

Vietcap Investor Conference

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How is Vietnam's
Port and Logistics
Infrastructure
Development
Promoting Long-
term Economic
Growth?

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What drives Vietnam's Economy?

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Economic Indicators

- **Trade:** Vietnam has actively engaged in international trade, with a strong export-oriented economy and membership of 16 trade agreements;
- **GDP Growth:** Vietnam has consistently achieved strong economic growth, with an average annual growth rate of around 6-7% in recent years reaching an impressive 8% in 2022;
- **Foreign Direct Investment:** The country has attracted significant foreign investment, particularly in manufacturing and technology sectors.

Key Industries

- **Manufacturing:** Vietnam has emerged as a major manufacturing hub, attracting investment from multinational corporations due to its low labor costs and favorable business environment;
- **Technology:** The tech industry is rapidly growing in Vietnam, with a focus on software development, IT services, and electronics manufacturing;
- **Agriculture:** The country is one of the world's largest exporters of agri- and aquacultural products, including rice, coffee, pepper and fish/seafood;
- **Tourism:** Vietnam's natural beauty, rich history, and vibrant culture have made it a popular tourist destination, contributing significantly to the economy.

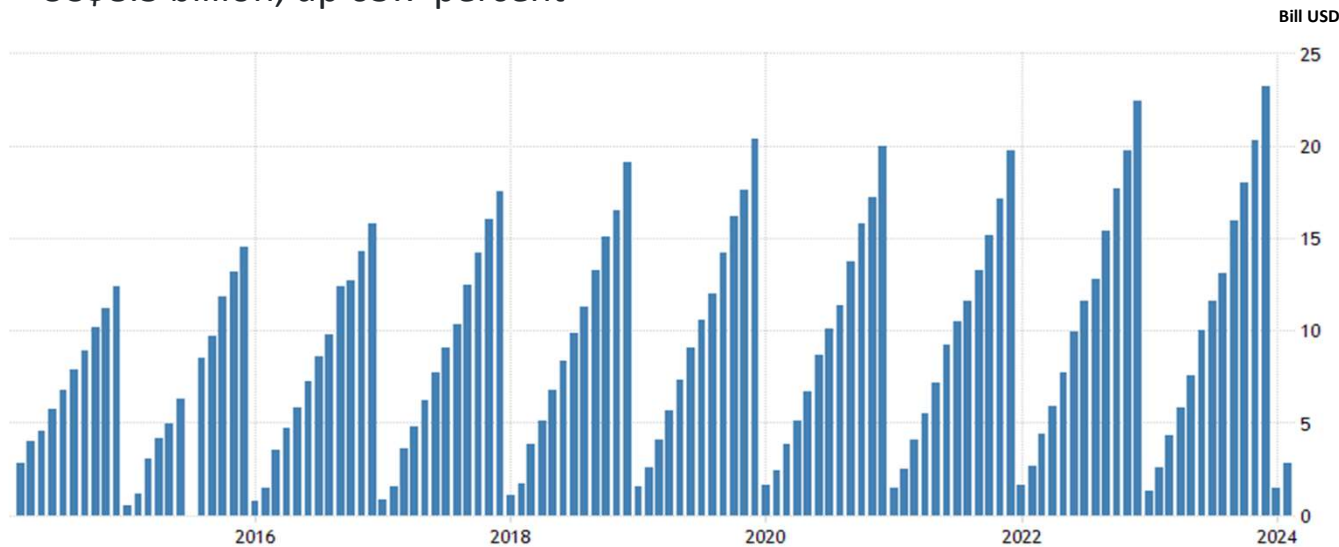
Vietnam has struck major free trade agreements (FTAs) in the past ten years with more than 50 nations. In 1995, Vietnam joined the ASEAN free trade area and then signed up for WTO membership in 2007. Some of the FTAs that Vietnam is a part of are demonstrated below.



