

# **VIETNAM'S TOY MANUFACTURING STATE OF 'PLAY' AND OPPORTUNITIES FOR GROWTH**



**2025**

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# Introduction

The global Toy industry is a dynamic and resilient sector, driven by innovation, creativity, and economic contributions. Despite a 2% decline in 2023 following the post-pandemic correction, the industry has maintained an average annual growth rate of 3.3% since 2018. Key trends shaping the market include the expansion of the kidult segment, with consumers aged 15+ growing by 103% since 2018, and the increasing market share of licensed Toys, which reached record highs in 2023. Collectibles continue to outperform the industry, now comprising over 18% of total Toy sales, while sustainability and second-hand Toys are gaining traction, particularly in developed markets.

In Asia Pacific, the Toy market remains a dominant force, generating USD 28.9 billion in 2023, with steady growth despite market adjustments. The region accounted for nearly half of all new global Toy sales from 2017 to 2022. While China faces regulatory challenges, emerging markets like ASEAN are driving regional expansion. Forecasts indicate continued demand for STEM and educational Toys, construction sets, and licensed character Toys, alongside the increasing dominance of video games and mobile gaming.

Vietnam is rapidly emerging as a global Toy manufacturing powerhouse, offering a competitive production ecosystem, skilled labor, and strong Government support for industrial growth. The country has already cemented itself as a key supplier of licensed Toys, producing a significant share of internationally recognized brands and character-driven products. With the increasing dominance of licensed Toy sales worldwide, Vietnam's role in supplying this fast-growing segment positions it as a critical hub for global Toy production.

Vietnam's geographic advantage—strategically located within ASEAN and near major shipping lanes—enhances its appeal as a cost-effective, reliable export hub. The country benefits from free trade agreements that facilitate smoother access to key markets, including the U.S., EU, and Japan. As supply chain diversification remains a priority for global Toy brands, Vietnam is well-positioned to absorb production shifts away from China and strengthen its role in the global Toy ecosystem.



## Vietnam's Toy Manufacturing State of 'Play' and Opportunities for Growth

Sustainability is also becoming a key differentiator for Vietnam. The country is increasingly investing in eco-friendly manufacturing practices, including the use of recyclable materials, renewable energy, and sustainable packaging solutions. With international Toy companies prioritizing ESG (Environmental, Social, and Governance) commitments, Vietnam's growing focus on green manufacturing aligns with global industry trends, making it an attractive destination for responsible Toy production.

The modern Toy manufacturing industry in Vietnam is not only about production capacity but also about meeting high standards in health, safety, security, and environment (HSSE), as well as workforce development and job creation. As demand for high-quality, safe, and innovative Toys continues to rise, Vietnam has the potential to become one of the world's most important Toy production centers. This White Paper explores how Vietnam can leverage these strengths to attract greater foreign direct investment (FDI) and solidify its position as a leading player in the evolving global Toy industry.

This White Paper aims to provide a comprehensive overview of Vietnam's Toy manufacturing industry, with a focus on identifying the current state of the industry, the challenges it faces, and the opportunities available for growth.



# Executive Summary

Vietnam is rapidly emerging as a key global hub for Toy manufacturing, driven by its competitive labor costs, strong trade agreements, and growing industrial capabilities. As global supply chains shift, the country presents a viable alternative to China, attracting major Toy brands such as LEGO, Mattel, and Hasbro. With licensed Toys, STEM-based products, and sustainable manufacturing leading global trends, Vietnam is well-positioned to capitalize on these opportunities. However, to fully realize its potential, targeted policy support and infrastructure investments are needed to strengthen its Toy manufacturing ecosystem, workforce, and export competitiveness.

## Key Findings

- **Global Market Growth:** The Toy industry continues to expand, with Asia Pacific generating USD 28.9 billion in 2023, and expected to grow further, driven by kidult demand, collectibles, and sustainability trends.
- **Vietnam's Competitive Edge:** The country offers cost-effective production, proximity to ASEAN markets, and strong free trade agreements (FTAs), making it attractive for international Toy brands.
- **Localization & Supply Chain Strengthening:** While Vietnam has localized plastics, packaging, and basic electronics, tooling, some important areas such as tooling, high-value components, and precision parts remain underdeveloped and heavily reliant on imports.
- **Workforce Development:** Vietnam must invest in vocational training, automation skills, and Toy-specific engineering programs to meet increasing labor demands.
- **Sustainable & High-Tech Manufacturing:** Growing focus on renewable energy, eco-friendly materials, and compliance with global safety standards enhances Vietnam's appeal to ESG-conscious investors.

# Key Messages

To maximize Vietnam's potential as a global Toy manufacturing hub, the Government should:

- **Recognize Toy Manufacturing as a Priority Industry** – Unlock tax incentives, duty exemptions, and investment support to attract FDI and local industry growth.
- **Strengthen Intellectual Property (IP) Protections** – Enhance laws and enforcement against counterfeit Toys to safeguard innovation and international trade credibility.
- **Invest in Infrastructure & Logistics** – Expand industrial zones, upgrade Cai Mep-Thi Vai port, and establish direct flight routes (e.g., Hai Phong to Hong Kong) for faster exports.
- **Develop a Skilled Workforce** – Implement Toy-focused training programs in automation, engineering, and design, ensuring a steady pipeline of skilled labor.
- **Promote Sustainable Manufacturing** – Provide tax breaks for eco-friendly materials, renewable energy adoption, and circular economy initiatives.

