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Manufacturing in Vietnam: Regional Clusters and Site Selection for Production Expansion

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and Global Supply Chain Positioning Pg 04

Where to Manufacture in Vietnam:
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Introduction



VIVIE WEI
Country Director, Vietnam
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Welcome to the March 2026 issue of *Vietnam Briefing Magazine*, “Manufacturing in Vietnam: Regional Clusters and Site Selection for Production Expansion.” This edition examines why Vietnam continues to attract global manufacturers and how companies can evaluate the country as a production base in Asia.

Vietnam’s manufacturing sector has evolved from a low-cost assembly platform into a strategic node within global supply chains. Strong foreign direct investment inflows, expanding trade agreements, and sustained industrial policy reforms have strengthened the country’s role in export manufacturing and supply chain diversification.

In this issue, we provide an overview of Vietnam’s manufacturing landscape, including key export sectors, investment trends, and government initiatives aimed at upgrading industrial capabilities through technology adoption and greener production models. We also examine Vietnam’s major industrial regions, highlighting how differences in infrastructure, labor markets, and sector specialization can influence site selection decisions. Finally, we outline practical considerations for companies planning manufacturing expansion in Vietnam, including location strategy, investment structures, and supply chain factors that are shaping new production investments.

Designed for manufacturers, supply chain planners, and foreign investors, this issue provides a concise overview of Vietnam’s manufacturing environment and key considerations for establishing operations. For business inquiries, please contact us at **Vietnam@dezshira.com**.

With kind regards,

Vivie Wei



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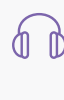
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Vietnam's Manufacturing Ecosystem and Global Supply Chain Positioning

Amid a rapidly evolving global trade environment, Vietnam has emerged as a key manufacturing hub in Asia, positioning itself to move further up the global value chain and strengthen its role in regional and international supply networks.



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Vietnam in the global supply chain

The trend toward supply chain diversification is accelerating amid rising global trade uncertainties, driven by the US's unpredictable tariff policies and geopolitical crises across various regions. Against this backdrop, Vietnam's position as one of the most preferred relocation destinations continues to strengthen, as it boasts a fast-growing, dynamic manufacturing sector in Asia.

Ranked third in the 2026 Asia Manufacturing Index, the country is recognized for its bold efforts to transition from a low-cost assembly hub to a more advanced industrial economy. Vietnam's achievements are underpinned by its strategic trade integration, robust support for foreign direct investment (FDI), and policy reforms to aid key sectors.

Vietnam's economic performance in 2025 highlights the central role of manufacturing in its development trajectory. GDP expanded by 8.02

percent, driven largely by a 9.97 percent increase in manufacturing and processing, marking the sector's strongest performance since 2019.

Manufacturing continues to anchor Vietnam's industrialization and global economic integration. The sector remains the country's largest FDI recipient and contributes substantially to GDP, export turnover, and state budget revenues. In 2025, Vietnam's total industrial added value rose 8.80 percent year-on-year, accounting for 35.15 percent of the economy's total value-added growth.

Within this, manufacturing and processing alone contributed 31.49 percent, reaffirming its position as the primary growth engine. Beyond its direct output, manufacturing generates significant spillover effects across logistics, construction, and labor markets, reinforcing its multiplier impact on the broader economy.

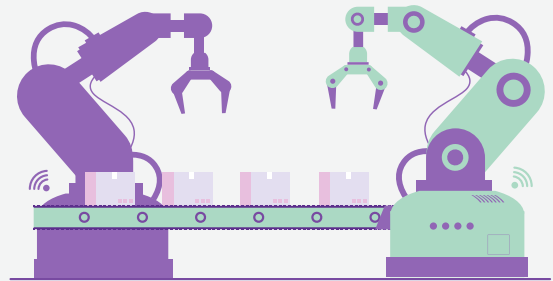
Vietnam's Manufacturing Performance Highlights in 2025

STRONG Q4 ACCELERATION

Manufacturing output up

10.8% YoY in Q4 2025

- Highest Q4 growth since 2018
- Clear quarter-on-quarter recovery momentum



ROBUST FULL-YEAR EXPANSION

2025 manufacturing growth

10.5%

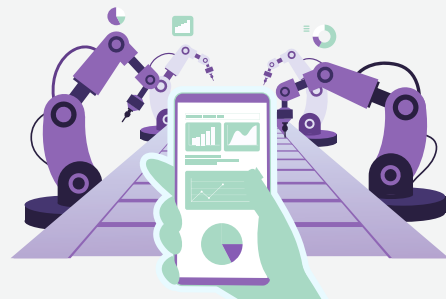
- Highest rate since 2019
- Builds on solid 2024 base (+9.5%)