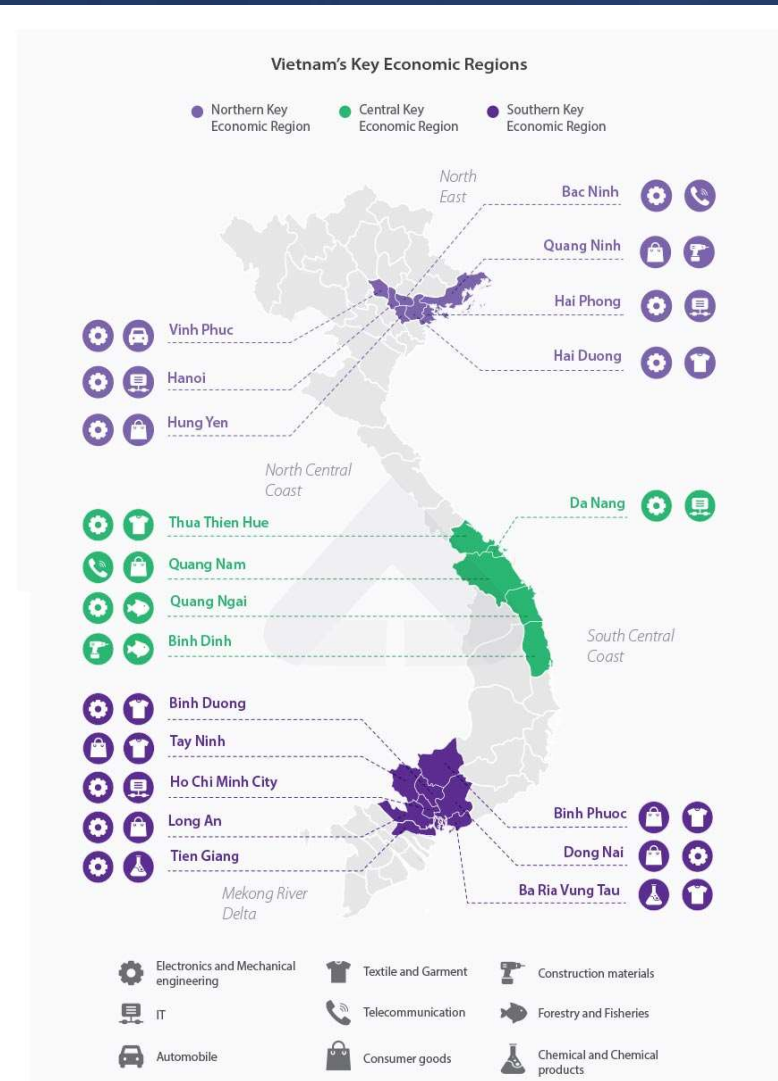
Vietnam's FDI journey

Upwards and onwards...

In 2023, Vietnam attracted US\$36.6 billion of FDI, an increase of more than 32 percent over 2022. Of which, newly registered capital reached more than US\$20 billion, up 62.2 percent; supplemented capital reached nearly US\$7.9 billion, down 22.1 percent; and the total value of the capital contribution by foreign investors was over US\$8.5 billion, up 65.7 percent



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The Economic Role of Port and Logistics Infrastructure

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Gateway to Global Trade

- Port and logistics infrastructure plays a crucial role in facilitating international trade and connecting businesses to global markets;
- Efficient and well-developed ports enable the smooth movement of goods, reducing trade barriers and enhancing economic growth.



Supply Chain Efficiency

- An effective logistics infrastructure ensures the timely and cost-effective movement of goods from suppliers to consumers;
- Streamlined supply chains minimize delays, reduce costs, and improve overall operational efficiency.



Job Creation and Economic Development

- Port and logistics infrastructure projects create employment opportunities, both directly and indirectly, contributing to local economic development;
- The growth of port-related industries, such as warehousing, transportation and customs services, further stimulates economic activity in the region.



Attracting Investments

- Well-developed port and logistics infrastructure attracts foreign direct investments (FDI) and encourages businesses to establish operations in the region;
- Investors value efficient transportation networks and reliable supply chains, making infrastructure a key factor in investment decisions.

Investment in Port and Logistics Infrastructure

Vietnam has made significant investments in port and logistics infrastructure to support its growing economy and facilitate trade. Both the government and private sector have played a crucial role in developing and expanding these facilities

Government Initiative	Description
National Single Window	Implemented a digital platform to streamline customs procedures and reduce clearance time for import and export activities
Deep-water Port Development	Invested in the development of deep-water ports, such as Cai Mep - Thi Vai Port cluster and Lach Huyen to accommodate larger vessels and increase cargo handling capacity
Infrastructure Connectivity	Improved road and rail networks to enhance connectivity between ports and industrial zones, reducing transportation costs and time
Free Trade Agreements	Signed free trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA), to promote international trade and attract foreign investment.

