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Development of Supporting Industries in Vietnam in The Context of Current Global Economic Volatility

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Abstract
Supporting industries play a crucial role in enhancing the competitiveness of the national industry and promoting the process of industrialization and modernization. In recent years, Vietnam has made certain progress in developing its supporting industries, particularly in the fields of mechanics, electronics, textiles and garments, and automobile component manufacturing. However, the capacity of domestic enterprises remains limited, the localization rate is still low, and dependence on imported components remains relatively high. In addition, the global economic context in 2026, with numerous fluctuations such as geopolitical tensions, supply chain disruptions, fuel price volatility, and inflationary pressures, has created new challenges for the development of the sector. This article analyzes the current state of supporting industry development in Vietnam, evaluates the challenges in the current global economic context, and proposes several solutions to promote the sustainable development of the industry in the coming period.

Keywords: *Supporting industry; Industrial development in Vietnam; Global supply chain; Economic volatility; Industrial policy.*

I. INTRODUCTION

In the context of national industrialization and modernization, supporting industries (SIs) are regarded as critical components underpinning the competitiveness of the broader economy. These industries encompass the production of essential inputs—including components, spare parts, raw materials, and technical services—that serve as foundational elements for key manufacturing sectors such as automotive, electronics, mechanical engineering, textiles and garments, leather and footwear, and high-technology industries. The development of supporting industries not only contributes to raising production localization rates but also reduces reliance on imports, increases the domestic value-added content, and promotes the sustainable growth of the national industrial sector over the long term. In recent years, Vietnam has positioned itself as a significant hub within the global supply chain by leveraging its competitive advantages. These include an abundant and cost-effective labor force, strategic geographical location, and progressively liberalized economic policies. Such favorable conditions have attracted substantial foreign direct investment (FDI) from multinational corporations operating in sectors such as electronics, automotive, and high technology. This influx of investment has provided Vietnamese enterprises in supporting industries with considerable opportunities to integrate into global value chains. However, despite these apparent advantages, empirical research reveals several obstacles faced by domestic firms in this sector. Challenges include limitations in production technology, insufficient capital scale, weak managerial competencies, and difficulties in meeting international technical standards. Simultaneously, the global socio-economic and geopolitical landscape has become increasingly complex. As of 2026, intensifying geopolitical conflicts in numerous regions, coupled with disruptions to global supply chains, energy price volatility, and widespread inflationary pressures, have created significant challenges for industrial production and, more acutely, for supporting industries. The rising costs of fuel, raw materials, and logistics have exacerbated production expenses, thereby undermining the competitiveness of locally produced goods. In light of these developments, it is imperative to evaluate the current state of Vietnamese supporting industries within the context of an evolving global economic environment. Such an assessment is vital not only for understanding the pressing challenges confronting this sector but also for identifying effective policy interventions to sustain its growth in an increasingly uncertain international landscape. This academic study aims to provide a systematic analysis of the current development trajectory of Vietnam's supporting industries, examine the multifaceted challenges imposed by global economic volatility, and propose strategic recommendations for fostering the sustainable progression of this critical sector in the coming years.

II. CONTENT

2.1. Concept and Role of Supporting Industries

Supporting industries encompass sectors dedicated to the production of components, spare parts, raw materials, and semi-finished goods essential for manufacturing final products. These industries serve as a

foundational pillar within modern industrial value chains, ensuring the stability of supply chains, reducing production costs, and enhancing the global competitiveness of industrial outputs. The significance of supporting industries is multifaceted. One of their primary contributions lies in increasing the localization rates within key sectors such as automotive, electronics, and mechanical engineering. Domestic production of components and parts decreases reliance on imports, thereby reducing costs and fostering a more autonomous production environment. This becomes particularly critical in the context of global supply chain disruptions, which are often exacerbated by economic or political instability. Moreover, supporting industries play a pivotal role in facilitating technology transfer and workforce capacity building. By participating in the supply chains of multinational corporations, domestic enterprises must meet stringent performance metrics related to product quality, production efficiency, and technological advancement. This not only enhances local capabilities in terms of technical expertise and innovation but also drives holistic industrial development within the country. In addition to their technological and operational contributions, supporting industries significantly impact economic and social dimensions. They generate employment opportunities and catalyze regional economic development. The formation of industry clusters surrounding major manufacturing hubs creates integrated industrial ecosystems that improve overall production efficiency. These dynamics contribute to sustainable economic growth both at the regional and national levels.

