



Tay Ninh

New Industrial Hub in the South

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Tay Ninh is an up-and-coming industrial location in Vietnam. Within the Greater HCMC area, it is a promising alternative to more established, but increasingly expensive and industrially congested provinces such as Dong Nai and Binh Duong. Tay Ninh offers ample land at reasonable prices as well as a large workforce at comparatively low costs. These advantages will be truly unlocked with the construction of a new expressway connecting Ho Chi Minh City with this naturally and culturally fascinating province.

Please note that this article is part of a marketing project in cooperation with Saigon VRG Investment JSC.

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Geographical and Social Characteristics

Tay Ninh is located in Southeast Vietnam wedged between the economic hub of Ho Chi Minh City and Cambodia. The border town of Moc Bai sports the largest border gate in Vietnam. It serves as a gateway to neighboring Cambodia and to Thailand. With a total area of 4,041 square kilometers and around 693 thousand people in Tay Ninh are in working age, investors are laying their eye on this province.

In contrast to the low-lying alluvial regions of the Greater HCMC Area, Tay Ninh has an excellent geology. Its land is quite “hard” and thus ideal for industrial construction with less need for piling. Construction cost can thus be 30% lower than on alluvial soil. Tay Ninh has a tropical climate with warm temperatures throughout the year with a dry and a rainy season. Because the province is lying inland it is less prone to storms or flooding than the coastal regions. While Tay Ninh has generally flat land, Ba Den Mountain is the most striking feature within its geography. At 986 m tall its cone-shaped outline dominates the surroundings and is a popular get away for tourists from Ho Chi Minh City. Ba Den is the highest mountain of southern Vietnam.



FIGURE 1: TAY NINH CITY WITH BA DEN MOUNTAIN IN THE BACKGROUND

Credit: Tayninhonline/Wikipedia commons

Besides its natural sites, Tay Ninh is also well-known as the homestead of the “Cao Dai” religion. With six million disciples, Cao Dai is the third most important religion in Vietnam after Buddhism and Catholicism. It arose in the early 1920s. Researcher Ben Kiernan writes that it draws “on Sino-Vietnamese Daoism, a Buddhist concept of salvation, Chinese immigrant secret societal ritual, the institutional structure of Catholicism and French secular urban spiritism and séances”. Caodaism thus basically mixes all religious systems known in the 20th century into one pot. To its sacred pantheon belong figures such as Confucius, Moses, Jesus, Mohammed, Pericles, Sun Yat-Sen, Julius Ceasar as well as relatively modern persons such as Victor Hugo or Winston Churchill. This fascinating religion has its Holy See in Tay Ninh city where its pope is residing, too.



FIGURE 2: THE CAO DAI HOLY SEE IN TAY NINH CITY

Credit: loilamtan / pixabay

Infrastructure

Tay Ninh City is located just 80 km away from downtown Ho Chi Minh City. Nevertheless, access from HCMC is currently mainly funneled through National Route 22. This highway is running from the northwestern outskirts of HCMC to the border with Cambodia at Moc Bai. As Vietnamese national routes go, the “22” is basically a normal street with all kinds of vehicles using it leading to low speeds and congestion. Access to the province will however get much more convenient: In 2023, work on a new, state-of-the-art expressway will start. The HCMC-Moc Bai Expressway has an investment volume of 587 million US-Dollars. Its course will be parallel to the National Route 22. This new expressway has the potential to drastically shorten the transport time from Tay Ninh's industrial zones to HCMC's airport and seaport infrastructure:

- Sea: While Tay Ninh is landlocked, two of the biggest Vietnamese ports are located close to it:
 - o Cat Lai Port / HCMC: Currently, this is the busiest port in Vietnam. Cat Lai is handling roughly half of the freight in southern Vietnam serving mainly Asian routes.
 - o Cai Mep / Ba Ria Vung Tau: Operating since 2009, this is a relatively new development. While Cat Lai is a river port, Cai Mep is a true deep seaport located close to the mouth of the Soai Rap river. It is able to receive huge container ships of up to 200k DWT. Cai Mep aims to develop direct shipping lines to Asia and America and to become a

transshipment hub. In 2019, the port handled about a third of southern Vietnam's shipments.