ORDER BOOK RECOVERY

79.3% of manufacturers report new orders rising or stable in Q4 2025

- Signals improving short-term production outlook



Manufacturing: Vietnam's primary FDI recipient

FDI into Vietnam reached approximately US\$38.42 billion in 2025, reinforcing the country's position as a regional manufacturing hub. Beyond capital expansion, these inflows continue to support export growth, industrial upgrading, technology transfer, improvements in management capacity, labor standards, and deeper participation in global value chains.

Sustained FDI inflows from major partners, including the US, South Korea, Japan, China,

Taiwan, and European economies, have boosted the expansion of Vietnam's manufacturing sector. Core manufacturing segments include electronics and smartphones, textiles and garments, footwear, furniture, automotive components, and renewable energy equipment – industries that increasingly position Vietnam as a critical node in regional and global supply chains.

FDI concentration in manufacturing

FDI flows remain heavily concentrated in the manufacturing and processing sector, which has long been regarded as the backbone of Vietnam's

industrialization strategy. In 2025, Vietnam's manufacturing sector attracted US\$21.01 billion in FDI, representing 54.7 percent of the country's total FDI inflows. This included:

- 1,381 new investment projects with nearly US\$9.8 billion in registered capital;
- 843 projects with capital adjustments adding approximately US\$8.79 billion; and
- 602 capital contribution and share acquisition deals valued at US\$2.43 billion.

This confirms manufacturing as the country's largest FDI recipient by a significant margin.

Expansion from scale to depth

The high proportion of capital adjustments reflects more than new entry: it signals expansion by existing investors. Multinational corporations are:

- Increasing existing production capacity
- Upgrading technology and production lines
- Extending operational timelines
- Deepening supply chain integration

This trend suggests growing investor confidence and long-term commitment to Vietnam as a manufacturing base.

Sectoral composition

Within manufacturing, FDI remains focused on globally integrated industries, such as electronics, machinery, textiles, footwear, and food processing. At the same time, investment is gradually shifting toward higher value-added and technology-intensive segments, aligned with Vietnam's strategy to transition from labor-cost competitiveness to productivity- and innovation-led growth.



RELATED READING

The Green Transition in Vietnam's Industrial Parks: Implementation, Energy, and Circular Models

February 6, 2026 | Vietnam Briefing Article

With a standardized legal framework for eco-industrial parks now established, Vietnam's green transition is increasingly influenced by how policies are implemented on the ground. This article highlights the practical methods by which industrial parks reduce emissions, enhance resource efficiency, and boost competitiveness.

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Macroeconomic impact

Manufacturing FDI remains central to Vietnam's trade and industrial performance:

- Processed industrial exports reached US\$421.47 billion in 2025
- Accounting for 88.7 percent of total merchandise exports

As a result, manufacturing-led FDI continues to drive industrial output, export expansion, employment creation, and trade balance stability, reinforcing its structural role in Vietnam's economic model.

Expanded free trade agreement network

Vietnam has signed and implemented several free trade agreements (FTAs), both independently and as part of the Association of Southeast Asian Nations (ASEAN). These agreements provide unmatched preferential access to major markets and significantly enhance Vietnam's attractiveness

Vietnam's Key Exports in 2025

Item	Value (US\$ million)	YoY growth rate (%)
Computers, electronic products, and components	107,748	48.4
Machinery, equipment, tools, and spare parts	59,047	13.2
Phones and components	56,710	5.2
Garments and textiles	39,642	7.0
Footwear	24,204	5.8
Means of transport and spare parts	17,530	15.0
Wood and wood products	17,205	5.7
Seafood	11,286	12.4

Vietnam's Key Imports in 2025

Item	Value (US\$ million)	YoY growth rate (%)
Computers, electronic products, and components	150,697	40.7
Machinery, equipment, tools, and other spare parts	61,027	24.8
Textiles	15,199	1.9
Footwear	12,532	6.3
Other metals	11,374	18.9
Phones and components	11,259	8.2
Iron and steel	11,213	-10.9
Other plastic products	10,870	22.8
Automobiles	10,670	25.6

Source: General Statistics Office (GSO)

for export-oriented manufacturers. Customs modernization and trade facilitation improvements incentivized by these FTAs continue to reduce lead times and lower compliance costs for doing business in Vietnam.