Investment in Port and Logistics Infrastructure (con't)

Private Sector Involvement	Description
International port developers and operators have invested heavily in the country since the mid-2000s	Facilitating Vietnam's build up of deep(er)-sea port capacity incl. the introduction of modern, state-of-the-art handling equipment and operational practices
Major international industrial estate developers have invested in and around the major cities benefitting importers and exporters' ability to produce and compete on the global market	A large amount of real estate majors have ramped up investments with local partners, particularly within the last 4-6 years. As of 2022 there were 563 industrial parks located in 61 out of 63 provinces covering an impressive 210,900ha of land area

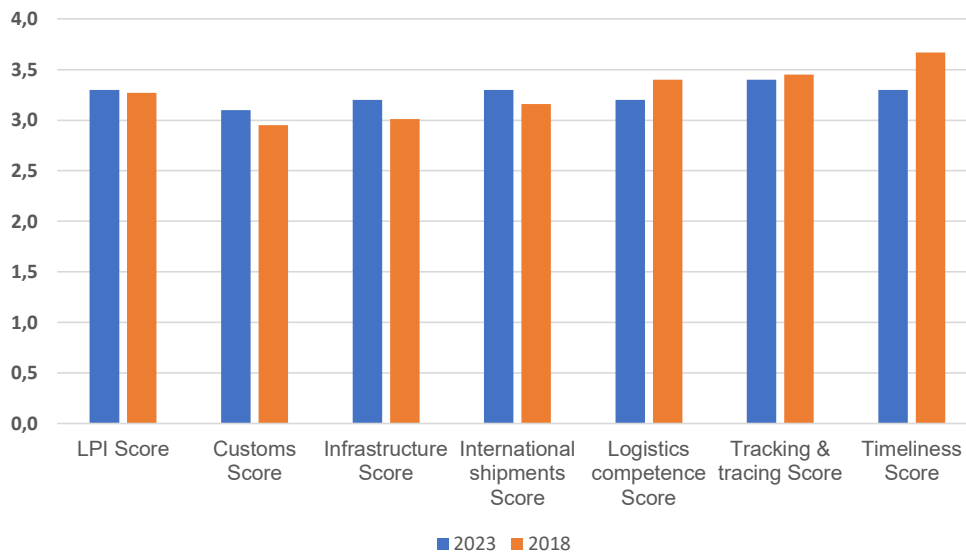
World Bank's LPI score...

The LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance

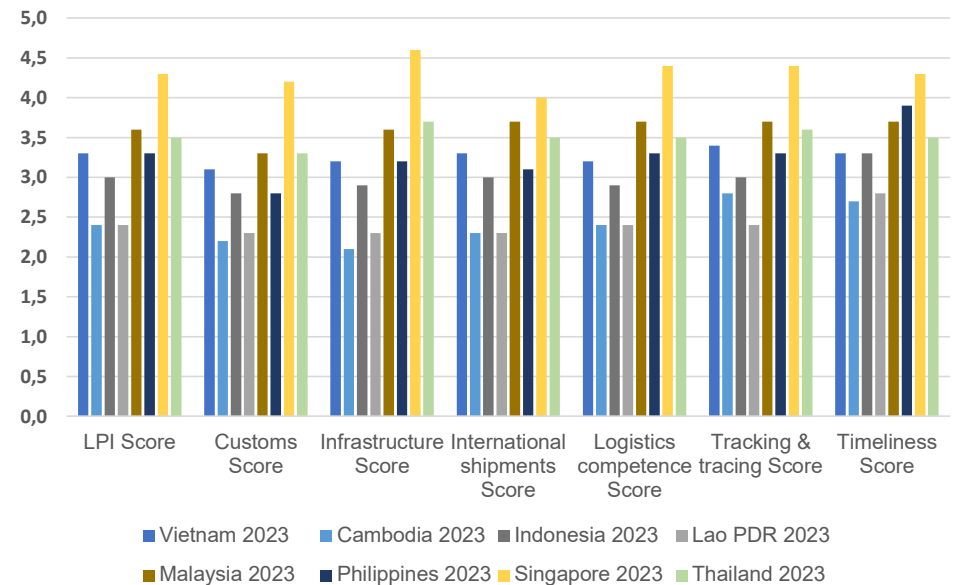
- According to the **World Bank**, Vietnam holds the **43rd position** in the **Logistics Performance Index (LPI)**;
- Among the **top five countries in ASEAN**, Vietnam ranks behind Singapore, Malaysia, Thailand, and shares the same position as the Philippines. [The average annual growth rate of Vietnam's logistics market is an impressive 14-16%¹](#). This reflects the country's commitment to enhancing its logistics efficiency and connectivity;
- For further context, the LPI assesses the quality of trade and transport-related infrastructure, customs efficiency, ease of arranging shipments, quality of logistics services, and the ability to track and trace consignments. [Vietnam's performance in these areas contributes to its overall ranking²](#)
- According to VPA, Vietnam's current logistics costs average 16,8-17% of GDP, much higher than the world average of 10,6%;
- Keep in mind that logistics play a crucial role in facilitating trade and economic development, so continuous efforts to improve logistics systems are essential for sustainable growth.