- Air: The biggest airport of Vietnam, Tan Son Nhat in HCMC, handles about 36 million passengers annually. Furthermore, a new airport will be finished by 2025 on HCMC's eastern side called "Long Thanh".

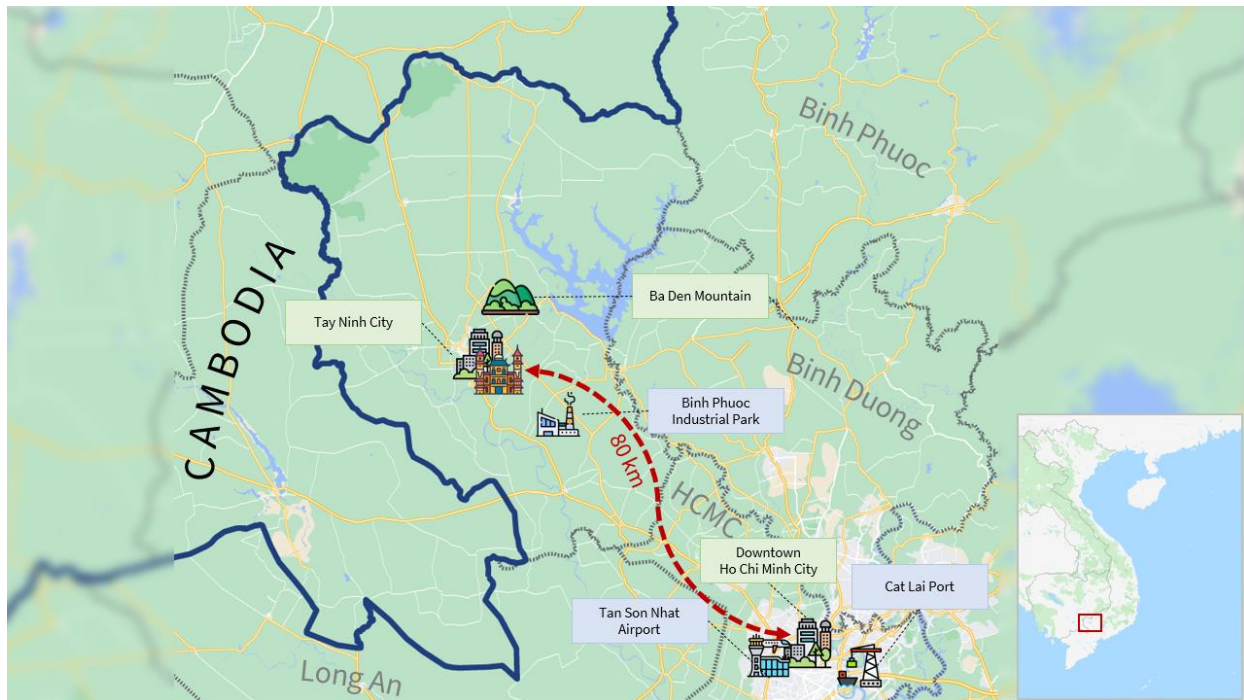


FIGURE 3: POINTS OF INTEREST IN TAY NINH

Proximity to HCMC

With the new expressway, Tay Ninh will become a more integrated part of the greater HCMC metropolitan area. With a population of 9 million, HCMC itself is the biggest municipality in Vietnam. With its other surrounding provinces of Binh Duong, Long An and Dong Nai the city forms a megalopolis with roughly 16 million inhabitants contributing roughly half of Vietnam's economic output. For many businesses HCMC is therefore the first point of entry into the country. Apart from its enormous business opportunities the city is also Vietnam's major hub for culture and leisure. With its lively dining and party scene it is able to attract top talent from around the world. Furthermore, HCMC hosts some of the country's best medical facilities as well as many international schools.