Vietnam's push to move up the global value chain

Under the policy direction set out in the Resolution of the 14th National Party Congress and the

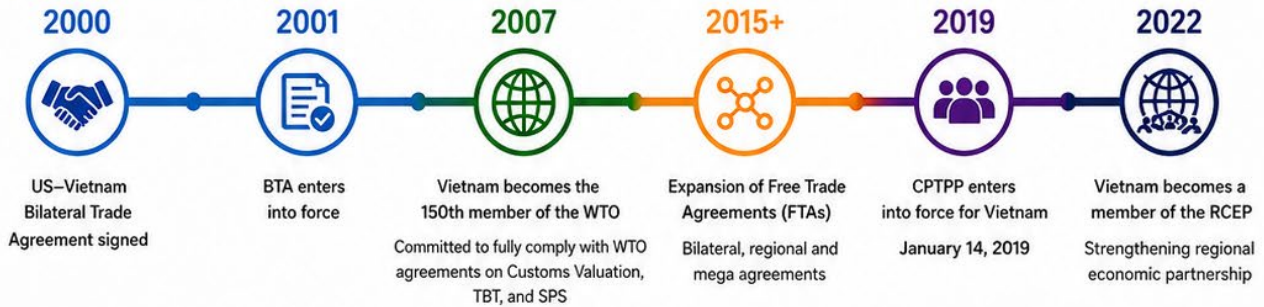
Government's 2026 socio-economic development agenda, Vietnam is sharpening its focus on upgrading its industrial base and advancing within global value chains. In line with these strategic orientations, the Ministry of Industry and Trade (MOIT) has outlined a target for the processing and manufacturing sector to account for approximately 28 to 30 percent of GDP by 2030.

The strategy prioritizes the development of high-tech industries, green and low-carbon manufacturing,

VIETNAM GLOBAL TRADE INTEGRATION

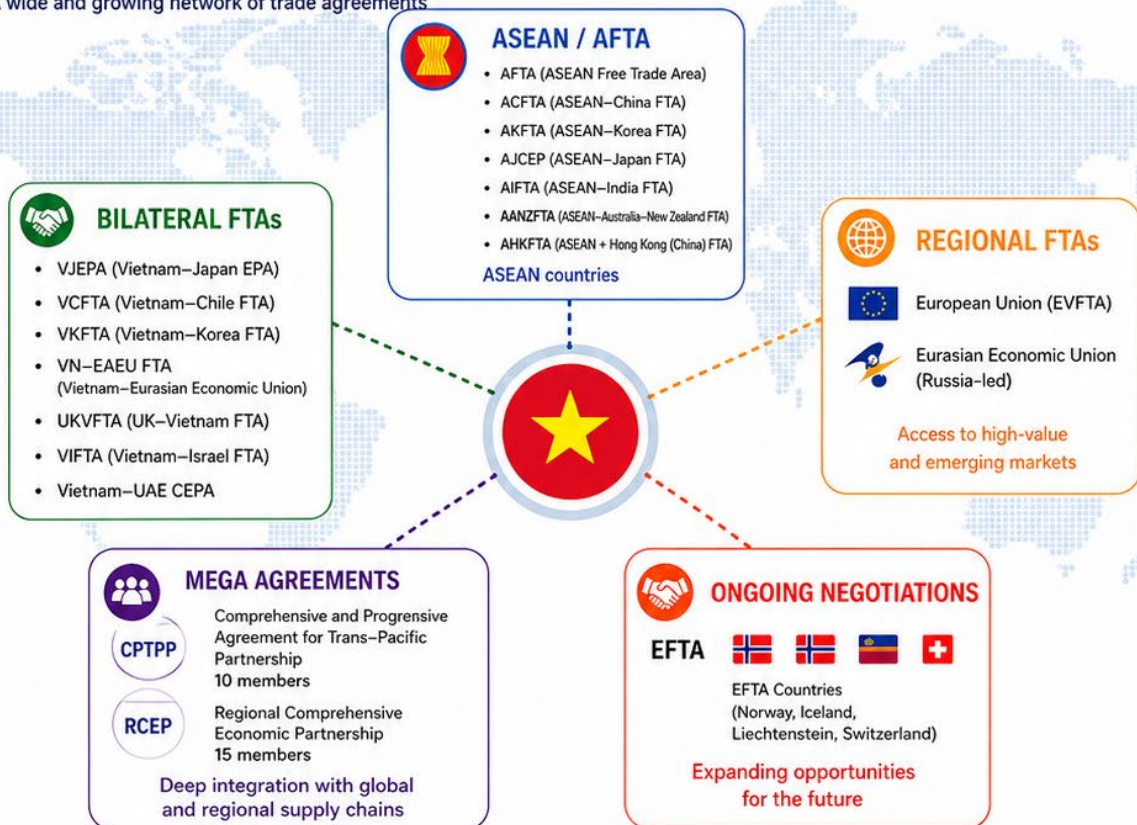
Deeply connected. Widely integrated. Built for global growth.