World Bank's LPI score...

World Bank's LPI
Vietnam
2023 vs 2018



World Bank's LPI
Vietnam vs Peers
2023



Current State of Port Infrastructure in Vietnam

Capacity

- Vietnam has since the mid-2000s been prioritizing port infrastructure with a current total capacity of some 25+ million TEUs;
- Major ports include Hai Phong, Da Nang, and Ho Chi Minh City including Cai Mep deep water port cluster;
- Capacity expansions are planned in Lach Huyen.

Efficiency

Driven both by private and public efforts, efforts have been made to improve port efficiency through the implementation of advanced technologies and streamlined processes;

The average waiting time for vessels has been reduced, leading to faster turnaround times.

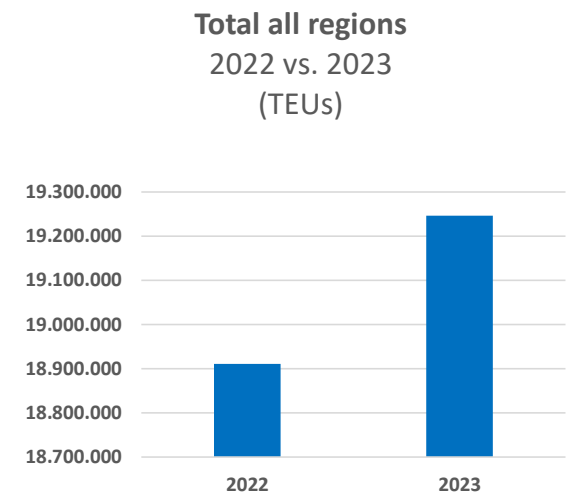
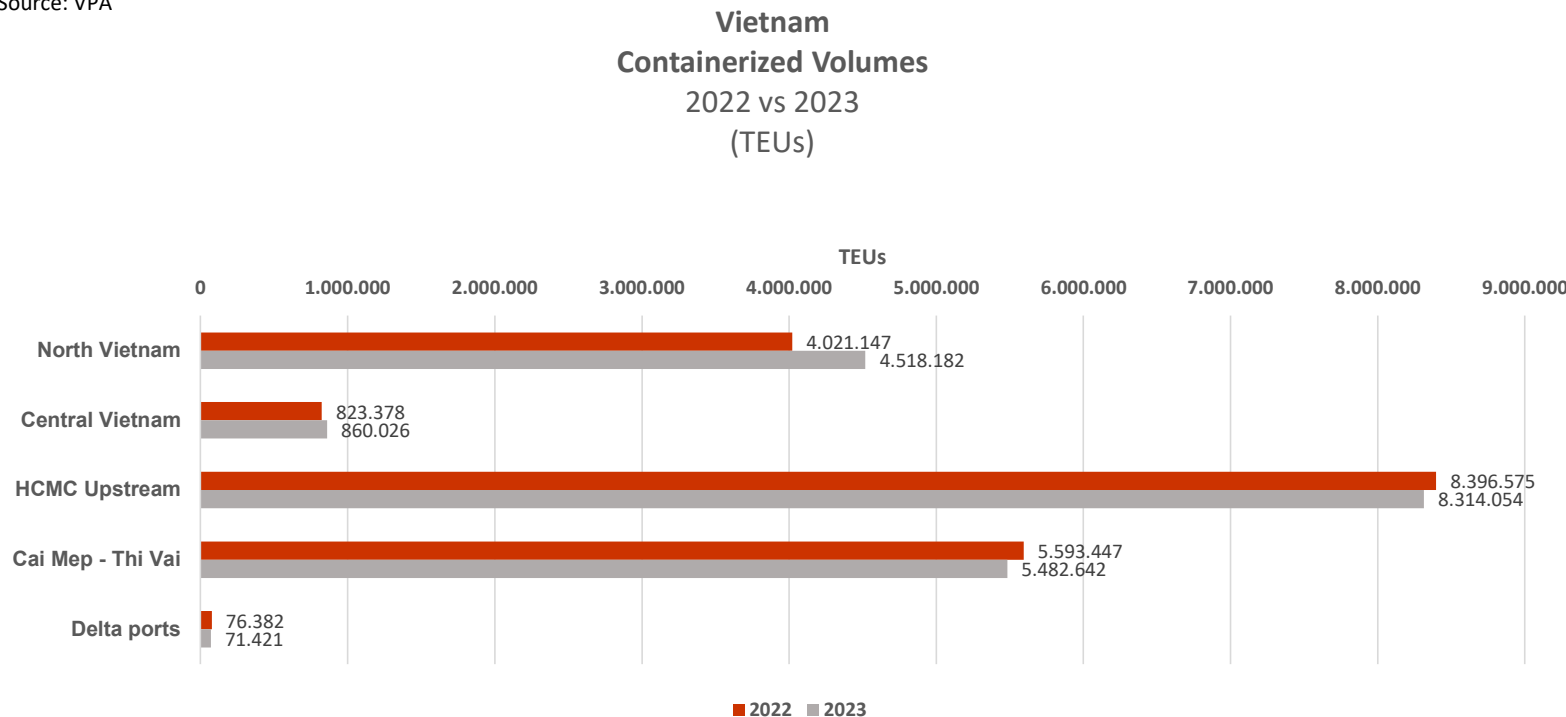
Challenges

