



Nghe An

Revolutionizing Development

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Nghe An is a prominent part of Vietnam. It is the biggest province by area and a popular summer getaway for Hanoians because it is well-known for its beaches and rural landscapes. Further, Nghe An has gained a lot of historical prominence because it used to be on the southern border of the developing Vietnamese state and later became home to some of its most famous revolutionary heroes (first and foremost Ho Chi Minh himself). Its capital city, Vinh, has been re-developed by Eastern German engineers after the war. And now, Nghe An is about to develop from one of the poorest provinces of the country into a manufacturing powerhouse.

Please note that this article is part of a marketing project in cooperation with WHA Industrial Management Services Vietnam Co., Ltd.

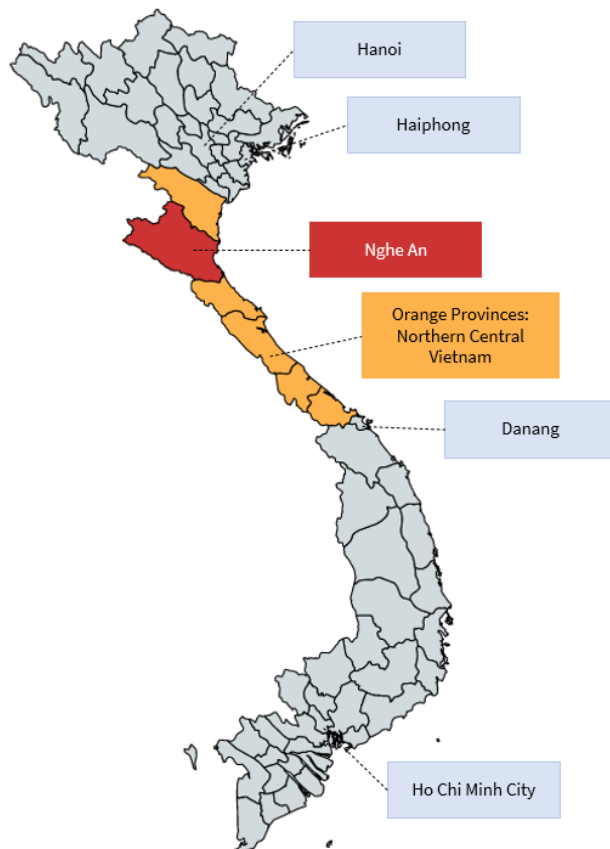
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Natural Environment and Population

Nghe An is located in Northern Central Vietnam; roughly 300 km South of Hanoi. It thus has a subtropical climate: In the winter, the Northern East Monsoon brings wet and cold weather with temperatures reaching ca. 20 degrees in daytime. In contrast, the summers are dominated by the Southern West Monsoon making it hot and dry with temperatures of 35 degrees and higher. It has to be noted that this region regularly sees storms and hurricanes making landfall on its coast in the autumn months. Nghe An borders the provinces of Thanh Hoa in the North as well as Ha Tinh in the South. To the West, across the Annamite Mountains, lies Laos with which it shares a longer border than with the Vietnamese neighbor provinces. To the East, Nghe An, lies the East Sea. Most important river is the “Ca” or “Lam” originating in the Annamite mountains in Laos, entering the province from the West and straddling through the province eastwards before emptying into the East Sea. Nghe An can be divided into three distinctive regions: 1) The western mountains, 2) the central lowlands as well as 3) the coastal region.

Position of Nghe An in Mainland Vietnam



Due to its size (Nghe An is the biggest province of Vietnam), the province features quite a large population of 3.5 million, ranking 4th in Vietnam. The population is concentrated in the central lowlands and the coastal region. The capital city Vinh alone has roughly 500,000 inhabitants. By Vietnamese standards, the province's population may be considered as "poor". While the national average income in 2020 was EUR 160 per month it was only EUR 113 in Nghe An. In the Central Coastal Area of Vietnam, Nghe An is the third-poorest province. The situation is however rapidly changing as laid below.