1 VIETNAM TRADE INTEGRATION TIMELINE



2 VIETNAM'S GLOBAL TRADE NETWORK

A wide and growing network of trade agreements



and a gradual shift away from low value-added assembly toward higher value-added stages of production. This transition is designed not only to enhance the competitiveness of Vietnamese industrial products but also to enable the country to participate in international markets with technologically sophisticated goods rather than primarily exporting raw materials or contract-manufactured products. A central pillar of this shift is digital transformation and innovation in manufacturing. MOIT is encouraging enterprises to increase investment in research and development (R&D), adopt new technologies, and invest in core technologies. At the same time, the ministry is working to refine the policy framework and streamline administrative procedures to improve businesses' access to financial and technological resources.

Looking ahead, two major policy initiatives stand out: developing an industrial supporting industry program for 2026–2030 and operating modern technical centers. The inauguration of the technical center supporting industrial development at Hoa Lac Hi-Tech Park represents a concrete step toward building a more robust innovation ecosystem and strengthening Vietnam's position in higher segments of the global value chain.

Vietnam's special incentives for manufacturers

Vietnam offers a comprehensive set of incentives to attract domestic and foreign manufacturers, particularly in high-value, export-oriented sectors. These incentives include tax relief, land-use benefits, customs exemptions, and emerging preferential policies within Free Trade Zones (FTZs), creating a competitive investment environment for industrial and manufacturing projects.



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Vietnam has become a key destination for manufacturing investment, driven by competitive labor costs and a growing network of trade agreements. However, foreign-invested manufacturers often face operational and compliance issues when entering and expanding in the market, typically including complicated accounting and tax rules, fragmented supply chains, and multi-entity reporting requirements.

To handle these obstacles more effectively, many manufacturers are implementing enterprise resource planning (ERP) systems to consolidate and automate core business processes. When properly configured, ERP systems can improve visibility, strengthen internal controls, and support growth as operations expand.

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Tax incentives

Investment incentives in Vietnam are determined by location, industry, and other priorities, such as project scale or engagement in support industries. Projects in socio-economically disadvantaged areas, priority sectors (e.g., high technology), or those with significant capital may receive enhanced tax benefits.

Corporate income tax (CIT)

CIT is levied on profits of companies and organizations

operating in Vietnam. Under the current tax framework, the standard rate is 20 percent, with reduced rates (15-17 percent) available for qualifying SMEs. New investment projects in encouraged sectors and locations may benefit from preferential CIT rates or exemptions depending on eligibility conditions.

Value added tax (VAT)

VAT applies to most goods and services at standard, reduced, or zero rates. A temporary government reduction lowered the standard VAT rate to 8 percent to support economic activity through 2026 under Decree 174/2025/ND-CP, effectively reducing the VAT burden on production and consumption.

Land rental and land use tax

Vietnam provides land rental and land use tax exemptions and reductions based on project type and location:

- **3-year exemption:** Projects in investment encouragement sectors and new business development bases.
- **7-year exemption:** Projects in difficult socio-economic areas.
- **11-year exemption:** Projects in especially difficult areas or encouraged sectors in difficult areas.
- **15-year exemption:** Projects in specially encouraged sectors in especially difficult areas.

In certain cases, projects in specially encouraged sectors located in especially difficult socio-economic areas may receive full project land rent exemptions.

Import duty exemption

Manufacturers can qualify for import duty exemptions on:

- Machinery and equipment imported to form fixed assets of a project.
- Materials and semi-finished goods imported to fulfill export processing contracts.
- Machinery, equipment, and supplies used for scientific research and technological development not yet domestically producible.

These exemptions reduce upfront input costs and support investment in technology and infrastructure.