- Despite improvements, some challenges remain in the port infrastructure of Vietnam;
- Congestion and limited capacity at certain ports can lead to delays and increased costs;
- Further investment is needed to enhance infrastructure and accommodate future growth; this includes maintenance dredging and smoother inter-port connectivity.

Key Ports in Vietnam

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Source: VPA



CAGR 2012 to 2023:
7.4% across all
container ports

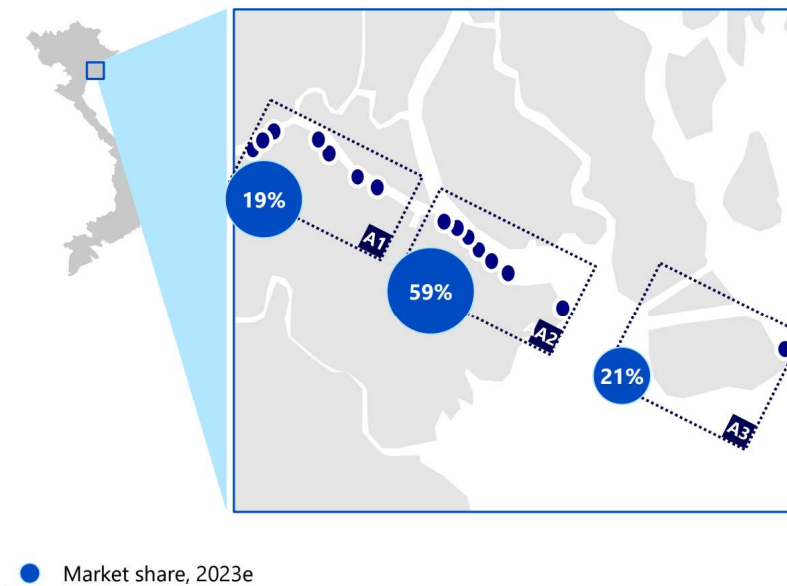
Vietnam's strategic location along major shipping routes has positioned it as a key player in global trade. The country has invested heavily in port and logistics infrastructure to support its growing economy and facilitate international trade. Below illustrates volume distribution across Vietnam with Southern container port clusters still making up about 65% share.

Ports in the North

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There are three main port clusters in the North of Vietnam