Historical Relevance

Nghe An has been part of the Vietnamese cultural sphere since at least the second century BC. Its name has been decreed by emperor Ly Thai Tong in 1030 AD. Up until this time, Nghe An has been located at the southernmost fringes of the developing Vietnamese nation which originated in the northern Red River Delta. For this reason, the province repeatedly saw invasions by foreign armies, e.g., in 1132 by Khmer and Champa as well as in 1278 by the Mongols. The province has also been a hotbed for nationalism and revolutionary ideas. These developments started off with the Le Loi uprising against the Ming-Chinese occupation in 1424. However, in the collective memory of the Vietnamese revolutionary activities and heroes from Nghe An against the French dominion are better remembered. In 1893, Phan Dinh Phung fought one of his last big (unsuccessful) attacks on the French at Vinh. The province was also home to one of the first big uprisings staged by the "Communist Party of Indochina" in 1930/31 (aka "Nghe-Tinh Soviet Uprising"). Further, some of the most important revolutionary figures have been born in Nghe An. For example, Phan Boi Chau, an early nationalist and freedom fighter, was born here in 1867 and Nguyen Thi Minh Khai in 1910. The province is especially proud of its greatest son, Ho Chi Minh, who was born close to Vinh in 1890.

While Nghe An always was – and still is – a largely rural province, its capital city – Vinh – is considered the economic, political, and cultural center of North Central Vietnam. This status quo has been established in 1802 when emperor Gia Long moved the provincial administrative center to the city. In the early 20th century, Vinh attracted a lot of investment by the French Empire. Several factories, especially in the woodworking sector, were established. In 1908, the city became home to the second largest railroad repair workshops in Indochina. The French also built the first modern seaport of Vinh and laid the groundworks for the airport. Vinh became home to several thousand industrial workers which in turn created favorable conditions for communist uprisings. During the First Indochina War, the communist forces began destroying the city as part of Ho Chi Minh's scorched earth tactics against the French. Until 1973, Vinh was in a repeated cycle of rebuilding and destruction; mostly due to American bombing raids on the (former) industrial center. After the Paris Peace Agreement, a visitor from Eastern Germany described the city landscape as following: "There are terrible pictures of destroyed Minsk and Stalingrad, of the ruins of Coventry and Dresden, here in Vinh there were not even ruins. A burned-out moonscape with countless bomb craters like so many pockmarks stretched before the eye."

Prime Minister Pham Van Dong assigned the reconstruction efforts of the large cities in Vietnam to one socialist country each. Vinh was assigned to the German Democratic Republic (GDR). Hence, the GDR supported Vinh massively in its rebuilding efforts. It was the government's wish to re-establish the city's status as an industrial center in the region. Apart from reconstruction, the GDR would also deliver a plant for pre-fabricated concrete elements, a cement plant as well as assistance in the construction of a textile and clothing industry. Vinh would thereby become a center of GDR assistance in Vietnam. Under the slogan of "international solidarity" it helped to reestablish the city under the motto "Vinh of tomorrow will be a socialist city". Especially the construction of the Quang Trung residential project was aided massively by the GDR. The apartment blocks of Quang Trung "embraced a new culture of privacy" as envisioned in Eastern Germany. This project was "praised as exemplary for the creation of urban space in both countries until the late 1980s". Although it was never fully completed, parts of it can still be visited in central Vinh.

Modernization Efforts

Vietnam decided to introduce a slew of market-oriented reforms starting in 1986 and continuing to this day. These liberalization efforts lured in a lot of international investors. However, Nghe An for a long time struggled to keep up with the more advanced Red River Delta as well as with the HCMC Metropolitan Area. Nevertheless, the province modernized comprehensively during the past decade. A measure can be the "Provincial Competitiveness Index" which quantifies the efficacy of administrative processes. Back in 2010, Nghe An ranked 53rd out of 63 Vietnamese provinces and cities. In 2020, it improved its rating to rank 18 leaving more established investment locations such as Dong Nai or Bac Giang behind it. Considering the history and conditions of the province this may be considered an impressive development showing strong improvements in Nghe An's economic management.

Infrastructure

Aside from administrative reforms, Nghe An has also put a lot of work into improving its infrastructure.