Economic Development and International Investment

Tay Ninh is still on its way to become a truly industrialized province. Currently, over a fifth of its economic output still relies on agriculture. However, things are changing fast. With the above-mentioned expressway and new industrial zones springing up, Tay Ninh is quickly becoming a viable alternative to the more established manufacturing hubs of Binh Duong and Dong Nai. In both provinces land prices as well as labor costs can be a real challenge. In contrast, Tay Ninh offers comparatively low industrial land prices of 80 to 100 US-Dollars/sqm. With over one million inhabitants, it also promises

good availability of labor as well as low labor costs. Another positive aspect of Tay Ninh as an investment location is that in addition to the standard 2-year exempt/4 years tax reduce incentives for new projects in industrial parks, new projects established in Tay Ninh province enjoy better tax incentives rate at 17% for the first 10 years.

So far, Tay Ninh has attracted over 7 billion US-Dollars in almost 400 projects of foreign investors. Most of them come from China and Korea. There are currently three German investments:

- Rhenoflex: As a supplier for the shoe industry, this company operates a manufacturing site in Trang Bang, right on the provincial border of Tay Ninh with HCMC.
- ISA Tantec: This German-American company has built a tannery, also in Trang Bang.
- Fischer: Recently invested into a ready-built factory of our partner, Sai Gon VRG, producing fixings for the construction industry.

Most of its six industrial zones are located in the southeastern part of the province which is close to HCMC. In the coming years, with the new expressway more industrial land is poised to be developed as Tay Ninh has ample land available. This is in stark contrast to other neighboring provinces which will find it harder to develop new industrial areas close to HCMC.

Our Partner

The Sai Gon VRG Investment JSC is a locally invested company operating four industrial zones in Vietnam. Its largest project “Phuoc Dong” is located in Tay Ninh. This project has been in operation since 2008 and has a 50-year duration. With a total area of more than 3,200 hectares, about two-third of it is used for industrial and production purposes, the Phuoc Dong Industrial Park has attracted roughly 4.65 billion US dollars from 42 international companies investing in the project. At the moment, 53% of the total space is already in use.

This industrial zone lies in the southeastern part of the province roughly 55 km from HCMC and 76 km from Cat Lai Port. Sai Gon VRG will be adjacent to the above-mentioned “HCMC – Moc Bai Expressway”. Within Tay Ninh it thus has a strategic location offering fast access to critical infrastructure and suppliers within the Greater HCMC area. Potentially, it may also provide potentials in cooperation with suppliers or access to customers in the Cambodian market as the Moc Bai border gate is just 21 km away.

Sai Gon VRG has a land bank of 3,285 ha of which 700 ha are still unoccupied. It is thus the largest industrial zone in Tay Ninh. Especially, Phuoc Dong IP has large land bank for expansion/projects that need large area. The success of Sai Gon VRG can be seen in that its first phase is already completely sold out while it is now firing up its second phase.

Besides “buying” land to build factories, investors can also make use of “Ready-Built” (RBF) and “Built to Suit” factories (BTSF). BTSF are erected to the investor’s specifications while RBFs are constructed according to a standard format. In both models, the industrial zone will remain the owner of the factory buildings and rent them out the client. This drastically reduces the need for capital by the investor. BTSFs and RBFs are therefore an increasingly popular alternative to “traditional” investment models where the investor acquires land and builds the factory buildings; so-called “Greenfield Investments”. Especially with German investors, we are seeing massive interest into these plant types.

TABLE 1: OVERVIEW OF THREE DIFFERENT LEASE OPTIONS IN PHUOC DONG INDUSTRIAL PARK

Lease Options	Ready-Built Factory	Built-To-Suit Factory	Greenfield Investment
Overview	Ready to use immediately	Built according to clients' demand & handed over within 7 months	Empty land for clients to build their own factories
Ownership	Rent from Saigon VRG	Rent from Saigon VRG	Clients
Initial binding capital	Low	Middle	High
Design flexibility	Less flexible	Flexible	Very flexible

Conclusion

Travel times from Ho Chi Minh City to the industrial areas of Tay Ninh currently are still an issue. However, this will be overcome by the construction of the new HCMC–Moc Bai Expressway which will start soon. The province might then develop into an industrial powerhouse on par with the likes of Binh Duong and Dong Nai. Tay Ninh lures investors with its large land bank at reasonable prices as well as the sufficient labor availability and relatively low labor costs compared to the aforementioned more established provinces. By investing in Tay Ninh, manufacturers can thus utilize the province's advantages as well as the infrastructure of the neighboring metropolis of Ho Chi Minh City.

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>

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