New incentives in free trade zones

Vietnam is accelerating the development of free trade zones (FTZs) nationwide, with the government planning multiple FTZs in major cities such as Da Nang, Haiphong, and Ho Chi Minh City by 2026–2030 to enhance competitiveness and integrate deeper into global supply chains.

These new FTZ incentives are aimed at attracting export-oriented manufacturers, high-tech enterprises, and integrated logistics and supply chain operations, supporting Vietnam's broader industrial strategy. 🌸



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Where to Manufacture in Vietnam: Regional Clusters, Infrastructure, and Cost Considerations

Vietnam's rise as a global manufacturing hub is underpinned by three distinct industrial clusters in the North, Central, and South, each presenting different cost structures, logistics connectivity, and sector strengths for foreign investors.



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Vietnam's regional manufacturing hubs

Vietnam's manufacturing landscape is shaped by three major regional clusters – North, Central, and South – each offering distinct advantages in supply chains, labor dynamics, and industrial specialization. For foreign investors, understanding these regional characteristics is critical when determining site selection, cost structures, and long-term expansion strategies.

Northern industrial cluster

The northern industrial cluster accounts for approximately 16.2 percent of Vietnam's total population and is strategically positioned as a key destination for "China plus one" manufacturing strategies. Its geographic proximity to China makes it particularly attractive to time-sensitive production chains that rely on frequent component shipments across borders.

