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## **Vietnam's car market: a great open potential**

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Fuelled by wider opening of Vietnam's automobile industry to the outside world, and rising affluence of local people, the country's car market, though cooling down, will become effervescent in the coming years.

That the Vietnamese government has recently allowed the import of second-hand cars from May 1, one of moves indicating its commitments to regional and international integration roadmaps, will incite many people already in or currently on the verge of the moneyed classes to purchase less expensive foreign cars with different models.

Under a recent government decree on management of imports and exports in the 2006-2010 period and a provisional agreement reached by relevant ministries and sectors, second-hand cars eligible for import (having been used for no more than five years) will bear a tariff of 150 percent, compared with that of 90 percent imposed on new ones. Many local trading companies said there are four most potential markets from which Vietnamese traders import used cars: the United States, Australia, Laos and Cambodia.

According to estimation of the Traffic Police Bureau of Hanoi capital, after second-hand cars are imported into Vietnam, the number of both new and used automobiles being registered for circulation in the country will increase to 3,000-4,000 each month. Hanoi alone now houses 152,000 registered automobiles and 1.6 million motorbikes.

Besides the approval for used car import, Vietnam has recently lowered the special consumption tax on imported automobiles, which directly drive prices of foreign cars down, and indirectly make those of domestically-assembled automobiles to drop. Under the amended Law on Special Consumption Tax, the taxes on domestically assembled automobiles and those on imported ones are the same from Jan. 1: 50 percent for vehicles with no more than 5 seats ( compared with previous 80 percent), 30 percent for 6-15 seats, and 15 percent for 16-23 seats.

Earlier, carmakers in Vietnam benefited much from the state's protection policies. They enjoyed lower special consumption taxes, and relatively corporate income taxes for years.

To cope with potential influxes of imported second-hand cars and Chinese new vehicles with fine styles and competitive prices, many automobile joint ventures in Vietnam have recently lowered their products' prices by, on average, several percent. The selling price of Mercedes' C180K Classic was 54,999 U.S. dollars in mid-March, down from 59,200

dollars late last year, while that of Ford's Focus 1.6 LX was 32,000 dollars and 32,500 dollars, respectively.

In February, 11 automobile joint ventures in Vietnam made total sales of 1,467 units, including 358 cars with no more than 5 seats, down 3.3 percent against January, the Vietnam Automobile Manufacturers Association (VAMA) said, noting that Toyota Vietnam gained the lion's share of 44.9 percent, followed by Ford Vietnam with 19.2 percent.

The joint ventures sold a total of 35,264 vehicles in 2005, down 13.8 percent against 2004. Meanwhile, Vietnam imported 17,000 automobiles totaling 280 million dollars, seeing respective decreases of 24.3 percent and 13.2 percent against 2004, according to the country's General Statistics Office.

Local experts said the demand for automobiles of Vietnam with the current population of over 83 million people will remain high in the coming years, citing the country's high economic growth and low penetration of cars among local residents as major reasons.

Vietnam posted economic growth of 8.4 percent in 2005, up from nearly 7.8 percent in 2004. The average monthly income per capita in the country was 484,000 Vietnamese dong (over 30.4 dollars) from 2003 to 2004, up 36 percent against the 2001-2002 period, according to a recent survey by the statistics office.

By mid-2005, every 145 Vietnamese people had a car, compared with the rate of 4-5 in Malaysia, 9-10 in Thailand and 30-32 in the Philippines, the VAMA said.

In 2005, Vietnam licensed two automobile projects: a 60-million-dollar project with annual capacity of 10,000 units of Honda Vietnam, and a 70-million-dollar project with annual capacity of 15,000 trucks and buses of a Malaysia-Vietnam joint venture. Honda Vietnam plans to turn out first vehicles branded Civic in July.

Vietnam currently houses 13 automobile joint ventures with total registered capital of nearly 700 million dollars and combined annual capacity of 173,000 units, the VAMA said. Besides the ventures, it has many local firms specializing in producing some kinds of automobile parts and assembling low-cost automobiles.

Under a strategy on developing Vietnam's automobile industry, the country will encourage all economic sectors to produce components, especially those of engines, on large scale. Projects on manufacturing common-and special-use vehicles like buses, light lorries, tank trucks and ambulances are to enjoy incentives in terms of land, loan, technology transfer, and research and development, according to the country's Ministry of Industry.