2.2. Current Situation of Supporting Industry Development in Vietnam

In recent years, Vietnam's supporting industries have made noteworthy advances due to growing investments in the processing and manufacturing sectors as well as increased integration of multinational corporations into the domestic market. According to data from the Ministry of Industry and Trade (MOIT) and the Vietnam Chamber of Commerce and Industry (VCCI), approximately 7,000 enterprises in Vietnam currently operate across various sectors of the supporting industries, including mechanical engineering, electronics, automotive manufacturing, textiles, and high technology. Despite this progress, only a small fraction of these enterprises have successfully embedded themselves into global supply chains. Currently, about 300 Vietnamese companies are directly involved in the supply networks of major international manufacturers such as Samsung, Toyota, Honda, and LG. This reflects persistent challenges for local enterprises in meeting the rigorous standards required by multinational firms, particularly in areas such as product quality, technological capability, and production management. One significant hurdle for Vietnam's supporting industries is their relatively low localization rate compared to other countries in the region. Data from MOIT indicate that Vietnam's average localization rate across industrial sectors stands at approximately 36.6%, trailing behind regional counterparts such as China (67.1%), Thailand (58.4%), and India (53.3%). Disparities also exist among individual sectors within Vietnam. For instance, the textile and footwear industries exhibit higher localization rates at approximately 45–50%, owing to established domestic supply chains for raw materials and accessories. On the other hand, sectors such as mechanical engineering display much lower localization rates of 25–30%, while the electronics industry struggles with an estimated 5–10% localization rate due to an ongoing dependence on imported critical components like chips, sensors, and circuit boards. Another pressing challenge is the small scale of most Vietnamese supporting industry firms. A significant proportion consists of small- and medium-sized enterprises (SMEs) that face financial constraints when investing in advanced technology or engaging in research and development (R&D). Indeed, these enterprises account for a mere 4.5% of all firms operating in Vietnam's processing and manufacturing sectors—a figure that underscores their limited role relative to their potential contribution to the industrial landscape's growth and evolution.

2.3. Challenges Facing Vietnam's Supporting Industries in the Global Economic Context of 2026

By 2026, Vietnam's supporting industries are expected to encounter significant challenges spurred by shifts in the global economic and geopolitical landscape. Chief among these challenges are the intensifying geopolitical tensions in strategically critical regions, particularly those integral to the supply of energy and industrial raw materials. These disruptions have led to instability within global supply chains, causing a pronounced escalation in transportation and logistics costs. One major consequence of these dynamics has been heightened volatility in fuel prices, especially for oil and natural gas, between 2024 and 2026. This volatility has resulted in increased production and delivery costs for manufacturing industries. Small and medium-sized enterprises (SMEs) in Vietnam's supporting industries, which often operate with limited financial resources, may struggle to absorb such cost pressures, thus eroding their competitiveness in global markets. Economic challenges are further compounded by inflationary trends across major global economies, which have significantly curtailed consumer purchasing power. As a result, declining demand has prompted manufacturing firms to scale back production orders, directly affecting suppliers of components and spare parts. This development could lead to stagnation, or even contraction, in the growth of Vietnam's supporting industries. Vietnam's heavy dependence on imported raw materials introduces an additional layer of vulnerability. Current statistics indicate that over 80% of the country's annual import expenditure is allocated to materials, components, and equipment essential for industrial activities. This indicates that the nation's industrial base remains highly reliant on external supply

chains, which is particularly precarious amid the rising geopolitical volatility and disruptions to global trade flows. Such dependence poses sizeable risks for the stability of domestic manufacturing operations.

