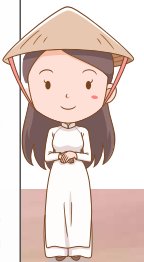
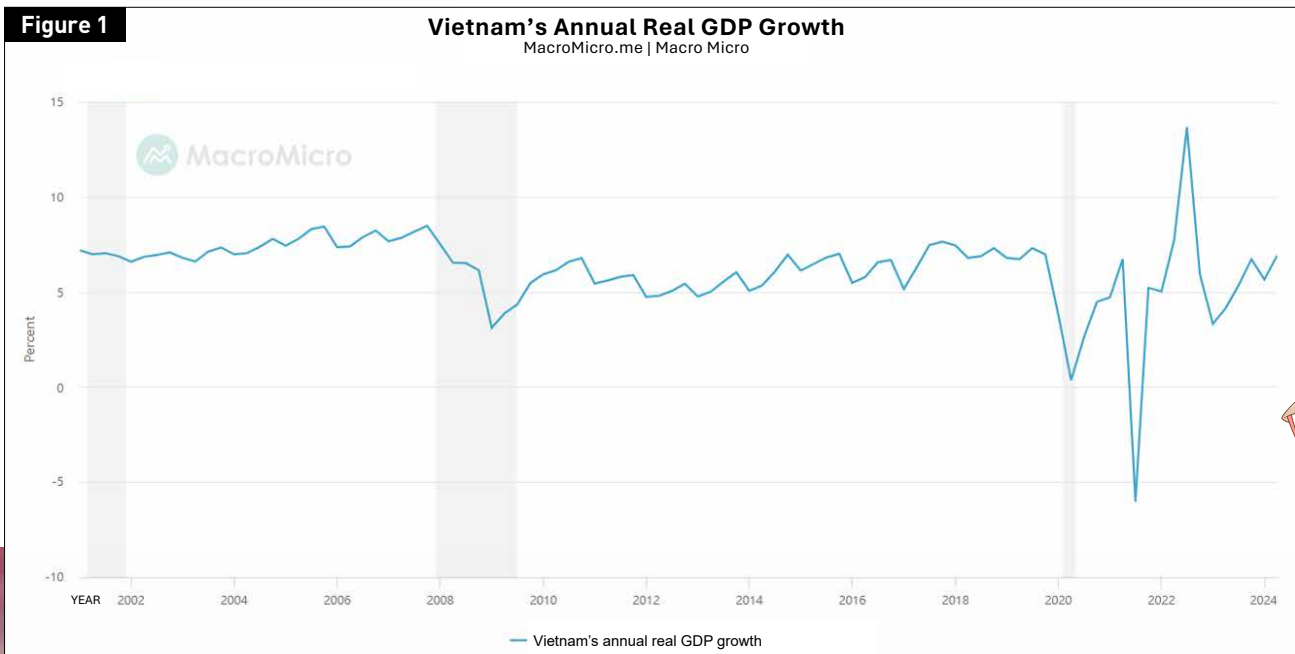


Vietnam, the Next Top Economy in ASEAN?

According to statistics from Ministry of Planning and Investment (MPI) of Vietnam, Vietnam's GDP growth in Q2 2024 was strong, growing by 6.9% compared with the same period last year (Figure 1). The full-year GDP growth rate is expected to exceed 7%. It is evident that Vietnam's economy performs well and has recovered to the levels before COVID-19. As in Figure 1, excluding the pandemic period, Vietnam's annual GDP growth rate has maintained an average of more than 5% in the past 20 years, making it a country with stable economic growth. Vietnam is already the fourth largest economy in ASEAN and the fifth largest economy in Southeast Asia. The British research organization CEBR even predicts that by 2038 Vietnam's GDP will reach USD 1.56 trillion and rank 21st in the world. It may overtake Indonesia and top the ASEAN countries.

