



Managing Through Uncertainty

Make in Vietnam



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Why Vietnam ?

7%

GDP growth in 2019

USD 38 bn.

Newly registered FDI in 2019

USD 24.6 bn.

Newly registered FDI in Manufacturing
(70%)

8.2%

Export growth in 2019

57%

of the 97-million population are
in working age

USD 3

Vietnam's manufacturing labor costs
per hour (vs. USD 6.5 in China)

Source: Vietnam General Statistics Office, Ministry of Planning and Investment (2020)

With trade war, Make in Vietnam is not a matter of 'if', but 'when'

Strategic location - Increasing integration into global economy

FTA with/ between	Vietnam	Malaysia	Thailand	Philippines	Indonesia	Cambodia	China
ASEAN	✓	✓	✓	✓	✓	✓	x
ASEAN-China	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	x
Korea	✓	✓	✓	✓	✓	✓	✓
Japan	✓	✓	✓	✓	✓	✓	x
CPTPP	✓	✓	x	x	x	x	x
EU	✓	○	○	○	x	x	x
US	x	○	○	x	x	x	x

Legend:	✓	To be ratified	○	In negotiations
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...and Covid-19 accelerates 'China plus one' trend

CORONAVIRUS

Google, Microsoft shift production from China faster due to virus

'Made in Vietnam' Pixel phones and Surface laptops expected in 2020

CHENG TING-FANG and LAULY LI, Nikkei staff writers
FEBRUARY 26, 2020 17:58 JST

Samsung to shift some smartphone production to Vietnam due to coronavirus

by Reuters March 6, 2020 | 09:12 pm GMT+7

f t e

The rise of wages in China, coupled with the recent trade dispute between the US and China, has forced manufacturers to look for an alternative market. Labor productivity rose by 6% in 2018, compared to 2017. This is an opportunity for which Viet Nam is well positioned.

Key considerations to shift production to Vietnam

4 key considerations for 'Make in Vietnam' initiative

1. Availability of capable manufactures for your product	2. Costs of moving your existing supply chain	3. Vietnam's logistics and infrastructure	4. Ease of doing business in Vietnam
<ul style="list-style-type: none">— Workforce that is relatively inexperienced with sophisticated manufacturing.— Yet, the large labor pool of Vietnam characterized by young, eager to learn, easy hiring, more business friendly laws and flexibility in wage determination.— Top exports include various types of machinery, garments and textiles, footwear and headwear, food and beverage and metals.	<ul style="list-style-type: none">— Relocation and facility development costs: shortage of industrial land and office space increase rent year on year— Imported material and component costs.— The supply chain might still be vulnerable to increased costs from import tariffs and trade tensions.	<ul style="list-style-type: none">— Longer lead times and unexpected delays due to less efficient infrastructure (vs. China and other more matured countries)— Major ongoing investments in roads and ports are expected to bring a major boost to the nation's logistics industry.	<ul style="list-style-type: none">— Vietnam government has made great efforts to improve the business environment, legal framework to starting and doing business.— The gap between State Budget's revenue and expenses has been increasing over years resulting in the government programs to prevent tax losses, and focus on more stringent and effective enforcement.

Proposed government aids during COVID-19 time

1 Banking

- Vietnam's central bank to reduce interest rates
- Commercial banks to delay, extend deadlines for, and reschedule debt payments
- Launch a support package of VND 30 trillion (approx. USD 1.2 billion)

2 Labor and Employment

- Temporary suspension of social insurance contributions
- postpone trade union fee contributions

3 Tax

- Defer deadline for payments of taxes and land rental fees,
- Increase the level of personal and dependent relief so that personal income tax can be reduced,
- Tax breaks and delayed tax payments to support businesses (especially SMEs).



Vietnam government support Samsung to prevent delays in the company's production schedule

Some 700 of the display maker's engineers and specialists will be allowed to enter the country and get straight to work without needing to be quarantined for two weeks, according to a Korean media report citing South Korean government officials.

Prior to making the exemption, Vietnamese authorities inspected Samsung's operations and deemed it sufficient in preventing the spread of COVID-19.

Source: Directive No.11/CT-TTg, 3/2020



Questions?

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