Port landscape in North Vietnam and their respective market share



Hai Phong Cluster

- A1 Upstream of Cam River
- A2 Downstream of Cam River
- A3 Lach Huyen

Other

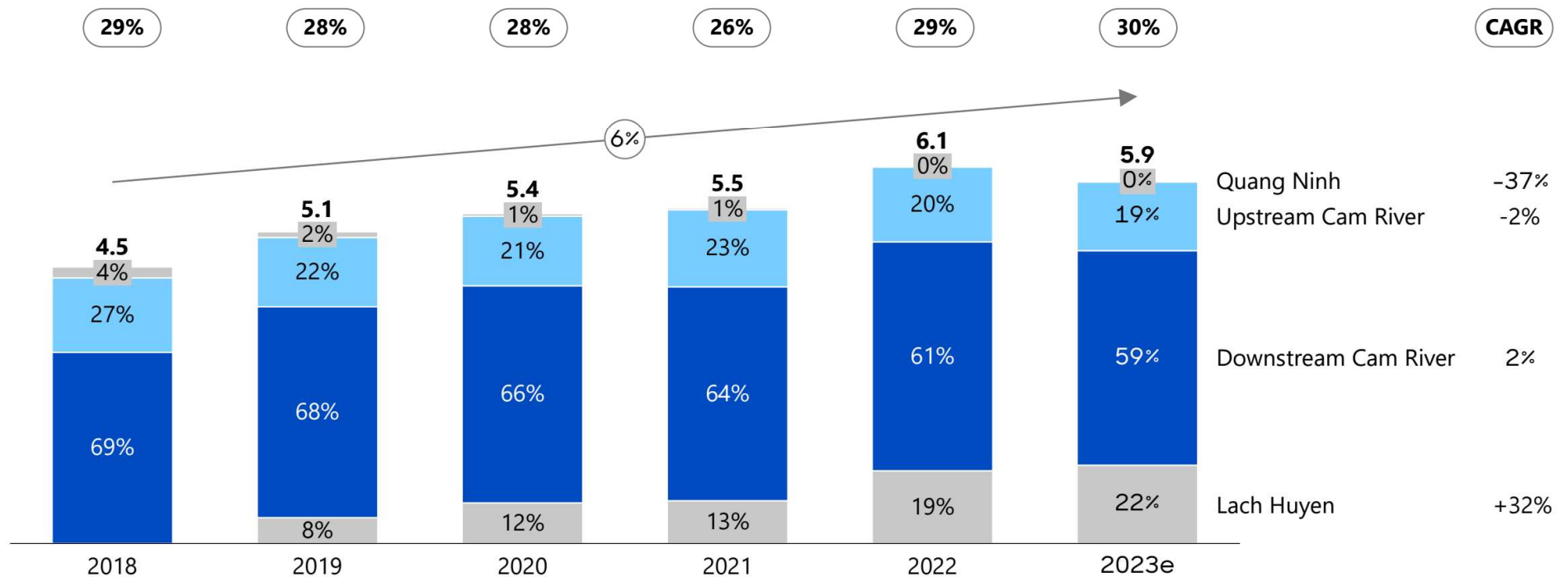
- A4 Quảng Ninh
(*<1% sản lượng container*)

Ports in the North

Across the 3 port clusters the container throughput grew 6% in the period 2018 to 2023; the Lach Huyen cluster has taken an increasingly higher share of the market, and with its future expansion is well positioned to become the dominant cluster for especially east-west cargo volumes

Historical throughput of the North of Vietnam [2018-2023, million TEUs]

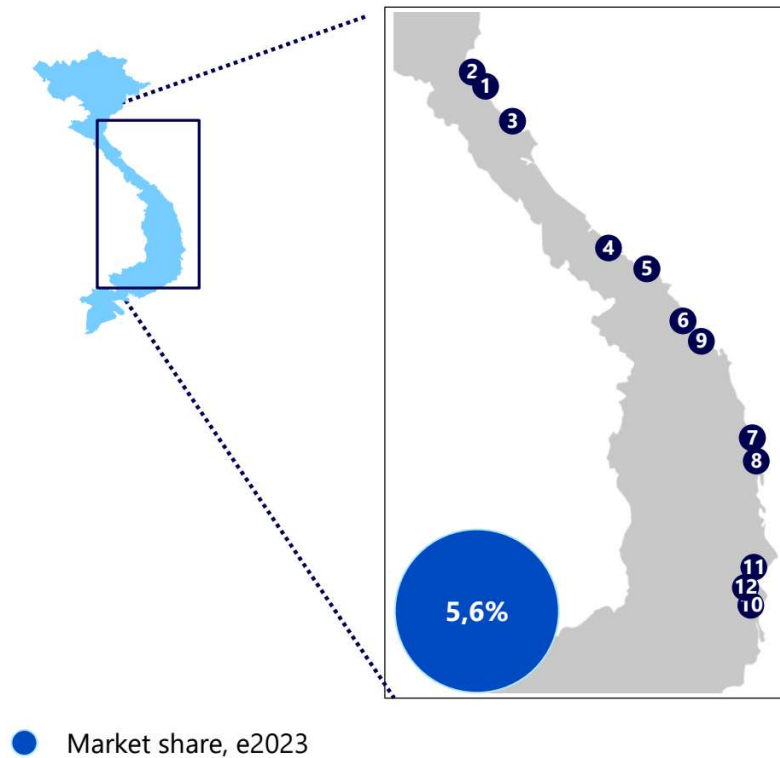
Market share of the North of Vietnam relative to total Vietnam



Ports across the Central Provinces

Containerization is still low and the ports across the central region only counted for some 5.2% of the overall volume with Danang taking the lion share due to stronger investments in the immediate hinterland