Top 5 Countries' Investment in Vietnam Accounts for 73% of the World's Total

In 2023, the top five countries with the highest total value of new registration, capital increase, joint ventures and stock purchases in Vietnam (Table 1) were Singapore (USD 6.803 billion, 18.58%), Japan (USD 6.566 billion, 17.94%), Hong Kong (USD 4.684 billion, 12.80%), China (USD 4.470 billion, 12.21%), and South Korea (USD 4.400 billion, 12.02%). Among the 111 countries investing in Vietnam, the combined proportion of these five countries was as high as 73.55%, and each had a share of more than 10%, exceeding the USD 1 billion mark, which indicates that the five countries invested quite a lot in Vietnam. From here, we can tell that the five countries were optimistic about the potential of investing in Vietnam. However, most of the countries with the highest anticipation for investment in Vietnam were Asian countries. The U.S. only took a share of 1.71%. Judging from the fact that Taiwan had a share of 7.88%, Taiwan was competing with other Asian countries for a share in the Vietnamese market.



FASTENER WORLD Market Insights:

Vietnam Investment Market Overview and Opportunities



Taiwan’s Investment in Vietnam Ranked Fourth in the Past 25 Years

A press release from the Taipei Economic and Cultural Office in Vietnam shows that from 1988 to 2023 Taiwan’s cumulative investment in Vietnam reached USD 39.31586 billion, ranking fourth. Considering political concerns and protection for investment, quite a few Taiwanese businessmen invest overseas under the identity of other countries. Otherwise, their numbers and investment value in Vietnam would have been bigger.

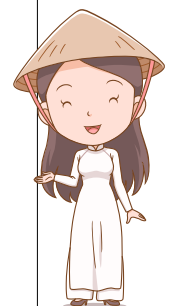
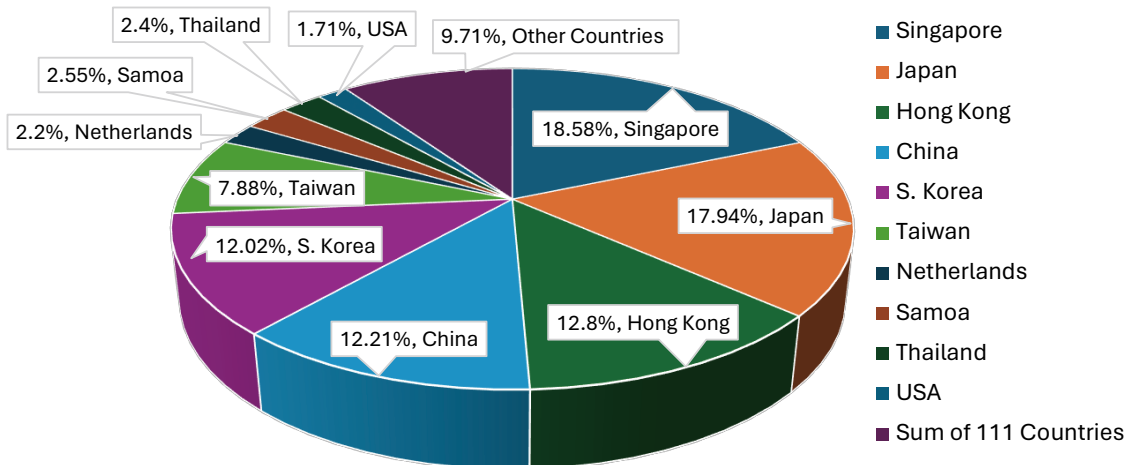
If we narrow the time frame to within 2023, **Table 1** and **Figure 2** show Taiwan’s total value of new registrations, capital increases, joint ventures, and stock purchases in Vietnam reached USD 2.883 billion (up 113.36%, accounting for 7.88%, and ranking 6th). In terms of the number of new investments, there were 210 investments by Taiwan in Vietnam in 2023, accounting for 6.58 % of the sum of all 111 countries. These figures tell that the **Vietnamese market weighs a lot to Taiwanese investors.**

Table 1. Statistics of Various Countries' Investment in Vietnam in 2023
(Source: Taipei Economic and Cultural Office in Vietnam)