*With proactive Government support, Vietnam can solidify its position as a global leader in Toy manufacturing, creating jobs, strengthening supply chains, and driving export growth. By prioritizing investment, innovation, and sustainability, the country can become a trusted manufacturing destination for the world's top Toy brands, fueling long-term economic prosperity.*

# Characteristics of the Modern Toy Manufacturing

The Toy industry is a diverse and multifaceted sector, encompassing a wide range of products and production approaches. From electronic and interactive Toys to traditional plush and educational Toys, each segment of the industry has distinct manufacturing requirements and market demands. This diversity shapes the industry's structure and influences how manufacturers approach production and investment.

Some segments, such as electronic and certain plastic Toys, are automated, utilizing manufacturing technologies to maintain efficiency and consistency. These automated processes allow for the mass production of standardized items. However, other segments, like plush Toys, dolls and handmade crafts, remain labor-intensive, relying heavily on skilled craftsmanship and manual processes to ensure quality and detail. This blend of automation and labor intensiveness defines the Toy industry's production landscape, where flexibility is often as crucial as efficiency.

Another defining characteristic of the Toy industry is its demand for short lead times and the production of small-to-medium volumes. Seasonal trends, rapidly changing consumer preferences, and the importance of timely delivery mean that manufacturers must be agile, able to produce on demand with minimal delay. This need for flexibility makes the industry exceptionally cost-sensitive, as maintaining competitiveness requires keeping production costs low while still meeting high standards of quality and safety.

Understanding these complexities is essential to appreciate the challenges and opportunities facing Vietnam's Toy manufacturing sector. The modern Toy manufacturing industry is evolving, aligning with global trends that prioritize innovation, quality, and sustainability. As Vietnam strengthens its position as a key player in the global Toy supply chain, several features define its modern manufacturing landscape.



## Manufacturing Technologies

Vietnamese Toy manufacturers are increasingly adopting advanced technologies to enhance production efficiency, improve product quality, and meet international standards. Key technologies include:

- Computer aided part design & tool build
- Process automation approach.
- In-line digital printing.
- 3D printing for jigs & fixtures.
- Auto-spray painting and packaging with robotic arms.
- Visual inspection quality system.
- Laser cutting & marking.
- Smart factories with IoT to monitor real time performance and efficiency.

## Workforce

The modernization of Vietnam's Toy manufacturing industry is also characterized by a strong focus on workforce development. As manufacturing processes become more complex and technology-driven, the demand for skilled labor is rising.

- **Training and Skill Development:** To keep up with technological advancements, Vietnamese manufacturers are investing in training programs for their workers. These programs cover a range of skills, from operating advanced machinery to understanding international quality standards.
- **Creation of Well-Paid Jobs:** The shift towards more sophisticated manufacturing processes has led to the creation of better-paying jobs in the Toy industry. Skilled positions, such as machine operators, quality control specialists, and CAD designers, offer higher wages than traditional assembly line roles. This trend is helping to elevate the standard of living for workers and is contributing to the development of a more stable and motivated workforce.

However, Vietnam's education system, including higher education, lacks industry-specific knowledge. To address this gap, industry players have begun collaborating with universities to help develop specialized skills in Toy product design and development.



# Health, Safety, Security, and Environment (HSSE) Standards

The Toy industry in Vietnam is increasingly aligning with global HSSE standards to ensure the safety of workers, the protection of the environment, and the security of supply chains. This alignment is driven by both regulatory requirements and consumer expectations.

- **Worker Safety:** New manufacturing technologies are being used to create safer working environments. Automated systems reduce the need for manual handling of dangerous materials, and safety sensors are installed to prevent accidents. For example, some factories in Hanoi have implemented a comprehensive safety management system that includes real-time monitoring of production lines to detect potential hazards before they cause harm.
- **Environmental Sustainability:** Environmental sustainability is a growing priority for Vietnam's Toy manufacturers. Many factories are now adopting green technologies, such as energy-efficient machinery and renewable energy sources, to reduce their environmental footprint.
- **Compliance with International Safety Standards:** Vietnamese Toy manufacturers are required to comply with stringent international safety standards, such as EN71 (European Toy Safety Standards), ASTM F963 (U.S. Toy Safety Standards) and ISO. To meet these standards, manufacturers use testing equipment to ensure that their products are free from hazardous substances, have no sharp edges, and are durable enough to withstand typical use by children. International laboratories have established operations in Vietnam and can now conduct nearly all safety tests, these include companies like Intertek. Also companies like MATTEL and HASBRO employ teams of quality engineers who collaborate with local manufacturers to ensure that products made in Vietnam comply with strict international quality and safety standards. Most core OEM factories have accredited laboratories capable of performing the majority of physical and chemical tests required by international Toy standards. If needed, they can also seek support from third-party labs.