Traditionally, National Route 1A is the most important transport artery of the province. The 1A leads all the way from Ca Mau in the South over 2,300 km to Lang Son in the North. It also passes through Nghe An, connecting it with the rest of the country. From 2023 on, the modern 4/6 lane North-South Expressway will likely supplant the 1A as a modern inter-provincial connection. Further, Nghe An is considered to be a (potential) part of the "East-West Economic Corridor" (EWEC) which is supposed to connect Myanmar with Vietnam. The National Highway 7 is a physical manifestation of the EWEC in Nghe An. It is starting at the Laotian border of Nghe An in the West and straddling over 225 kilometers to the East where it connects to National Route 1A. Hence, in theory shipping goods via road into south-east Asian markets is an option. However, the EWEC is not yet fully developed and facing a lot of

obstacles in infrastructure development. But at least shipping in and out of Laos should be a convenient option for Nghe An investor.

Vinh's airport has been modernized several times, latest in 2020. With passenger numbers of about 1.8 million it is in the top ten of Vietnam's busiest airports. It is the central airport of North Central Vietnam and serves nine domestic destinations. Technically, the airport has an international terminal and used to offer flights to Vientiane (Cambodia) and Bangkok (Thailand). These however are currently not available. Hence, when travelling to Vinh, international passengers will likely transfer through either Hanoi or Ho Chi Minh City. With upcoming international investments (see below) it seems likely that surging demand will induce new connections abroad.

While land and air connections may be considered excellent for Nghe An, seaports are arguably a weak spot of the province. Technically, the province has two deep seaport systems. One is called "Cua Lo" and is located at the mouth of the Cam River. The other one is situated at the head of a peninsula north of Cua Lo and called "Nghe An". However, both port systems are rather small and concentrating on commodities. For industrial investors, Cua Lo will likely be the more relevant option because it has dedicated container berths. It must be mentioned though that the local government is planning massive expansions of these port systems including a 70ha logistics depot. With increasing manufacturing activities in the area, the demand for such developments should be increasing. Currently, most investors will probably ship in and out via Haiphong (340 km), Danang (490 km) or possibly Nghi Son (in Thanh Hoa, ca. 80km).

Vinh is also on the North-South railway line of Vietnam. However, as this line has been built on the turn of the 19th and 20th century it is narrow gauge and thus not suitable for high-speed transport. Though some goods are being shipped by rail, most cargo will probably utilize the existing road network. It has to be added that the central government is planning to implement a new high-speed rail system. Latest reports from March 2021 are suggesting a new track between Vinh and Hanoi to be completed by 2030.

Economic Development and International Investment

As pointed out above, Nghe An has laid the groundworks for successful industrial development during the past years. It is now reaping the fruits of its efforts in administrative reforms and infrastructure development. The province is becoming increasingly attractive for industrial investments, and this shows in the numbers. In 2020, the expansion of the "Gross Regional Domestic Product" (GRDP) of the province overtook the national GDP of 2.91% by far with a growth rate of 4.45%. For 2021, Nghe An is targeting a GRDP increase of 7.5 to 8.5% (Vietnam: 6.5%).

The province has so far permitted the establishment of eight industrial zones (IZs). In Central Vietnam, only Quang Nam has more (nine IZs). Nghe An's IZs and overall economic development is focusing on its South-East between the Ca/Lam River and the National Road 7 (green area in the map below).

However, the town of Hoang Mai in the Northeast of the province is also developing into an industrial cluster.

Overview Points of Interest in Nghe An



Nghe An is just starting off its industrialization drive. It seems that the province wants to regain the industrial prowess it had before the First Indochina War. Currently, it mostly Korean and Chinese companies are showing interest into the province. This cycle of East Asian investors pioneering certain “new” investment regions also played out in other, now further developed, provinces. They seem to perceive less risk in going to more remote locations possibly because of cultural similarity and geographical proximity. In any case, Nghe An could recently secure some truly massive investments as shown below.

