absolutely necessary from initial design to drafting and implementation. JWG also aimed to make progress in correcting the two weaknesses of Vietnam's policy formulation mentioned above, namely, the lack of stakeholder involvement and the lack of inter-ministerial coordination.

The diagram below shows the drafting framework. Within JWG, officials, assemblers, and experts were brought together under VDF's coordination. This triangular structure copies Thai industrial policy formulation under the Thaksin Administration but on a much smaller scale<sup>4</sup>. Due to limited financial and human resources, as well as the trial nature of this scheme, the size of JWG had to be kept small. It consisted

---

<sup>4</sup> Under the Thaksin Government (2001-2006), several industrial institutes were set up to activate policy making among businesses, officials, and experts. For example, the Thai Automotive Institute, headed by Mr. Vallop Tiasiri, played an instrumental role in tripartite dialogue as well as in drafting and implementing the automotive master plan. The Thai system differed from our framework in the following aspects: (i) official status of the institute; (ii) strong directives from the prime minister; (iii) much broader participation of stakeholders; (iv) direct private-sector access to the prime minister; (v) the fact that the master plan did not require official approval to be effective, etc.



of 10 core members (4 officials, 3 producers, 3 experts) and 8 non-core members<sup>5</sup>. JWG enjoyed active participation of members including the general directors of Honda and Yamaha. All JWG work was on a voluntary basis; no member or supporting staff received remuneration for their work.

Even with limited time and budget, involving as many stakeholders (assemblers, suppliers, officials, experts, and consumers) was regarded as very important. Using the information and networks of MOI and VDF, JWG communicated drafting information to all motorbike-related assemblers and suppliers that could be located and contacted. Assemblers other than top 3 and all of part suppliers, who were not JWG members, were consulted through factory visits and producer meetings organized in the North and South of the country.

---

<sup>5</sup> There were personnel rotations of general directors at both Yamaha and Honda toward the end of the drafting period. The new general directors replaced the old in JWG membership.

Transparency was also emphasized. Key drafts, minutes and resenation materials were posted in the VDF website ([www.vdf.org.vn/jwg.htm](http://www.vdf.org.vn/jwg.htm)) except in a few cases where sensitive corporate information had to be protected.

Throughout the drafting process, and especially during the first several months, a large amount of time was spent on administrative matters. Since JWG tried to break from the routine, many operational issues had to be debated and solved regarding official status, budgeting, time frame, allocation of responsibilities, etc. One issue that consumed a considerable amount of time was the nature of the document being drafted. The non-government members of JWG wanted assurance that their output would become the substantive core of the master plan, even with subsequent revisions, rather than an attachment or a reference paper<sup>6</sup>. Another issue was the deadline; JWG hoped to secure one-and-half years of work to produce a good draft, as administrative matters were sure to cut into the time available for discussing substance. However, MOI needed to produce tangible output within an annual budget cycle. Ultimately, the deadline of end May 2007 was agreed. This meant that JWG had about one year for drafting.

In all, JWG had 27 internal meetings. In April and May 2006, JWG mainly discussed administrative procedures. From May to August 2006, JWG held 9 brainstorming sessions to share basic information and identify possible issues. External experts were also mobilized for information and views. In September 2006, the skeleton draft was completed and drafting assignment by chapter was decided. Drafters included both JWG members and outside experts. Additional 14 meetings were held during drafting and one more meeting was held in October 2007 after the approval of the master plan.

On two occasions, in November 2006 and March 2007, JWG organized hearing sessions and related factory visits in the North and South to report drafting progress to motorbike assemblers and suppliers and receive their

---

<sup>6</sup> JWG did receive such assurance from MOI. However, the JWG final draft did not become the core document of the approved version as explained below.

opinions. Also in March 2007, VDF conducted consumer surveys on streets and in electronic media<sup>7</sup>, and organized a motorbike symposium in Hanoi. From January to March 2007, JWG received three groups of Japanese experts to assist the drafting work<sup>8</sup>. In addition, the results of the VDF-MOI joint survey of part suppliers in the North and South in February-March 2006, and ongoing VDF research in supporting industries, were also used as reference materials<sup>9</sup>. The JWG completed the final draft in Vietnamese and English and submitted it to MOI at end May 2007.

### *The JWG final draft*

The main features of the JWG final draft can be summarized as follows.

First, as intended, this document deviates significantly from the norm set by MPI for all master plans and by MOI for industrial master plans in particular, in both content and structure. The traditional master plan typically starts with the general review of domestic, regional and global markets. Vietnam's situations are further analyzed including positive and negative factors. Then the vision, targets, and plans were presented often with detailed instructions for production, investment, technology and geographical distribution. A list of policy measures, which are relatively short and without concrete actions or schedule, follows. At the end, allocation of responsibilities among different ministries and agencies is shown. Since this format was not suitable for what JWG intended to propose, a new structure was used instead. However, it remains unclear

---

<sup>7</sup> Street interviews were conducted from March 5 to 18, 2007 in Hanoi, HCMC and Can Tho with 1,981 respondents. Separately, online surveys were conducted in the websites of Vnexpress, Dantri, ThanhNien and VDF from March 5 to 20, 2007 with 7,763 hits (about 4,000 people). Both asked the same simple questions about the volume of motorbikes, and whether or how they should be controlled. The combined direct and online surveys showed that 50.3% preferred control with a roadmap, while 26.3% did not want any control and 23.4% wanted immediate control. Among those favoring control, 49.0% recommended administrative measures and 51.0% preferred economic measures. Although these surveys may not have been strictly scientific, they were nonetheless conducted to raise consumer awareness and publicize master plan drafting activities.