# Health, Safety, Security, and Environment (HSSE) Standards

- **Commitment to Ethical Standards:** The ***Ethical Supply Chain Program (ESCP)*** founded by ICTI, established in 2004, began investing in Vietnam in 2019 as demand for local production increased. Factories participating in the ESCP certification program are committed to maintaining high standards in Environmental Health and Safety (EHS) and labor practices. Since then, dedicated resources and personnel have been allocated to support these factories, providing essential training and guidance for continuous improvement. The ESCP plays a pivotal role in enhancing the social compliance standards of factories in Vietnam. By providing tailored training and on-site engagement, it equips factory workers and management with the knowledge and tools needed to uphold high standards in labor practices, workplace safety, and environmental responsibility. Their certification program not only monitors compliance but also fosters continuous improvement, ensuring that factories meet and exceed these standards at all times. Buyers can confidently choose factories within the ESCP program, knowing they are supported by a world-class initiative dedicated to ethical practices and sustainable operations.

## Sustainable Manufacturing Practices

Sustainability is becoming a core component of the modern Toy manufacturing industry in Vietnam. Companies are increasingly aware of the need to reduce their environmental impact and align with global sustainability goals.

- **Use of Sustainable Materials:** There is a growing shift towards using eco-friendly materials in Toy packaging. Some manufacturers are experimenting packaging with bioplastics and recycled materials which are less harmful to the environment.
- **Carbon-Neutral Manufacturing:** Leading Toy manufacturers in Vietnam are working towards carbon-neutral production. This involves investing in renewable energy sources, such as solar and wind power, and implementing energy-efficient technologies throughout the manufacturing process.

# Transition of Supply Chains to Vietnam

## **Impact of the COVID-19 Pandemic**

The COVID-19 pandemic significantly disrupted global supply chains, exposing vulnerabilities in heavily centralized production models, particularly those reliant only on China. As lockdowns, port closures, and logistical challenges created bottlenecks in global trade, companies worldwide began reassessing their supply chain strategies to mitigate future risks. This situation accelerated the diversification strategy, where companies diversify their production bases by establishing operations in other countries. Vietnam emerged as a prime beneficiary of this shift, thanks to its growing manufacturing capabilities, political stability, and proactive Government policies.



## **Strategic Advantages of Vietnam and ASEAN**

Vietnam's strategic location in Southeast Asia, coupled with its membership in the Association of Southeast Asian Nations (ASEAN), provides significant logistical advantages for companies operating in the region. As companies increasingly focus on supply chain resilience, proximity to key markets becomes a critical factor. Vietnam offers easy access to other ASEAN markets as well as major global markets, such as Japan, South Korea, Australia and India.

## Strategic Advantages of Vietnam and ASEAN

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- **Proximity to Emerging Markets:** ASEAN itself is a rapidly growing market with a population of over 650 million people. The demand for consumer goods, including Toys, is expected to increase significantly in ASEAN, driven by rising incomes, urbanization, and a growing middle class. ASEAN is expected to add 140 million new consumers by 2030, representing 16% of the world's new consumer class and the ASEAN Toys & Hobby market is expected to generate USD 22.7 billion in revenue in 2024, with an annual growth rate (CAGR) of 5.65% projected through the coming years, making Southeast Asia the fastest-growing region for traditional Toys and games.
- **Vietnam's location within ASEAN** allows manufacturers to efficiently serve these growing markets with reduced shipping times and lower transportation costs. Furthermore, Vietnam's proximity to key markets like Japan and South Korea, both of which have high consumer demand for Toys, provides an added advantage for companies looking to expand their market reach.
- **Access to Global Trade Routes:** Vietnam's extensive coastline and ports, such as the Cai Mep-Thi Vai port complex, provide direct access to global shipping routes. This makes it easier for manufacturers to export goods to Europe, North America, and other parts of Asia. The country's investment in port infrastructure and logistics networks has further enhanced its position as a hub for global trade, making it an attractive destination for companies looking to establish or expand their manufacturing operations.

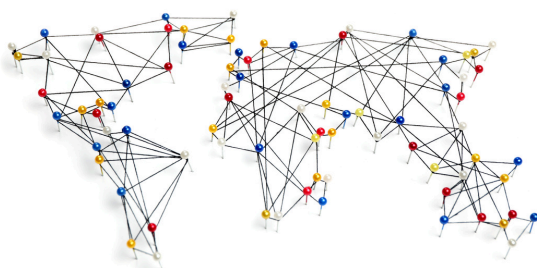




## Benefits of Free Trade Agreements (FTAs)

Vietnam's active participation in various Free Trade Agreements (FTAs) has significantly boosted its attractiveness as a manufacturing hub. These agreements provide Vietnamese manufacturers with preferential access to key markets, reducing tariffs and simplifying trade regulations. Some of the most impactful FTAs include:

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):** The CPTPP, which includes 11 countries across the Asia-Pacific region, provides Vietnam with tariff-free or reduced-tariff access to major markets like Japan, Canada, and Australia. For the Toy industry, this means lower costs when exporting to these countries, making Vietnamese-made Toys more competitive globally.
- **European Union-Vietnam Free Trade Agreement (EVFTA):** The EVFTA, which came into effect in August 2020, has been a game-changer for Vietnamese exporters. Under this agreement, nearly 99% of tariffs on goods traded between Vietnam and the EU will be eliminated over a period of ten years. For Toy manufacturers, this provides significant cost savings when exporting to the EU, one of the largest Toy markets in the world.
- **Regional Comprehensive Economic Partnership (RCEP):** The RCEP, which includes ASEAN countries, China, Japan, South Korea, Australia, and New Zealand, is the world's largest trade agreement. For Vietnam, RCEP offers broader market access and simplified trade procedures with some of the largest economies in the region. This agreement enhances Vietnam's role as a central hub in Asia's supply chain network.
- **ASEAN Trade in Goods Agreement (ATIGA):** As a member of ASEAN, Vietnam benefits from the ATIGA, which eliminates tariffs on goods traded within ASEAN countries. This agreement facilitates the flow of goods across Southeast Asia, making it easier for Vietnamese manufacturers to source raw materials and components from neighboring countries and export finished products within the region.