Unit: Million USD

Ranking	Country/Region	Number of New Investments	Value of Newly Registered Investment	Number of Capital Increase Cases	Value of Capital Increase	Number of Joint Ventures & Stock Purchases	Value of Joint Ventures & Stock Purchases	Total Value of New Registrations, Capital Increases, Joint Ventures & Stock Purchases	Value Share (%)
1	Singapore	410	3,769.98	153	832.03	349	2,201.49	6,803.51	18.58
2	Japan	302	2,856.35	144	767.17	230	2,942.52	6,566.04	17.94
3	Hong Kong	315	3,413.01	107	1,139.12	91	131.91	4,684.04	12.80
4	China	707	3,544.39	179	766.36	412	160.14	4,470.89	12.21
5	South Korea	472	1,840.88	327	2,159.25	961	400.81	4,400.94	12.02
6	Taiwan	210	2,246.22	103	351.05	235	286.54	2,883.82	7.88
7	Netherlands	20	275.93	17	76.04	24	453.79	805.76	2.20
8	Samoa	43	257.28	24	465.81	15	211.65	934.74	2.55
9	Thailand	57	490.59	15	352.79	44	36.12	879.50	2.40
10	USA	124	113.09	27	315.46	150	197.77	626.32	1.71
0	Sum of 111 Countries	3,188	20,185.62	1,262	7,880.77	3,451	8,541.23	36,607.63	100.00

Figure 2. Value Shares of New Registrations, Capital Increases, Joint Ventures and Stock Purchases in Vietnam by Top Ten Countries



Taiwan’s Investment in N. Vietnam (by Value) is the Highest

Southern Vietnam Has the Largest Number of Taiwanese Investors

According to Taipei Economic and Cultural Office in Vietnam (Table 2), the top five Vietnamese regions with the highest investment value from Taiwan in 2023 were Quang Ninh Province (USD 925 million), Ha Nam Province (USD 386 million), Hanoi City (USD 253 million), Nam Dinh Province (USD 176 million), and Dong Nai Province (USD 161 million). Ho Chi Minh City ranks 12th (USD 74.79 million). Among them, Quang Ninh Province ranks first in the provincial competitiveness index in Vietnam; Hanoi City is the capital of Vietnam and the second largest city after Ho Chi Minh City. Nam Dinh Province is where Quanta Computer, founded by Taiwan’s richest man Barry Lam, officially set foot in Vietnam. Dong Nai Province is an economic powerhouse in southern Vietnam, and its attraction to foreign investment frequently ranks first in Vietnam.

Roughly dividing Vietnam into northern, central and southern parts, Taiwan invested USD 2.219 billion in the northern part (accounting for 76.95%) and USD 522 million in the south (accounting for 18.13%). The least investment by Taiwan was in the central part which was USD 522 million, accounting for 4.91%. **In terms of investment value, Taiwan has the highest proportion of investment in the north.**

However, it should be noted that according to a press release from 104HeadHunter website, **in terms of the number of companies, Taiwan had the highest proportion of investments in the south** (about 2,195 companies) in 2022, followed by the north (about 525 companies) and the central part (about 125 companies). Among them, there are many high-tech, automotive, electronics and financial industry manufacturers in the north, as well as screw manufacturers, such as the TSLG (Bac Ninh Province), New Best Wire Vietnam Industrial (Hung Yen Province), Boltun (Quang Ninh Province), etc. In the south are many manufacturers of conventional industries such as textiles, garments, and furniture, including many fastener related manufacturers like Sheh Fung Screws (Phan Thiet City), Easylink Industrial’s subsidiary Ting Ray Joint Stock Company (Ba Ria-Vung Tau Province), Linkwell Industry’s subsidiary Viet-Screw Company (Binh Duong Province), Diing Sen Fasteners Industrial’s subsidiary Co-Win Fasteners Industrial Vietnam Joint Stock (Binh Duong Province), Homn Reen (Dong Nai Province), Stand Dragon Technology (Dong Nai Province), Thread Industries (Binh Duong Province), as well as wire rod company Kuang Tai Metal (Ho Chi Minh City) and other dozens of companies. The list goes longer coupled with machinery and peripheral companies.

In terms of the number of new investments, Ho Chi Minh City (64 cases) and Hanoi City (33 cases) have the most.