Port landscape in Central Vietnam and their respective market share



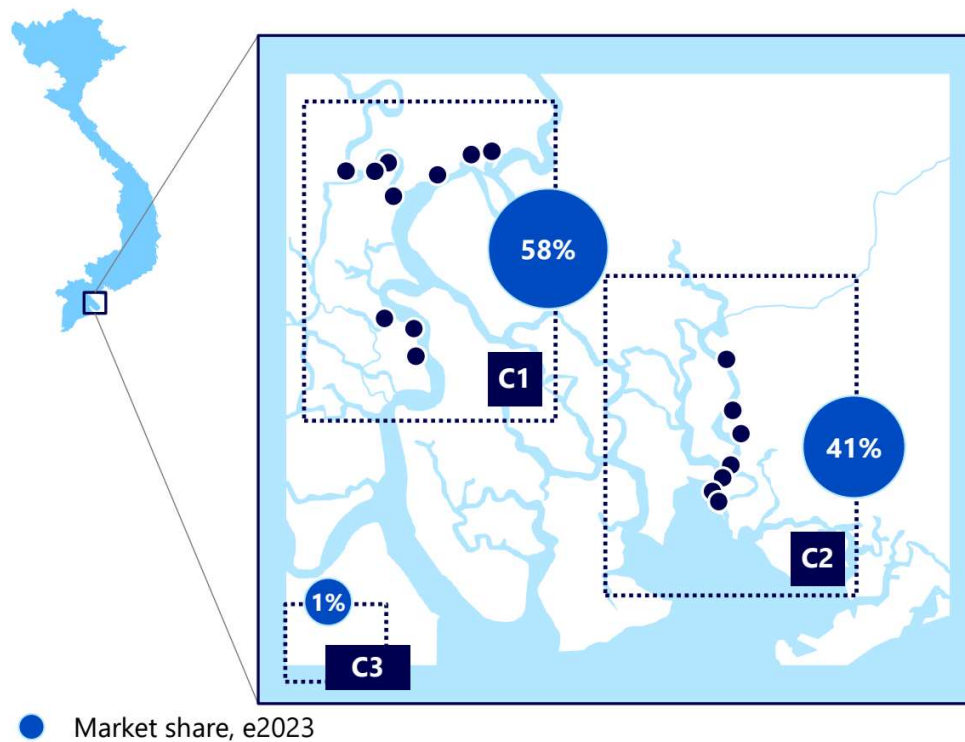
B Central Vietnam cluster

- | | |
|--------------------|--------------------------------|
| 1. Nghệ Tĩnh | 7. Quy Nhơn |
| 2. Cửa Lò | 8. Thị Nại |
| 3. Lào-Việt | 9. Gemadept Dung Quất |
| 4. Chân Mây | 10. Cam Ranh |
| 5. Đà Nẵng | 11. Nam Vân Phong |
| 6. Kỳ Hà – Chu Lai | 12. TC – Petro Cam Ranh |

Ports in the South

Volume across the two main port clusters makes up about 65% of the country total throughput

Port landscape in South Vietnam and their respective market share



C1 Ho Chi Minh City cluster

C2 Cai Mep-Thi Vai cluster

C3 Mekong Delta cluster

(~1% container throughput)

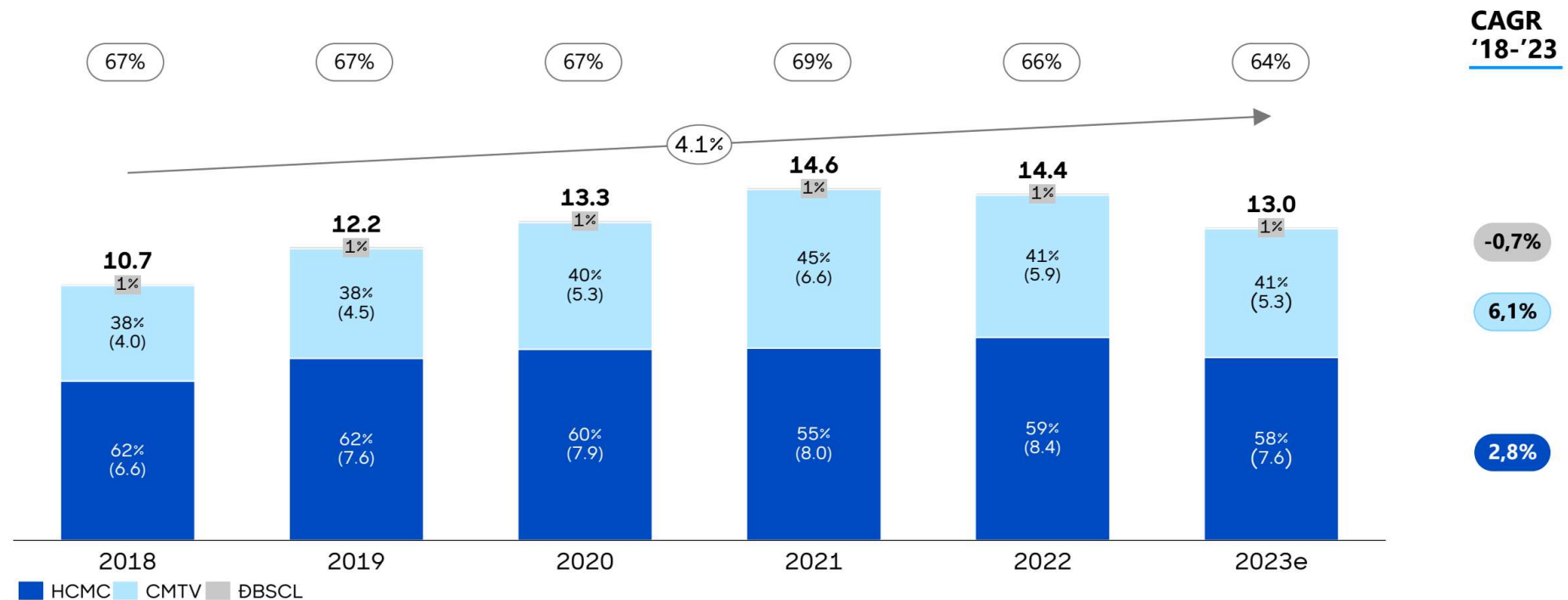
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Ports in the South