## Comparative Advantage over other Regions

Vietnam's advantages over other potential manufacturing hubs stem from its strategic location, favorable trade agreements, competitive labor costs, and rapidly improving infrastructure. These factors, combined with a stable political environment and pro-business policies, position Vietnam as an attractive alternative to traditional manufacturing powerhouses like China.

- **Cost-Effective Labor Force:** Rising labor costs in China have prompted companies to explore more affordable manufacturing locations. Vietnam offers a young, dynamic, and increasingly skilled labor force at lower wages compared to China. However, the Vietnamese industry is experiencing frequent minimum wage increases, making it essential to offer competitive wages to retain skilled workers. Unlike China, Vietnam currently lacks production-linked incentives or substantial subsidies to offset these rising labor costs, which could be beneficial in securing the industry's competitiveness.
- **Improving Infrastructure:** Vietnam has made significant strides in infrastructure development, including upgrades to roads, ports, and industrial zones, which are essential for efficient supply chain operations. This development reduces transportation costs and supports smoother logistics, enhancing the industry's overall productivity. Investments in ports like Cai Mep-Thi Vai have improved connectivity to global shipping routes, making Vietnam more accessible to international markets.
- **Political Stability and Pro-Business Environment:** Vietnam's political stability and Government commitment to economic reform have created a favorable environment for foreign investment. The Government has implemented policies to support industrial growth, such as tax incentives, streamlined business registration, and improved IP protections. While China provides production-linked incentives that lower operational costs, Vietnam could benefit from similar support to recover labor costs and further attract global manufacturers.

By leveraging its current advantages and adopting targeted policies to support technology transfer and workforce development, Vietnam can build a competitive edge over other regions, ultimately establishing itself as a leading player in global Toy manufacturing.

# Vietnam's Toy manufacturing: Where it is now and where it can go

## Vietnam's current Toy manufacturing

Vietnam's Toy manufacturing industry has made significant strides in aligning with global standards, positioning the country as a competitive player in the international market. This progress is evident in the increasing presence of both local and foreign-owned manufacturers who have established operations in Vietnam, driven by the country's cost advantages, improving infrastructure, and strategic location. The industry is characterized by a mix of small and medium-sized enterprises (SMEs) and larger multinational corporations, each contributing to Vietnam's growing reputation as a global hub for Toy manufacturing.

## Key Players and Manufacturing Facilities

- **MATTEL:** Mattel's operations in Vietnam are run out of the company's office in Hải Phòng. The team works across product design and development, quality engineering, supply planning, logistics management and office administration. Since 2018, Mattel also operates a growing network of contract manufacturers in Northern and Central Vietnam. Today, Mattel manufactures a large range of finished products in Vietnam, including for the iconic brands Barbie (including the Barbie Dream House) and Hot Wheels.

## Vietnam's Toy Manufacturing

### State of 'Play' and Opportunities for Growth

- **HASBRO:** Hasbro has expanded its toy manufacturing footprint in Vietnam over the past years, leveraging partnerships with key OEMs and third-party facilities. These manufacturing partners are instrumental in producing toys for Hasbro's global brands, producing and shipping millions of toys monthly to markets worldwide while adhering to strict international safety and quality requirements. Hasbro runs a local office in Haiphong dedicated to its Sourcing and Operations efforts, closely collaborating with all Vietnamese suppliers to enhance expertise and ensure highest quality and safety standards for its products. Vietnam has become a crucial hub for Hasbro's global toy production and keeps growing in its relevance, reflecting and supporting the rapid expansion of the country's toy industry. The strong partnerships with the local supply chain enable Hasbro to efficiently meet global demand while upholding high-quality standards, solidifying Vietnam as a key production center.
- **The LEGO Group:** The LEGO Group has made a significant investment in Vietnam with the construction of its first factory in the country, located in the Vietnam-Singapore Industrial Park III (VSIP III) in Binh Duong Province. This state-of-the-art factory is designed to be the company's most sustainable to-date, maximizing the use of renewable energy on-site. Construction began in November 2022 and was completed in early 2025. The factory began ramping up operations earlier this year and will officially open later in H1 2025. The 44-hectare facility will employ over 4,000 people in the coming years and incorporate advanced manufacturing technologies, including high-tech production equipment and renewable energy systems. Notably, the factory features 12,400 rooftop solar panels capable of generating 7.34 MWp of power, aligning with the LEGO Group's sustainability goals. Additionally, the company has planted 50,000 trees to offset vegetation removed during construction. The LEGO Group has also launched a comprehensive training program for its workforce in Vietnam. This initiative combines local on-the-job training with hands-on learning at the company's global factories, ensuring employees are equipped to operate high-tech equipment and maintain the company's stringent quality standards. The Vietnam factory is part of the company's strategy to support long-term growth and locate production facilities close to its major markets to respond to shifts in local demand, shorten the supply chain and reduce its environmental impact.



