

## Haiphong Infrastructure Development Boosts Foreign Investment in 2018

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Due to the rise in production costs and labour shortage in China, a trend is seen in recent years that manufacturing lines are shifting out of China to ASEAN countries, taking home electronics and electronic equipment products as representatives. Among the relocation destinations, Vietnam has made itself the most favourable one, with both Ho Chi Minh City and Hanoi City seeing a great increase in the number of foreign-invested companies. Haiphong City, as a major port city in Northern Vietnam, has also established some large industrial parks and attracted investments from many world-renowned conglomerates including those from Japan and Korea. In addition, owing to its rapid infrastructure development over the past few years and the prolonged US-China trade war, further foreign investment is expected to be pumped into the city in the future. This report will give a brief introduction of the recent infrastructure development and the investment trend of the promising industrial relocation city of Haiphong.

### 1. Foreign Investment Increased Sharply in Haiphong

As a harbour city, Haiphong is the logistics hub in Northern Vietnam. Its economic growth rate reached 14% in 2017, more than twice of Vietnam's overall average, and remarkably higher to that of Hanoi City (8.5%), Ho Chi Minh City (8.3%) and Da Nang City (9.0%). Other economic indicators also showed that the city was growing at a pace significantly exceeded the national average.

According to the General Statistics Office of Vietnam, Foreign Investment to Haiphong reached USD 3.1billion in the single year of 2018, equalizing 20% of the cumulative foreign investment in the city up to USD 15.2billion of 2017. Haiphong municipal government reported that nearly 70% of the foreign investment to the city in 2018 was injected to Special Economic Zones<sup>1</sup> and Industrial Parks, of which 46 new investments account for USD 400million and 29 additional capital increases account for USD 1.7billion.

#### Comparison of Major Economic Indices (2017)

Economic Indices	Haiphong	National Avg.
Economic Growth Rate	14.0%	6.8%
Industrial Growth Rate	20.0%	8.0%
Manufacturing Growth Rate	21.88%	14.4%
Growth of Industrial Production	21.6%	9.4%
GDP per Capita	USD2,963	USD2,385

(source) Foreign Investment Agency and Haiphong Statistics Office

#### Major Investment Projects in Haiphong (2018)

(Unit: million USD)

Investor	Nation/Area	Amt.	Project Details
LG Innotek	Korea	510	Production expansion of camera modules on smartphone
LG Display	Korea	500	Production expansion of OLED display
RORZE Corp.	Japan	312	Production expansion of robot, automotive & controlling devices
Regina Miracle Int'l	Hong Kong	260	Production expansion of shoes and underwear
Aeon Corp.	Japan	180	Construction of No. 6 Aeon Mall in Vietnam

(source) various news reports

<sup>1</sup> There are 18 Special Economic Zones (SEZ) in Vietnam currently. An SEZ company may enjoy tax holiday of 10% corporate tax for 15 years (usually 20%). Additional tax incentive that exempted corporate tax for the first 4 years and reduced corporate tax by half for 9 subsequent years is also available. The application of such tax holiday/incentive shall start from the time an SEZ

## 2. The Development of Transport and Logistics Infrastructure

Haiphong invested a total of USD 4.1 billion since 2015 on 4 major logistics projects, namely Haiphong – Hanoi Highway, Cat Bi International Airport, Tan Vu-Lach Huyen Ocean Bridge and Lach Huyen International Deep Water Port to facilitate the land, sea and air transport. The traditional Port of Haiphong, located at 100km east to the nation’s capital city of Hanoi and ranked the 2nd<sup>2</sup> in terms of the cargo handling volume in Vietnam only after Tan Cang Cat Lai in Ho Chi Minh City, is positioned in the Red River estuary area. As a result, accessibility of large vessels to the Port is limited, and tide can bring about additional operational efficiency concerns. However, with the inauguration of the Lach Huyen International Deep Water Port, 14,000 TEU large vessels can be accessed directly to the area in the future, which is expected to improve the cargo handling capacity drastically, and facilitate business efficiencies for those invested in the area tremendously.