In terms of industry type (Table 3), Taiwan’s total value of new registration, capital increase, joint ventures and stock purchases in Vietnam’s processing and manufacturing industries was USD 2.765 billion, accounting for 95.89% of the total investment value. It means that **Taiwan has anticipation for Vietnam’s industrial development potential. Vietnam has become a popular target for Taiwan to set up overseas manufacturing bases to diversify manufacturing costs and geopolitical risks.**

Vietnam Mainly Trades General Steel Screws and Bolts

According to customs statistics provided by ASEANstats, Vietnam’s fastener import value in 2023 (USD 692 million) accounted for 18.87% of the total fastener import value of all ASEAN countries (USD 3.666 billion), second to Thailand’s share at 27.9%. Vietnam’s fastener export value (USD 525 million) accounted for 27.18% of the sum of ASEAN countries (USD 1.931 billion), second to Thailand’s share at 31.33%. **Vietnam is the second largest fastener trading country in ASEAN.**

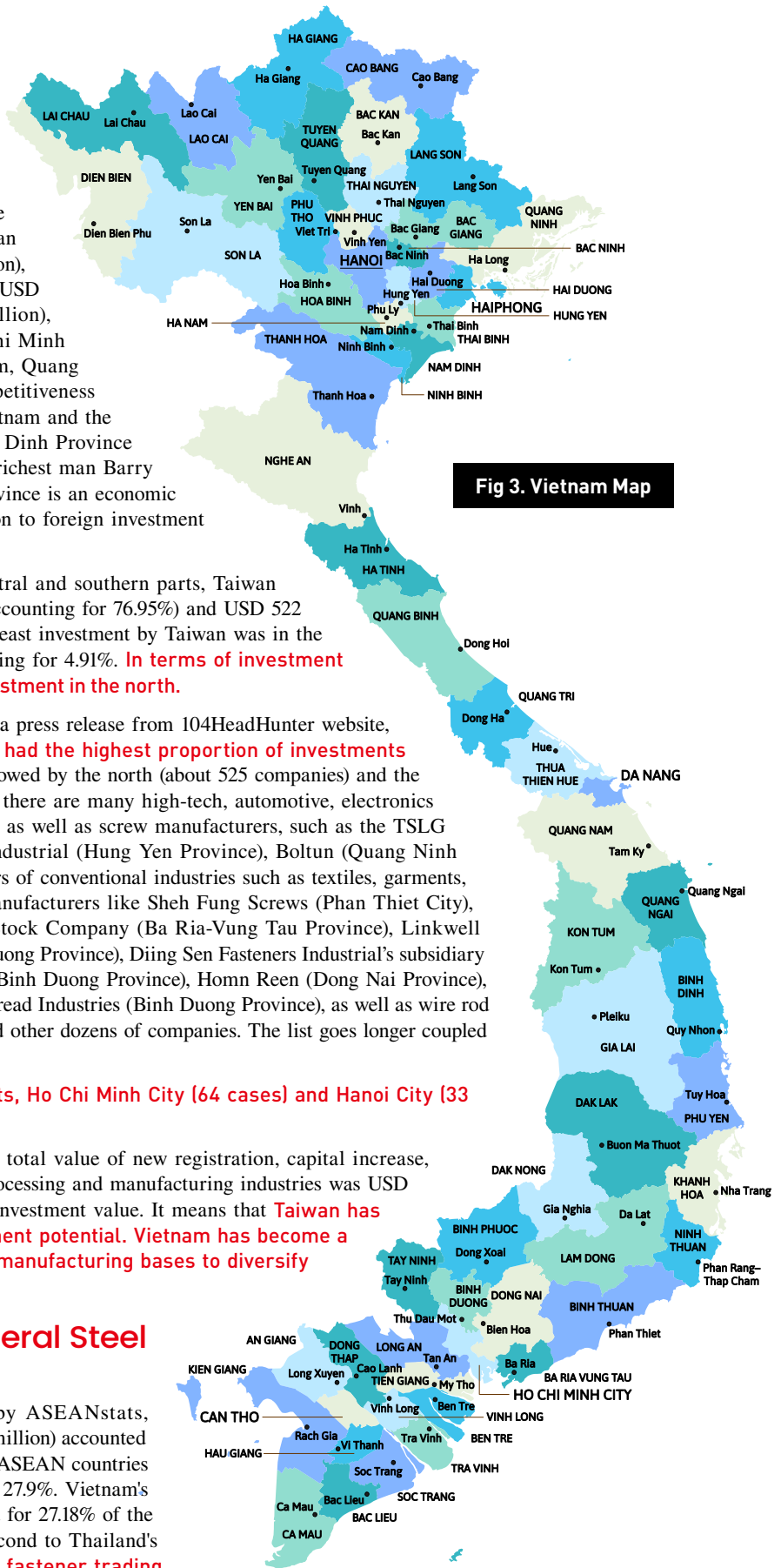


Fig 3. Vietnam Map



Table 2. Statistics of Taiwan's Investment in Vietnam in 2023 (By Region)