## Localization

As Vietnam continues to grow as a hub for global Toy manufacturing, localization of the supply chain has become a critical focus. Vietnam has made significant strides in localizing various segments of the Toy supply chain, though challenges remain in achieving full localization, particularly for more complex and high-value components. One of the most successful areas of localization in Vietnam's Toy industry is the production of plastic components and packaging materials. These materials are essential for the Toy manufacturing process, particularly for companies producing plastic Toys and packaging:

- **Plastic Molding and Injection:** various small to medium-sized enterprises (SMEs) have developed capabilities in plastic molding and injection. These companies produce a wide range of plastic parts used in Toy assembly, including casings for electronic Toys, small plastic figurines, and other molded components. The presence of these local suppliers reduces the need for importing plastic parts from other countries, thereby lowering production costs and lead times.
- **Packaging Production:** Vietnam has also localized the production of packaging materials, which are crucial for the Toy industry. Local packaging companies now produce high-quality, durable packaging that meets international standards for safety and sustainability. For example, factories in Binh Duong and Dong Nai provinces are equipped with advanced printing and laminating machines that produce colorful, durable packaging for Toys, enabling manufacturers to meet global market requirements while keeping costs down.

## Workforce

The Toy manufacturing industry in Vietnam faces significant skill gaps, particularly at the technician level, due to limited vocational education tailored to the industry. While engineers in fields like mechanical, industrial, electronic, and chemical engineering are available, their supply is regionally constrained and concentrated in urban areas. Additionally, universities and polytechnics offering relevant programs are few, with limited budgets to attract specialized talent. Although vocational training covers basic mechanical and electrical skills, the Toy industry's unique "tribal knowledge"—specialized skills specific to Toy design and production—is largely absent. Developing a specialized workforce for Toy engineering and design will require targeted education and training initiatives to bridge these gaps.

## Vietnam's Toy Manufacturing

### State of 'Play' and Opportunities for Growth

While Vietnam has made significant progress in localizing the production of basic components, the localization of tooling and more complex electronics and mechanical parts remains a work in progress. However, there are promising developments in this area:

- **Tooling:** The tooling sector in Vietnam's Toy manufacturing industry remains underdeveloped, presenting a critical challenge to the industry's growth. Many manufacturers rely on imported molds and tools, which increases production costs and extends lead times, ultimately impacting competitiveness. Additionally, there is a shortage of skilled tool designers and technicians in Vietnam, as specialized training programs in tool design and manufacturing are scarce.
- **Emerging Electronics Suppliers:** Certain more specific electronic tests currently cannot be conducted locally, highlighting the need for robust testing infrastructure. Building this capability is essential, as having skilled technicians and advanced testing facilities in place within the next two years will be crucial to supporting a growing customer base. A number of Vietnamese companies have begun producing electronic components used in Toys, such as circuit boards, sensors, and simple microprocessors. For instance, companies like Viettronics and Mtex have started supplying basic electronic parts to Toy manufacturers, particularly those producing interactive and educational Toys. Although these local suppliers are still in the early stages of development, their presence marks an important step towards reducing reliance on imported electronics from China and other countries.
- **Mechanical Parts Production:** There is also growing expertise in producing mechanical components, such as gears, springs, and other moving parts, which are essential for Toys with mechanical functions. Local manufacturers in industrial zones like those in Binh Duong and Hai Phong are beginning to specialize in the production of these parts.

Beyond the physical components, there has been a notable effort to localize design and development services within Vietnam. This shift is driven by the need to create Toys that cater to both domestic and international markets, with designs that are culturally relevant and innovative. However, while there is increasing local capacity in design, significant gaps remain in specialized Toy-related skills and education, particularly in tool and packaging design, areas crucial for the industry's growth.

## Vietnam's Toy Manufacturing State of 'Play' and Opportunities for Growth

- **Design Studios and Prototyping:** Local design studios, such as those run by Pops Worldwide in Ho Chi Minh City, are increasingly involved in the creative process of Toy design. These studios leverage local talent to create designs that resonate with regional markets while maintaining international appeal. With advanced tools like CAD (Computer-Aided Design) software and 3D printing for rapid prototyping, studios can quickly iterate on designs and produce samples for testing, all within Vietnam. This localized capability enables Vietnamese Toy manufacturers to respond more flexibly to changing market demands and produce innovative, high-quality products.
- **Collaborations with Local Universities:** Recognizing the need for skilled professionals in Toy design and development, Toy manufacturers have begun forming partnerships with universities to support the growth of the industry. For example, companies like Mattel have initiated partnerships with universities in Hanoi and Hai Phong, and discussions with the Ministry of Education and Training (MOET) have focused on expanding design education to address industry needs. Vietnam currently has 46 universities offering graduate programs in design and industrial design; however, none are specific to Toys, and no graduate or postgraduate programs exist for specialized fields like tool design.

## Challenges & Opportunities in Localization

Despite the progress, full localization of high-value segments, particularly in tooling, advanced electronics and specialty materials, remains a challenge. The production of these components often requires sophisticated technology and expertise that is still developing within Vietnam.