2.4. Emerging Opportunities for Growth in Vietnam's Supporting Industries

Despite these pressing challenges, Vietnam's supporting industries are also well-positioned to leverage emerging opportunities arising from a reconfiguration of global supply chains. The interplay of post-pandemic economic recovery and heightened geopolitical uncertainties has prompted multinational corporations to diversify their sourcing strategies, reducing reliance on traditional supplier markets. This structural shift within global trade dynamics presents substantial opportunities for countries like Vietnam to play a more prominent role in these reconstituted supply networks. A 2024 survey conducted by the Japan External Trade Organization (JETRO) highlighted that more than 56% of Japanese enterprises operating in Vietnam plan to expand their investments within the next one to two years, with a focus on manufacturing and industrial production sectors. This signals Vietnam's increasing strategic importance as a vital link in Asia's regional supply chain. Emerging high-growth sectors such as electric vehicles (EVs), renewable energy, and advanced technologies further fuel demand for products produced by supporting industries. For instance, the burgeoning EV sector requires a diverse range of components such as battery systems, electric motors, electronic devices, and advanced sensors. By strategically capitalizing on these opportunities, Vietnamese supporting industry firms can enhance their participation in global value chains and elevate their competitiveness internationally. In parallel, the robust expansion of Vietnam's processing and manufacturing industries offers additional impetus for the development of supporting sectors. Statistics from the General Statistics Office indicate that Vietnam's industrial production index increased by approximately 11.3% in 2024 compared to the previous year, marking a strong recovery following sluggish global economic conditions. This positive trajectory not only underscores the resilience and dynamism of Vietnam's manufacturing sector but also highlights the growing demand for domestically-produced components and spare parts. Such developments serve as key drivers for advancing Vietnam's supporting industries and fostering their sustainable integration into the global industrial ecosystem.

2.5. Solutions to Promote the Development of Supporting Industries in Vietnam

Advancing the development of supporting industries amid the uncertainties of a highly volatile global economy calls for well-coordinated and strategic efforts. This requires active cooperation among governments, businesses, and research institutions to foster an ecosystem conducive to sustainable growth. To begin with, government policies should focus on enhancing the structural framework needed to support these industries. This includes offering fiscal incentives, improving access to credit, and facilitating technological advancements. Targeted programs that enhance enterprises' technological capabilities and drive innovation are vital for boosting the competitiveness of local businesses. Strengthening ties between domestic companies and foreign direct investment (FDI) entities is another key priority. Facilitating the integration of Vietnamese firms into global supply chains by linking local businesses with multinational corporations can help close knowledge gaps. Such initiatives will enable domestic enterprises to meet international production standards and adopt advanced management practices. Moreover, increased investment in research and development (R&D) is indispensable. Special emphasis on high-value-added areas like advanced materials, electronic components, and smart manufacturing technologies is necessary. Collaborative projects between universities, research bodies, and industry leaders can nurture innovation, create advanced technical solutions, and accelerate the transfer of technology critical for advancing supporting industries. Additionally, building a well-trained technical workforce is fundamental to ensuring the sustainable progress of these industries. Vocational training programs must align with the operational demands of businesses and continuously adapt to incorporate new manufacturing technologies such as automation, industrial robotics, and artificial intelligence.

III. Conclusion

In conclusion, supporting industries remain a cornerstone of Vietnam's efforts to enhance industrial competitiveness and achieve its goals of industrialization and modernization. While incremental progress has been made in recent years, challenges such as small firm sizes, limited technological capacity, and insufficient global supply chain integration persist. Looking ahead to 2026, the global economic environment—characterized by geopolitical tensions, fluctuating energy prices, and inflationary pressures—presents significant risks to these industries. Nevertheless, shifts in global supply chain strategies and the emergence of innovative industrial sectors offer Vietnam valuable opportunities to accelerate its growth. Seizing these opportunities will demand strong collaboration among government agencies, business leaders, and research institutions to build a resilient and dynamic ecosystem for supporting industries. Focused investments in technological development and supply chain integration will be crucial in achieving both competitiveness and long-term sustainability. With these strategic actions, Vietnam's supporting industries are well-positioned to make meaningful strides toward securing a robust future in the rapidly evolving global economy.

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