(Source: Taipei Economic and Cultural Office in Vietnam)

Unit: Million USD

Ranking	Region	Number of New Investments	Value of Newly Registered Investment	Number of Capital Increase Cases	Value of Capital Increase	Number of Joint Ventures & Stock Purchases	Value of Joint Ventures & Stock Purchases	Total Value of New Registrations, Capital Increases, Joint Ventures & Stock Purchases
1	Quang Ninh Province	0	925.30	0	0	0	0	925.30
2	Ha Nam Province	17	231.93	2	155.00	0	0	386.93
3	Hanoi City	33	217.17	12	35.37	7	1.05	253.59
4	Nam Dinh Province	5	176.38	0	0	0	0	176.38
5	Dong Nai Province	5	22.00	9	46.74	15	92.80	161.53
6	Binh Duong Province	14	96.09	16	10.54	50	36.58	143.21
7	Da Nang City	2	135.10	1	-1.09	0	0	134.01
8	Hung Yen Province	6	94.60	1	30.00	0	0	124.60
9	Bac Ninh Province	24	84.59	11	27.64	2	0.25	112.47
10	Ba Ria-Vung Tau Province	2	6.00	0	0	5	101.81	107.81
11	Vinh Phuc Province	5	100.70	0	0	2	0.20	100.90
12	Ho Chi Minh City	64	16.60	23	25.15	132	33.03	74.79
13	Hai Phong City	6	44.84	2	6.31	2	3.95	55.10
14	Thai Binh Province	5	39.33	0	0	0	0	39.33
15	Bac Giang Province	4	14.96	3	5.07	1	0.14	20.17
16	Hai Duong Province	4	9.30	3	4.92	2	0.04	14.26
17	Vinh Long Province	1	13.50	0	0	0	0	13.50
18	Tay Ninh Province	0	0	6	12.35	0	0	12.35
19	Thanh Hoa Province	1	8.03	0	0	0	0	8.03
20	Lam Dong Province	0	0	0	0	4	7.20	7.20
21	Binh Phuoc Province	0	0	3	6.12	3	0.14	6.26
22	Binh Thuan Province	1	3.60	0	0	0	0	3.60
23	Quang Ngai Province	0	0	1	2.89	0	0	2.89
24	Ha Tinh Province	1	2.41	0	0	0	0	2.41
25	Quang Nam Province	0	0	0	0	1	2.30	2.30
26	Phu Tho Province	0	0	0	0	1	1.28	1.28
27	Ca Mau Province	0	0	1	1.00	0	0	1.00
28	Hoa Binh Province	0	0	0	0	1	0.84	0.84
29	Dong Thap Province	0	0	0	0	1	0.35	0.35
30	Dak Lak Province	0	0	0	0	1	0.17	0.17
31	Ninh Binh Province	0	0	0	0	1	0.17	0.17
32	An Giang Province	0	0	0	0	1	0.05	0.05
33	Long An Province	6	3.80	9	-16.94	3	4.18	-8.96
	Sum	210	2,246.22	103	351.05	235	286.54	2,883.82

In 2023, Vietnam's top three fastener import sources were China (USD 363 million), Japan (USD 99.91 million), and South Korea (USD 90.65 million), with Taiwan ranking fourth (USD 41.25 million). The top three fastener export destinations were the U.S. (USD 106 million), Germany (USD 93.73 million), and Japan (USD 72.39 million), with Taiwan ranking 18th (USD 5.06 million).

In the same year, the top three fastener products imported by Vietnam were 731815 - Other iron and steel screws and bolts (USD 255 million), 731822 - Iron and steel washers (USD 109 million), and 731816 - Iron and steel nuts (88.03 million). The top three fastener products exported by Vietnam were 731815 - Other iron and steel screws and bolts (USD 330 million), 731814 - Iron and steel self-tapping screws (USD 379.4 million), 731819 - Other iron and steel threaded products (USD 28.85 million).