- **Tooling:** Tooling is a critical component in the Toy manufacturing industry, as it directly impacts production quality, efficiency, and scalability. In Vietnam, establishing a robust tooling sector is essential for the industry's growth, as precise and high-quality tools allow manufacturers to produce Toys that meet international standards for safety and durability. Advanced tooling enables the creation of intricate molds and high-precision parts that are essential for complex Toy designs, such as those with mechanical or electronic components. Reliable and efficient tooling also reduces production lead times and minimizes waste, making it easier for manufacturers to respond quickly to changing consumer demands and manage costs effectively. For Vietnam's Toy industry to expand and compete globally, investment in tooling infrastructure and expertise is indispensable.

## Vietnam's Toy Manufacturing

### State of 'Play' and Opportunities for Growth

- **High-Precision Electronics:** Advanced electronic components, such as integrated circuits and complex sensors, are still largely imported, primarily from China, Japan, and South Korea. The high level of precision required for these components, combined with the need for specialized production facilities, makes localization in this area more challenging. However, the Vietnamese Government is actively encouraging FDIs in the electronics sector to build domestic capabilities.
- **Specialty and Sustainable Materials:** Materials like high-grade plastics, specialty rubbers, and eco-friendly materials are often sourced from abroad due to the lack of local production capacity. Sustainable materials, such as biodegradable resins, are available in Vietnam but are currently produced only on a small scale, limiting their broader application in the Toy industry. For paper-based products, local production exists, yet a significant portion is still imported to meet demand. Expanding the local capacity for sustainable materials will be essential to reduce reliance on imports and support eco-friendly manufacturing within Vietnam's Toy sector.

## Government Support & Future Outlook for Localization

The Vietnamese Government believes in attracting foreign investment into industrial production activities in Vietnam, as part of a broader drive to integrate local economic activities with the global supply chain. Through various incentives, the Government is encouraging both domestic and foreign companies to invest in localizing the production of key components within Vietnam.

- **Investment Incentives:** The Government offers tax breaks, land-use incentives, and other financial support (e.g. easy credit access if needed) to companies that establish production facilities for key components within Vietnam. This support is not designed particularly to target the Toy industry, but nevertheless covers sectors that are critical for the Toy industry, such as electronics and plastics.
- **Future Developments:** As Vietnam continues to improve its industrial capabilities, it is likely that more segments of the Toy supply chain will be localized. The ongoing expansion of industrial zones, improvements in logistics infrastructure, and increased collaboration between local companies and international partners will all contribute to this trend. In the long term, Vietnam has the potential to become a fully integrated hub for Toy manufacturing, where the majority of components and materials are produced domestically.



## Vietnam's Toy Manufacturing State of 'Play' and Opportunities for Growth

Localization of the supply chain is a crucial factor in enhancing the competitiveness of Vietnam's Toy manufacturing industry. While significant progress has been made in localizing the production of plastic components, packaging, and basic electronics, challenges remain in achieving full localization, particularly for high-value and complex components. However, with continued investment, Government support, and collaboration between local and international players, Vietnam is well on its way to becoming a comprehensive hub for Toy manufacturing, capable of producing a wide range of components domestically.

## Current Manufacturing Incentives

The Vietnamese Government has recognized the strategic importance of developing its manufacturing sector, including Toy manufacturing, as a key driver of economic growth and industrialization. To attract FDI and support domestic manufacturers, the Government has implemented a range of incentives designed to reduce operational costs, enhance competitiveness, and promote sustainable practices. These incentives are part of Vietnam's broader strategy to integrate more deeply into the global economy and to position itself as a leading manufacturing hub in Southeast Asia.

Tax Incentives are one of the most significant tools used by the Vietnamese Government to attract investment in the manufacturing sector. These incentives are designed to reduce the financial burden on companies, thereby making Vietnam an attractive destination for both foreign and domestic manufacturers.

- **Corporate Income Tax (CIT) Exemptions and Reductions:** Companies investing in specific sectors or regions of Vietnam, including high-tech and manufacturing industries, are eligible for corporate income tax exemptions or reductions. For instance, new manufacturing projects in economically disadvantaged areas or in high-tech industrial zones, such as the Saigon Hi-Tech Park, can benefit from a CIT exemption for the first 4 years, followed by a 50% reduction for the next 9 years. This significantly lowers the tax burden during the critical early years of a project.
- **Preferential Tax Rates:** In addition to exemptions, Vietnam offers preferential CIT rates of 10%, 15%, or 17% for periods of up to 15 years, depending on the location and nature of the investment. For example, Toy manufacturers that invest in advanced manufacturing technologies or sustainable production processes may qualify for these lower tax rates, compared to the standard corporate income tax rate of 20%.

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- **Import Duty Exemptions:** Manufacturers in Vietnam can benefit from exemptions on import duties for machinery, equipment, and raw materials that are not yet produced domestically. This incentive is particularly important for Toy manufacturers that rely on imported high-tech machinery or specialty materials that are not available locally. Import duty exemptions help to lower the initial capital expenditure required to set up or expand manufacturing operations in Vietnam.

**Land and Infrastructure Incentives:** the Vietnamese Government offers various incentives related to land use and infrastructure development to support the establishment and expansion of manufacturing facilities.

