



# Vietnam's

## Mega Infrastructure Projects

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### ➤ Introduction to Vietnam

Located in the heart of Southeast Asia and along the coastline of the Pacific Ocean, Vietnam enjoys several advantages in linking the world's major trade routes together. Traditionally, the possession of rich natural resources and environmental conditions has made the agricultural sector one of the most powerful tools to boost shared prosperity and economic growth. However, by the recent rapid economic growth and development supported by the industrial transformation in Vietnam, the workforce in this country is increasingly shifting towards industry in manufacturing and services from agricultural. The South has been the traditional centre of manufacturing and trade, and a major logistics hub. On the other hand, the northern region has become an increasingly popular destination for foreign manufacturers looking to diversify their production bases, especially for South Korean and Japanese manufacturers.

Economy in Vietnam is built around investment, manufacturing, and exports. Investment injects to areas with specific factor endowments such as a large supply of labour, where value-added products are manufactured or processed and then exported. The model is comparable to the development models that boosted South Korea, Taiwan, and Singapore into high-income status. Thus far this model supports well the growth of Vietnam's economy by experiencing large capital inflows, swift per capita income achievements, and positive current account balances.

The foundation of this growth model is built on the country's infrastructure, in general, and transport infrastructure, in specific to support rapidly increasing volume of production and trade. As manufacturing capacity increases, the country needs good roads and rail connections to move products around the country, and bigger airports and seaports to handle the increasing volume of imports and exports.

### ➤ Infrastructure

Infrastructure is having a bit of a moment these days. As a matter of fact, infrastructure improves lives by connecting people to opportunity, expands markets, creates job opportunities, promotes competition. So with no doubt, Vietnam, one of the fastest growing economies in the world, has been looking to go big on infrastructure, as the Government has recognised the importance of an efficient infrastructure for economic development. Recent years striving plans have been also witnessed from the Government to develop and upgrade the existing transportation infrastructure system.

In April this year, the Ministry of Transport of Vietnam proposed spending USD65 billion on renovating road, rail, inland waterway, sea and air transport infrastructure until 2030 under their infrastructure master plan. It would include the construction of 5,000 kilometres of expressways, a deep water port in Hai Phong (a major port city in north-eastern Vietnam), high-speed rail routes running along major north-south arteries, and the completion of Long Thanh International Airport near Ho Chi Minh City (the largest city in Vietnam, situated in the South).

### ➤ Road Infrastructure

The old National Route 1A is the trans-Vietnam highway. The route begins near the China-Vietnam border, runs the length of the country linking major cities including Hanoi, Da Nang and Ho Chi Minh City. In addition to this major national road, the country is progressing with the completion of Ho Chi Minh Road. The 3,167 km long road which is going to operate together with the old national road No. 1A to link the North with the South. Other notable highways connecting key economic regions have also been upgraded.



## ➤ Airport Infrastructure

In recent years, the country has also witnessed a significant increase in air transportation. As the economy expands both domestically and internationally, the volume of freight and passengers carried by air transport has been increasing sharply. The government is expanding and modernising the airport infrastructure, most notably the construction of Long Thanh airport in the southern province of Dong Nai when completed. Construction of the first phase of the Long Thanh International Airport began early this year and it is scheduled to be completed in 2025 with the budget of USD4.6 billion. Long Thanh Airport is expected to become the largest airport in Vietnam with a four-kilometre runway, taxiways, aprons, and a 373,000-square-meter terminal accommodating up to 25 million passengers and 1.2 million tons of cargo a year.

There will be three phases, which will be completed by 2040, which is planned to build four runways, four terminals and other facilities to handle 100 million passengers and five million tons of cargo annually.

## ➤ Seaport Infrastructure

Sea transportation remains a substantial component of the Vietnamese infrastructure system. There are over 100 ports throughout the country, of which the major ones are located in Hai Phong, Da Nang and Ho Chi Minh City. In an effort to address the increasing demand of exporters, plans to upgrade and expand the existing capacity are underway.

Earlier this year, the government has approved USD147 million for building infrastructure at the Lien Chieu port in Da Nang. Once operational, it is expected to hold general cargos and bulk carriers at the maximum of 100,000 metric tonnes and container vessels with a capacity of 6,000-8,000 TEUs (twenty-foot equivalent unit). Construction work will include breakwater embankments, breakwaters, ship passages.

## ➤ Summary

Vietnam has undergone extreme shifts in recent years as the country evolves from a command economy to a market economy. Many investors have looked at emerging markets such as Vietnam as an area of potential investment.

The investment in building new infrastructure and expanding the capacity of the existing infrastructure supports Vietnam's ability to service the expected increase in exports including from companies looking to or having relocated manufacturing bases to Vietnam.

Infrastructure investment is a very lucrative opportunity for fastener manufacturers and traders to either move their production and operation to this country or to expand their export market to Vietnam more than ever. With the growing Vietnamese market, there is high demand for fastener products, machinery, tools, hardware, etc. However, less than 10% of metal processing and industrial products are made by Vietnam itself and the remaining are imported. To support this statement, despite the pandemic, Vietnam imported more than USD623 million worth of fasteners last year, and recorded an 8.1% YOY growth rate.

Additionally, once infrastructure projects are completed, major industries such as automotive, aviation and marine industries will grow faster, and this means more demand for industrial fasteners. Motorcycles have been the major transport way for local Vietnamese people. Vietnam has become the 5th largest strategic market for motorcycle manufacturing. With the improvement of the infrastructure in Vietnam, the demand for sedans and trucks in cities will be growing faster than before, and this is where fastener suppliers and traders should focus on. ■

### Sources:

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