Table 3. Statistics of Taiwan's Investment in Vietnam in 2023 (By Industry Type)
(Source: Taipei Economic and Cultural Office in Vietnam)

Unit: Million USD

Ranking	Industry Type	Number of New Investments	Value of Newly Registered Investment	Number of Capital Increase Cases	Value of Capital Increase	Number of Joint Ventures & Stock Purchases	Value of Joint Ventures & Stock Purchases	Total Value of New Registrations, Capital Increases, Joint Ventures & Stock Purchases
1	Processing, Manufacturing Industry	93	2,177.22	67	344.49	75	243.68	2,765.40
2	Wholesale, Retail	80	21.03	18	7.43	119	29.75	58.20
3	Accommodation And Catering	1	22.00	-00	-00	3	1.51	23.51
4	Administrative Services	9	10.03	2	1.02	4	0.30	11.34
5	Transportation, Warehousing	3	8.51	1	0.10	6	0.77	9.38
6	Information And Telecommunication	9	1.11	3	5.11	1	0.04	6.26
7	Real Estate	4	4.71	2	-0.87	5	1.11	4.96
8	Construction	-00	-00	5	3.03	4	0.35	3.38
9	Specialized Projects, Science and Technology	10	1.61	2	0.18	12	1.54	3.33
10	Other Service Industries	-00	-00	1	0.07	-00	-00	0.07
11	Finance, Banking, Insurance	1	0.00	-00	-00	1	0.01	0.01
12	Agriculture, Forestry and Fishery	-00	-00	2	-9.50	5	7.47	-2.03
	Sum	210	2,246.22	103	351.05	235	286.54	2,883.82

Vietnam's Investment Environment is Highly Open to Foreign Investors

Vietnam has rolled out many preferential measures to attract foreign investors in local industries, including tax-free periods, corporate income tax incentives, and import tariff exemptions. Foreign investors investing in Vietnamese industrial parks can enjoy preferential treatment, including the corporate income tax rate of 10% for 15 years, 4-year exemption from corporate income tax beginning from the first year of profit gain, halved corporate income tax payable for 9 years, land rent exemptions, etc. Each province has its own preferential tax rules, so investors should look up and compare.

Vietnam has signed free trade agreements with many trading partners. Among the ten ASEAN countries, only Vietnam and Singapore have signed free trade agreements with the EU. Under the EVFTA agreement, 71% of Vietnam's exports to the EU are tariff-free, and so are 65% of the EU's exports to Vietnam. According to the CPTPP agreement, 95% of Vietnam's exports to Canada enjoy zero-tariff treatment, and exports to Europe and the U.S. enjoy preferential tariffs.

Heads Up for the Cruel Reality Behind Big Dreams; Calculated Planning is Required Before Entering Vietnam

Although the market environment of Vietnam is suitable for foreign investors, some veterans suggest that new entrants must keep their eyes peeled for some things before entering Vietnam, the first of which is that **the current production cost of investing in Vietnam no longer qualifies as an incentive for investment**. This was warned by a Taiwanese fastener manufacturer at a meeting between Taiwan CSC and several dozen Taiwanese fastener business owners two years ago. Therefore, it is recommended that new entrants have the mentality of setting up factories in Vietnam with a focus on answering the call of overseas customers for diversifying geopolitical risks.

The next one is a deep understanding that Vietnam is a planned economy, which means the country's production, resource allocation, and consumption are all based on economic plans. Therefore, **Vietnam will strictly review foreign investment plans**. The plan must include mentioning the person in charge, the company's output value, the operating site, and the benefits for the Vietnamese society. Vietnam stipulates that the legal representative of a foreign company must be resident locally, and the foreign company's headquarters operator cannot be named the legal representative. Ignoring this will affect the tax benefits and increase the cost of revisions.

The third one is to recognize the reality of the aforementioned preferential measures. For example, although Vietnam provides a four-year exemption from corporate income tax, it only takes effect from the first year of having profit gains. The catch is that setting up an overseas factory may not necessarily make you profitable early, and you won't be able to enjoy the preferential measures if you make profits too late. **Therefore, new entrants must precisely plan the timetable for turning losses into profits**. When investing in Vietnam, factories and land can only be leased for a period of about 50 years. ■

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