- **Land Rent Exemptions and Reductions:** Companies that invest in industrial parks or economic zones often receive significant reductions or exemptions on land rent. In some cases, land rent can be completely exempted for the first few years of operation, particularly in underdeveloped regions or special economic zones. For example, Toy manufacturers establishing facilities in the Binh Duong or Bac Ninh industrial zones may be eligible for land rent exemptions for the first 7 to 15 years, depending on the specific policies of the zone.
- **Access to Developed Infrastructure:** The Government has invested heavily in developing industrial parks and economic zones with modern infrastructure, including roads, electricity, water supply, and waste treatment systems. Companies that set up operations in these zones benefit from ready-to-use facilities that meet international standards, reducing the time and cost associated with infrastructure development. These zones also often provide logistical advantages, such as proximity to ports and airports, which are crucial for export-oriented manufacturing like Toy production.

## Financial and Credit Incentives

- **Subsidized Loans:** The Government, through various state-owned banks and financial institutions, offers subsidized loans to manufacturers investing in priority sectors, including Toy manufacturing. These loans often come with lower interest rates compared to commercial loans, and may include extended repayment periods. For instance, manufacturers that adopt environmentally friendly production technologies or that invest in the development of new products can access preferential credit lines to fund these initiatives.
- **Government Grants and Subsidies:** In certain cases, the Government provides grants and subsidies to support research and development (R&D), technology transfer, and workforce training. For example, Toy manufacturers that invest in R&D to develop new Toy designs or that implement advanced manufacturing technologies may qualify for Government grants. Additionally, subsidies may be available for training programs aimed at upskilling workers in modern manufacturing techniques.

## Incentives for High-Tech & Sustainable Manufacturing

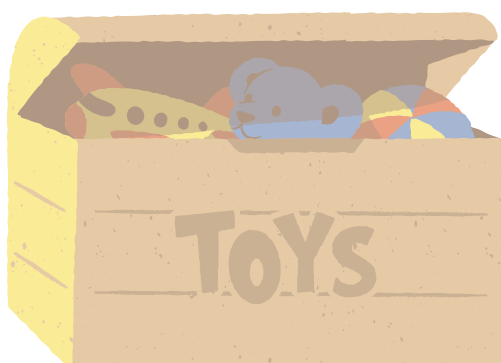
Vietnam is increasingly focusing on attracting investment in high-tech and sustainable manufacturing. The Government has introduced specific incentives to encourage the adoption of advanced technologies and sustainable practices in the manufacturing sector.

- **High-Tech Industry Incentives:** Companies that invest in high-tech manufacturing, which includes the production of innovative Toys with embedded electronics or smart features, are eligible for additional incentives. These may include extended CIT exemptions, faster depreciation schedules for high-tech equipment, and additional import duty exemptions for high-tech components.
- **Sustainability Incentives:** To promote environmentally sustainable manufacturing, the Government offers incentives for companies that implement green technologies, such as renewable energy systems, waste reduction processes, and energy-efficient machinery. Manufacturers that achieve certain environmental certifications, such as ISO 14001, may also be eligible for additional tax reductions or grants.

## Export Incentives

Given Vietnam's strong focus on export-driven growth, the Government provides various incentives to support manufacturers that produce goods for export.

- **Export Duty Exemptions:** Exported goods, including Toys, are typically exempt from export duties, which makes Vietnam an attractive location for companies targeting international markets. This exemption is particularly beneficial for Toy manufacturers that export a significant portion of their production to markets like ASEAN, the United States, Europe, and Japan.
- **Access to Trade Promotion Programs:** The Government also supports manufacturers through trade promotion programs, which include participation in international trade fairs, market research, and export consulting services. These programs help manufacturers expand their global reach and connect with potential buyers and distributors in key markets.





# Expected Outcomes, Recommendations & Conclusion

To secure Vietnam's place as a global hub for Toy manufacturing, both the Government and Toy industry stakeholders need to take coordinated, targeted actions.

## Expected Outcomes

Recognizing Toy manufacturing as a priority industry would unlock strategic incentives, attract foreign direct investment (FDI), and strengthen Vietnam's position as a global manufacturing hub. This designation would encourage major Toy brands to expand production, boosting exports, job creation, and industry growth. Manufacturers would benefit from corporate income tax (CIT) reductions, import duty waivers on key materials, and subsidized land use in industrial zones, making Vietnam a more competitive production base. Strengthening local supply chains—especially in plastics, tooling, electronics, and packaging—would reduce reliance on imports, lower costs, and improve production efficiency.

A skilled workforce is crucial for industry expansion, and targeted vocational training programs in Toy design, engineering, and automation would equip workers for higher-wage, technology-driven jobs. Investment in logistics and infrastructure, including industrial zones, port upgrades, and direct international flight connections, would improve supply chain efficiency and reduce export lead times. Additionally, prioritizing sustainable manufacturing—through incentives for eco-friendly materials, energy-efficient production, and global safety certifications (ISO 9001, ISO 14001, EN71, ASTM F963)—would align Vietnam with international industry standards and attract ESG-conscious investors.

By formally supporting the Toy industry, the Government can drive investment, enhance Vietnam's manufacturing ecosystem, and position the country as a leader in global Toy production. This strategic move would create jobs, strengthen domestic capabilities, and accelerate Vietnam's economic development, making it the preferred destination for high-quality, sustainable Toy manufacturing.