<sup>8</sup> Mr. Kiyoyuki Minato (Japan Automobile Research Institute) for air pollution analysis; Mr. Shosei Hiroe (Expect Consulting) for supporting industries; and Mr. Taisuke Kawashima (Yamaha), Mr. Hiroshi Nakagawa (Honda), and Japan Automobile Manufacturers Association (JAMA) officials for intellectual property rights.

<sup>9</sup> These are available in both hard and soft copies from VDF.

whether the indicated structure is required for official approval or just a guideline that may or may not be followed.

Second, unlike most other industrial master plans which are mainly concerned with supply-side issues, this document places equal weights on supply-side issues and social issues such as people's mobility and comfort, air pollution, and traffic congestion and accidents. This is a special feature of the Vietnamese motorbike industry which may not be repeated in other industries. MOI recognizes that FDI producers dominate and will continue to dominate the domestic motorbike market. For globally competitive FDI producers, support of the Vietnamese government in R&D, technology, finance etc. is hardly necessary. At the same time, in view of the fact that the motorbike has become such an important factor in Vietnamese life, uncontrolled growth of its use which causes serious damage should not be tolerated. The sound development of Vietnam's motorbike industry thus requires proper management of social issues related to motorbike use. This is the reason why social issues are highlighted as an area that requires effective policy actions.

Third, on the supply side, the government should present clear policy direction and assist Vietnamese producers to improve competitiveness, in which the promotion of supporting industries and industrial human resources are the key factors. The JWG final draft argues that production, investment, export, and choice of technology should be left to individual companies and market competition. The private sector is the leader and the government is the follower. The government should not hand down numerical targets to businesses unilaterally.

Fourth, to elaborate further on numerical targets, we do not think that numerical targets are always undesirable. If government and businesses trust each other and always work closely together, it is natural to have some indicative targets. For example, in the Thai Automotive Master Plan 2002-2005, output, export and localization targets were spelled out for automobiles and motorbikes. However, these targets were agreed by producers' collective initiative and not imposed by the Thai government. In Vietnam, however, trust and cooperation between government and businesses have not reached the level where numerical targets can be

safely set. Under such circumstances, unilateral setting of numerical targets without sufficient consultation with businesses only causes problems. That is why JWG did not propose any supply-side numerical targets.

Fifth, the JWG document contains a large amount of analysis on current situations. In many countries, industrial master plans do not dwell much on past or current situations and go directly into goals, action plans, and monitoring criteria. However, that the JWG document is verbose and explanatory is largely intentional. As we noted above, trust and cooperation between government and businesses is still weak in Vietnam, and we wanted to provide as many background materials as possible to foster common understanding on the status of the industry, a process we consider is still necessary in Vietnam. In the future, when government-business relations improve significantly, Vietnam will be able to draft leaner and more operational master plans.

Sixth, the JWG document was drafted by Vietnamese and Japanese authors. This partly reflects the fact that three out of four largest FDI motorbike assemblers in Vietnam are Japanese, and partly because of the difficulty of organizing a multinational group for an entirely new process like this. VDF's access to non-Japanese FDI companies was limited, and it had no time, budget or personnel to include others. However, when the inclusive process is well established and necessary resources become available, every master plan should seek participation of all related parties regardless of nationality.

Finally, while stakeholder involvement and inter-ministerial coordination were the two main goals for JWG, there was not enough time to activate the latter because JWG had only one year to complete the draft. By May 2007, JWG was able to stimulate participation of a fairly large number of stakeholders, but policy proposals were still general and unready to be discussed by relevant ministries, agencies and donors. Nevertheless, JWG still believes that concretizing actions, resources, timetables and monitoring criteria is crucial for effective implementation. It hopes to continue to assist in this matter provided that conditions are favorable.

JWG admits that its final document, produced under the constraints of time, budget and existing procedures, is far from perfect. It should however be

recognized that this is the first industrial master plan draft in Vietnam that was discussed jointly by government and major producers from the beginning to the end of the drafting process.

### *Revision and approval*

After the JWG final draft was submitted to MOI, it was reviewed by the MOI's master plan review committee. Internal views as well as the views of Vietnamese producers were heard. JWG was not informed of the plan for revision. While the internal review of the motorbike master plan was in progress, the government proposed to merge MOI and MOT and create the Ministry of Industry and Trade (MOIT), a proposal which was approved by the National Assembly in August 2007. There were also changes in ministers.

On August 29, 2007, news media reported the approval of the motorbike master plan by MOIT Minister Vu Huy Hoang. VDF obtained the text of the approved master plan, studied the content, and convened JWG to discuss it. Unfortunately, the approved master plan differed substantially from the JWG final draft<sup>10</sup>. While using a large amount of arguments and proposals of JWG, which amounted to 80% of the JWG final draft according to IPSI, the approved version was a newly drafted document rather than a revised JWG final draft.

Major differences included the following: (i) chapter structure was altered and reverted to something close to the traditional format; (ii) assertion that government should not impose numerical targets was rejected and such targets, including export and local supply targets, were inserted; (iii) the weight of supply-side issues was increased relative to social issues; and (iv) policy goals and supporting measures for enhancing local enterprises were newly introduced.

Non-government members of JWG regretted that such significant revisions were made and officially approved without consulting JWG in advance.

---

<sup>10</sup> The approved motorbike master plan is available from IPSI or VDF. An unofficial English translation will also be made available from VDF shortly.

While the JWG final draft did not become the core of the motorbike master plan this time, JWG wishes to report its drafting process, including achievements and limitations, and publish it for the record. Improvement of policy formulation is a long-term process. Members of JWG sincerely hope that Vietnam will overcome its policy problems and draft many effective industrial master plans in the future.

Hanoi, October 2007

The Motorbike Joint Working Group