(Source) Haiphong government and Daiwa House Industry HP

### Economic Effect

#### Haiphong-Hanoi Highway

- The 105.5km highway shortened traffic time between the two cities from 4 hours to 1.5 hours. Passage of 18-ton truck and 40-foot container becomes accessible.

#### Cat Bi Int'l Airport

- Improvement works started in 2013 and int'l terminal was opened in 2016. Current int'l flights are available to Thailand, China, Korea and Macao. Targeting to handle 8 million passengers and 250,000 tons of freight by 2025

#### Tan Vu-Lach Huyen Ocean Bridge

- Connecting Haiphong city with Lach Huyen Int'l Deep Water Port. Constructed as the longest bridge with 15km-in-length in Vietnam.

#### Lach Huyen Int'l Deep Water Port

- Constructed with 14m in water depth, 2 berth to host cargo vessels with loading capacity of 100,000 tons. Traffic time to USA and EU is shortened by about 1 week

In addition, the 25km highway connecting Haiphong to Halong was opened in September 2018. Considering the fact that the 150km national highway connecting Halong to Mong Cai, the border town crossing from China has been put into use already, traffic time from Haiphong City to China by land is shortened.

## 3. Establishment of New Industrial Zones and Collaboration with Japanese Corporates

Haiphong hosts several large industrial parks, all of which are nearly full in capacity. Under such circumstances, the Deep C Industrial Park, jointly managed by Haiphong municipal authority and a Belgian company, is developing Phase III (527 ha) and its inauguration is planned by the end of 2019. Phase I of Deep C, previously as Dinh Vu Industrial Estate (541 ha) established in 1997, was almost fully occupied now, with a total of 68 companies (including 14 from Japan) making investments there. Phase II (645 ha) was opened in May 2018, with established rental factories and logistics facilities, 15 companies have showed intention to move in by now.

Deep C is the nearest to Lach Huyen International Deep Water Port among all industrial parks, and the whole estate is located within the Special Economic Zone. Besides, as the 1st ecological industrial park in Vietnam, Deep C differs from other industrial parks by developing its own new energy power, water purification, waste disposal and resource recycling facilities. For example, Deep C's waste-water treatment plant, as the only one certified by ISO 9001 and 14001 in Northern Vietnam, is helping reduce the operational cost of the companies in the estate by recycling water from their production process. In addition, Deep C is promoting the generation and distribution of renewable energy, such as solar and wind power. A memorandum to acquire 50% of the issued shares of Deep C's power distributing plant has been signed by Tokyo Electric Power Company in November 2018.

Moreover, a number of Japanese technologies have been integrated in the development of the Industrial Park to facilitate business operation of companies established there. Daiwa House Industry is participating in the development management of green industrial park to optimize its business environment, while KDDI has started to

company makes profit, or from the 4th year by the latest, in case no profit was made since the start of business. The Dinh Vu-Cat Hai SEZ in Haiphong holds 6 Industrial Zones including Deep C, VSIP and DPI Haiphong etc.

<sup>2</sup> It is based on the statistics 2017 of Vietnam Seaport Association.

implement IoT-based grid management system in the Industrial Park. Synergistic effect can be expected that the development of these modernized industrial infrastructure will attract new investments to the area.

#### 4. Summary

Haiphong has achieved an outstanding development by obtaining financial and technical advantages from Japan and other foreign countries recently. It is continuously demonstrating strong motivation to attract further foreign investment by endeavouring to improve transportation facilities as well as modernize industrial infrastructures. Blessed by the geographical advantage with China, Haiphong is expected to become an important manufacturing base and attractive investment destination, especially when the outlook of US-China trade war remains unclear. By exerting the potential of its transport network of port - highway - airport, Haiphong is expected to achieve further development and grow into a driving force for Vietnam's overall economic growth in the future.

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