Cai Mep-Thi Vai has similar to Haiphong's Lach Huyen's deep sea terminals taken market share away from the upstream terminals in HCMC

Historical throughput of the South of Vietnam [2018-2023, million TEUs]

Market share of the South of Vietnam relative to total Vietnam



Benefits of Improved Infrastructure for Economic Growth

Increased Trade

Improved port and logistics infrastructure enables faster and more efficient movement of goods, leading to increased trade volumes. This can result in expanded domestic and international market access for businesses, fostering economic growth.

Foreign Investment

A well-developed and efficient port and logistics infrastructure can attract foreign direct investment (FDI). Investors are more likely to consider countries with reliable and modern infrastructure as it reduces operational costs and improves supply chain efficiency.

Job Creation

Investments in port and logistics infrastructure often require significant labor, leading to job creation in construction, maintenance, and operation of these facilities. The growth of trade and business activities supported by improved infrastructure can also create employment opportunities in related industries.

Challenges and Future Opportunities

Challenges

- **Congestion and capacity** issues due to increasing trade volumes and limited infrastructure;
- **Inefficiencies in customs** procedures and paperwork causing delays;
- **Lack of integration and coordination** among different modes of transportation;
- **Insufficient investment** in technology and automation;
- **Restrictions on FOL** still remain within the key sectors leaving international investors with less ability and interest to go “all-in”;
- **Reforms** are still needed to open up the sector within all segments;
- **Prioritization of must-have vs nice-to-have** infrastructure projects carefully balancing mid-to long term supply vs demand

Future Opportunities

- **Expansion and modernization** of existing ports to increase capacity;
- **Development of new ports** in strategic locations to cater to growing trade;
- **Implementation of digital platforms and automation** to streamline processes;
- **Improve landside supporting infrastructure** notably inter-port connectivity incl. customs clearing formalities;
- **“Bigger is better” mindset** leading to critical mass capacity development and greater economies of scale;
- **Collaboration with international partners** to enhance connectivity and efficiency;
- Greater degree of **knowledge transfer** benefitting local talent and the building up of Vietnamese senior management staff

Final Thoughts

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- Vietnam has come a long way in terms of upgrading and building out both landside and maritime infrastructure; air cargo capacity is however still inadequate and under pressure in key locations;
- Vietnam's growth ambitions will require continues investment into upgrading existing and developing new infrastructure;
- With funding always being a challenge, prioritization is paramount. This starts with the regulators i.e. the Government (central as well as local); strong business cases should always prevail;
- Master planning is fine, but needs to be followed;
- Government should regulate rather than operate; leave the latter to strategic, experienced players, local and/or international;
- The market should be opened to more international investment and expertise; FOL should be removed;
- Energy efficient equipment needs to be phased in, and green technology introduced where and whenever possible;
- Automation and AI will become competitive differentiators ensuring Vietnam remains an attractive investment destination;
- In the future Vietnam will be competing less with China but more with regional and local sourcing;
- Skill shortages need be addressed in all areas of the sector. Human capital will remain critically important;
- Climbing the value chain will remain a challenge for Vietnam.

Q & A