# Recommendations

## 1. Recognize Toy Manufacturing as a Priority Industry

- Include Toy manufacturing in Vietnam's national industrial strategy.
- Provide investment incentives, such as tax breaks, R&D funding, and low-interest loans, to encourage innovation, automation, and sustainable production.
- Establish a dedicated Toy industry task force to facilitate collaboration between Government agencies and industry stakeholders.

## 2. Strengthen Intellectual Property (IP) Protection and Counterfeit Enforcement

- Enhance IP laws to safeguard Toy designs, trademarks, and technological innovations.
- Increase enforcement against counterfeit Toy production and sales through stricter penalties and regular market inspections.
- Educate consumers on the dangers of counterfeit Toys.

## 3. Invest in Infrastructure and Logistics for Supply Chain Efficiency

- Expand industrial zones dedicated to Toy manufacturing
- Upgrade transportation and ports, particularly at Cai Mep-Thi Vai, to reduce costs and improve export efficiency.
- Improve connectivity between manufacturing hubs, including establishing direct flight routes (e.g., Hai Phong to Hong Kong) for streamlined logistics.
- Promote renewable energy solutions in industrial parks to ensure a reliable, sustainable power supply.

## 4. Develop a Skilled Workforce and Strengthen Vocational Training

- Partner with universities and technical schools to create specialized programs in Toy design, manufacturing, and quality control.
- Provide funding and incentives for companies to invest in workforce upskilling and automation training.

## 5. Foster Industry Innovation and Global Standards Compliance

- Incentivize automation, smart manufacturing, and high-precision technology adoption through tax reductions and financial support.
- Strengthen local supply chains by supporting domestic production of Toy components.
- Support manufacturers in obtaining global safety and environmental certifications to enhance export competitiveness.

## **Conclusion**

**Vietnam's Toy manufacturing industry stands at the threshold of significant growth, driven by its strategic location, competitive labor costs, and increasing integration into global supply chains.** The Government's proactive policies and investment incentives, coupled with the adoption of advanced manufacturing technologies and sustainable practices, have positioned Vietnam as a promising hub for Toy production, however, to fully capitalize on these opportunities, both the Government and industry stakeholders must address key challenges and implement targeted strategies. Critical areas of focus include further localization of the supply chain, investment in workforce development, and strengthening of infrastructure and logistics networks. Additionally, enhancing intellectual property protection, adopting global industry standards, and fostering innovation will be essential for maintaining competitiveness in the global market.

**By prioritizing the Toy manufacturing sector in national industrial policies and providing tailored incentives, the Government can create a more favorable environment for investment and growth. Industry players, on the other hand, must embrace advanced technologies, collaborate with local suppliers, and invest in R&D to drive innovation and product development.**

**In summary, the coordinated efforts of both Government and industry are crucial to realizing the full potential of Vietnam's Toy manufacturing industry.** Through strategic collaboration and a commitment to excellence, Vietnam can emerge as a leading global player in Toy manufacturing, contributing to the country's economic development and offering high-quality, innovative products to consumers worldwide.

# About the Asia Toy and Play Association (ATPA)

The **Asia Toy and Play Association** is a dynamic multi-stakeholder coalition of toy industry players active across Asia Pacific. Our core mission is to ensure that all children have access to safe, high-quality and educational toys. We seek to shape the future of the toy industry, ensuring that toys are not only sources of joy but also powerful tools for learning and development. ATPA supports ethical trade practices and places a strong emphasis on minimizing the environmental footprint of the industry. We prioritize **toy safety** above all, which is evident from our active participation as an official member of the **ISO TC 181 Committee 'Safety of Toys'**. Additionally, ATPA is an **accredited organization to the United Nations Environment Programme**, highlighting our strong commitment to environmental stewardship. Our advocacy work is the cornerstone of our activities, extending across the Asia-Pacific region. ATPA actively **promotes market access** and fair trade, champions safety standards as well as sustainable practices within the industry. We believe passionately in the **power of play**—not just as a means of amusement, but as a vital tool for developmental learning. Through advocating and promoting the **value of play**, we want to ensure that children not only have fun but also develop essential skills and creativity that will benefit them throughout their lives.

## BECOME A MEMBER TODAY

### Contact

Asia Toy and Play Association



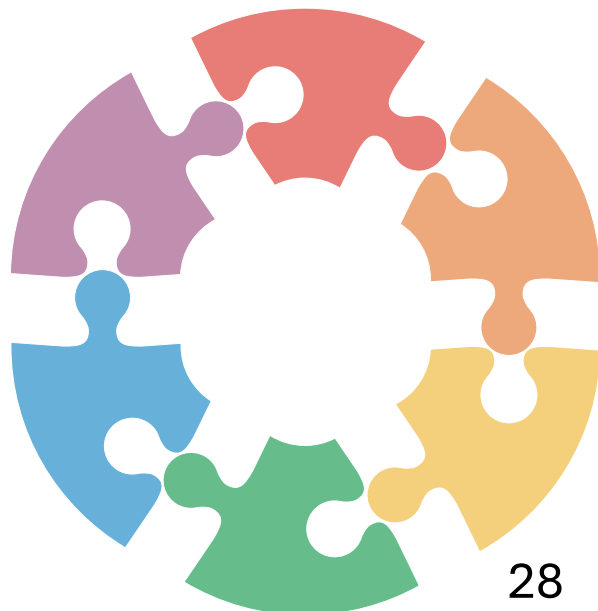
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