Overview: Selected Mega-Investments in Nghe An

Investor	Country/ Region	Invest Sum (USD)	Employees	Products	SOP
Luxshare/Mergy	PRC	140 million	20,000	Charging equipment	2020
Goertek	PRC	100 million	29,000	Audio devices	2021
Ju Teng	Hongkong	200 million	30,000	Computers/handhelds	n/a
Everwin	USA	200 million	15,000	Electronics parts	2022

With an overall provincial foreign direct investment of 1.1 billion USD, it becomes clear that the above enterprises will dominate the industrial production of Nghe An. It has been reported that they chose the province because of the strong support of the government as well as the reasonable land prices. Another important factor for their investment decisions were the ample availability of workers as well as their costs. In fact, all industrial zones of Nghe An are lying in the lowest minimum wage tier zones. Workers here will earn at least USD 131 per month. Additionally, Nghe An is a leader in technical training with seven universities, nine colleges and nine vocational schools providing a steady supply of trained staff. Overall, in Vietnam, people from Nghe An are regarded as studious, hard-working and willing to learn. This HR situation seems ideal for electronics assembly processes. For other international investors it should inspire trust that these big-ticket investors are putting this much capital into Nghe An. Furthermore, they will lay the bedrock in infrastructure and expat amenities for following entrants. On the other hand, the above-mentioned companies alone will employ about 100,000 people. This could lead to competition for workforce negatively impacting labor availability and/or costs. Overall, it however seems positive that these flagship investments could be attracted by Nghe An.

Our Partner

The WHA Group is a provider for fully-integrated logistics and industrial facilities solutions. The group's home is in Thailand where it operates ten industrial zones. Here it holds 34% market share making it the most successful IZ provider. While WHA has a lot of Asian customers, they are also favored by many German companies such as Continental, Schaeffler and DHL. In Vietnam, the group is operating its first IZ in Nghe An since 2019. Here it offers 3,200 ha of prime industrial land just 18 km north of Vinh. Located within the Dong Nam Economic Zone, WHA features infrastructure to an international standard and utilities under the Smart Eco Industrial Zone as an ideal destination for investors. In addition, investors can also enjoy many attractive tax incentives, such as:

- Corporate income tax at 10% for 15 years from the date of the company generating revenue, in which:
 - o Exemption for the first 4 years and
 - o 50% reduction in the subsequent 9 years
- Import tax exemption for machinery and equipment, vehicles and imported construction materials (which cannot be produced domestically)
- 5-year import tax exemption for goods imported for production, including raw materials, supplies and components that cannot be produced domestically.

Although the industrial zone has been in operation for only two years it has already attracted some major investors. Audio equipment maker Goertek invested 100 million USD in the IZ. Furthermore, Aska Food built a plant for 1.9 million USD and VinaSun Energy invested 5.5 million USD into automotive parts manufacturing. Overall, there are currently ten customers in the IZ occupying over half of the existing first phase of the WHA project.

Vinh for Expats

An obvious question to an up-and-coming investment location like Vinh would be if it is a good place to live for foreigners. On the upside, Nghe An is a wonderful place for nature lovers with Cua Lo Beach, its rural landscapes and its national parks. Most foreigners in Nghe An will probably opt to settle in its capital Vinh. This would serve as a calmer alternative to the hustle and bustle of Hanoi or HCMC. The city has developed modern living and retail options. As a regional center, it also provides modern hospitals. However, likely due to the lack of a yet-existing bigger international community there are no international schools. Furthermore, the selection of Western-style bars and restaurants seems to be rather limited.

Conclusion

After becoming a regional powerhouse in the first half of the 20th century, Nghe An witnessed a long-lasting downturn in the second half of the 20th century. Now, the province is on the verge to make the 21st century a successful era. As a runner-up it is developing into a prime alternative for investors facing shortages of labor and land in the Red River Delta as well as in the HCMC Metropolitan area. An improved local administration as well as positively developing infrastructure will lure in an increasing number of manufacturers. For now, pioneering investors will focus on labor-intensive manufacturing. In the mid-term the province could develop into capital-intensive, high value-add industries. Considering its past, Nghe An is surely in the midst of a “revolutionizing development”.

If you have any further questions or are in search of a manufacturing location in Vietnam, feel free letting us know. For contact details see: <https://vietnam.ahk.de/en/services/investment-location-analysis>.

Contact Us

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