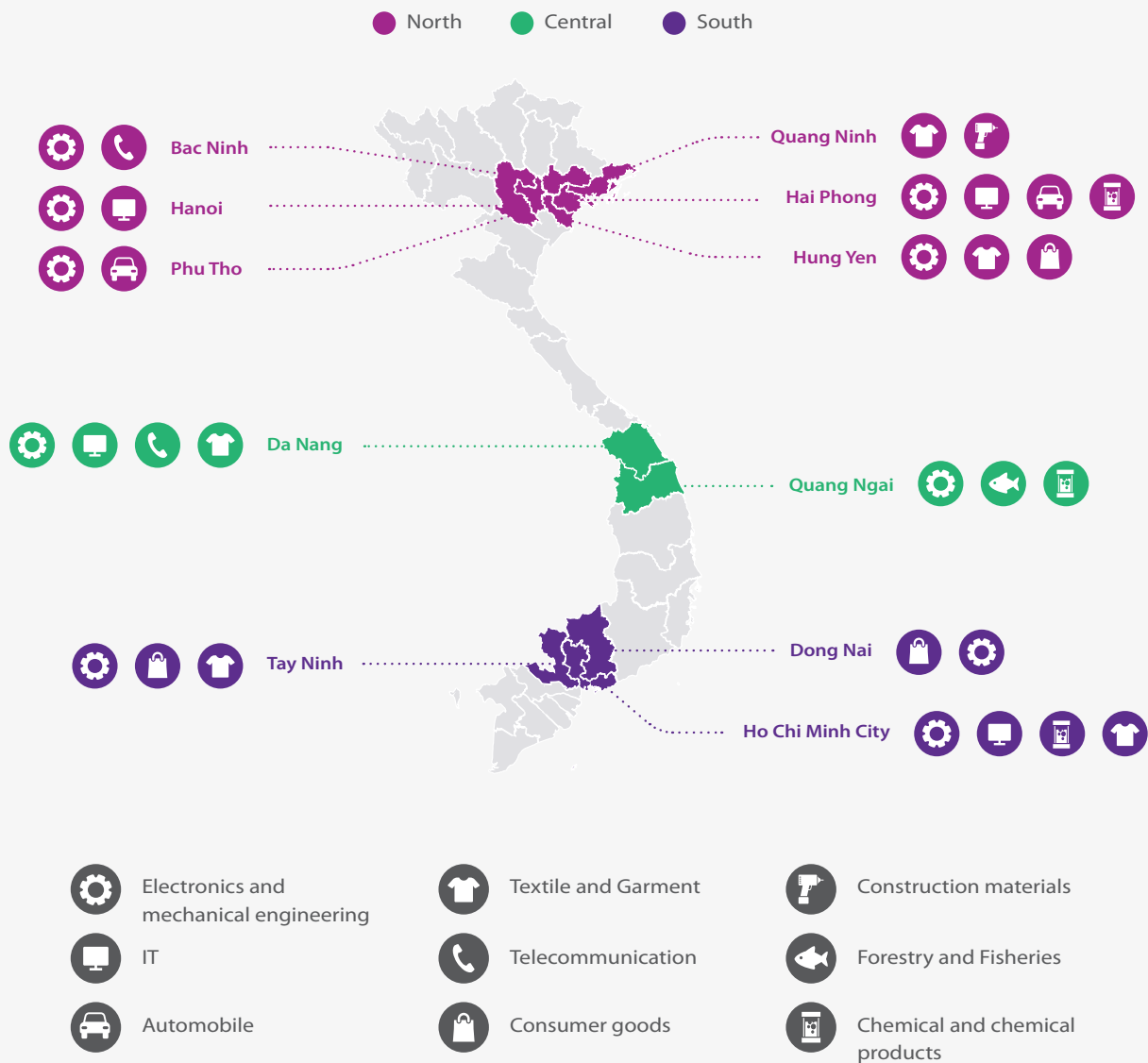
Key features

- Well-positioned for integrated cross-border supply chains with China
- Strong manufacturing base in heavy industries, electronics, mechanical engineering, and textiles and garments
- Mature industrial ecosystems in major provinces and cities such as Hanoi, Hai Phong, and Bac Ninh
- Competitive industrial land supply in core locations, with rising cost pressures in established hubs

Labor force

- Skilled workforce with established expertise in industrial production and export manufacturing
- Concentration of technical and engineering talent supporting electronics and heavy industry supply chains
- Increasing competition for skilled labor in leading industrial provinces

Vietnam's Major Industrial Clusters



Central industrial cluster

The central region is emerging as a lower-cost alternative to the more saturated northern and southern markets.

While its industrial footprint remains smaller, the region is gaining attention as infrastructure improves and new policy initiatives are introduced.

Key features

- Comparatively lower competition for industrial land and investment projects
- Da Nang, the region's largest city, benefits from structured urban planning and infrastructure development
- Planned establishment of Vietnam's first Free Trade Zone in Da Nang
- Attractive as a cost-efficient destination amid

rising costs and logistics congestion in the North and South

- Smaller industrial base with limited specialization in advanced manufacturing

Labor force

- Lower labor costs compared to the North and South
- Smaller labor pool relative to the country's two main industrial centers
- Less intense competition for workers, but a more limited supply of highly specialized manufacturing talent

South industrial cluster

The southern cluster remains Vietnam's most dynamic and diversified industrial region, attracting the highest number of FDI projects nationwide. Anchored by Ho Chi Minh City and surrounding provinces, the region combines traditional manufacturing strength with expanding high-tech and innovation-driven sectors.

Key features

- Largest recipient of foreign direct investment projects
- Highly diversified industrial base, spanning traditional manufacturing to advanced industries
- Ho Chi Minh City has developed into a hub for start-ups and technology entrepreneurs
- Strong consumer market presence and established brand identity within Vietnam
- Deep integration into domestic and global supply chains

Labor force

- Large and diverse labor pool supporting a broad range of industries

- Significant reliance on migrant workers from the Mekong Delta and Central Highlands
- Higher labor costs and turnover rates, particularly in Ho Chi Minh City and Dong Nai
- Intensifying wage pressures in mature industrial zones

Together, these three clusters reflect Vietnam's increasingly differentiated industrial geography, offering investors multiple entry points depending on sector focus, cost sensitivity, and supply chain strategy.

Land availability and utilities stability

Land availability

While occupancy rates in Vietnam's industrial estates are relatively high, typically in the 70-85 percent range, this should not be interpreted as a shortage of available options for new entrants. Key features include:

- **Uneven occupancy across locations and product types:** Prime industrial zones near major cities and ports tend to be more saturated, while secondary provinces and newly expanded industrial clusters still offer meaningful land and ready-built factory (RBF) availability.
- **Industrial parks developed in phases:** Even within estates showing high occupancy, additional land parcels or factory units are often released progressively, allowing investors to enter at different stages.
- **Expanding supply:** In response to sustained FDI inflows, developers are actively launching new industrial parks and expanding existing ones, with a growing focus on ready-built factories to meet near-term demand and faster setup timelines.

Vietnam's Market Entry Locations Compared for Manufacturing Businesses

	North	Central	South
Key provinces	Hai Phong, Quang Ninh, Bac Ninh, Hung Yen, Hanoi, Phu Tho	Da Nang, Quang Ngai	Ho Chi Minh City, Dong Nai, Tay Ninh
Notable industrial parks	Deep C, Yen Phong, VSIP Hai Phong	Da Nang Hi-tech Park, VSIP Quang Ngai	Long Hau, My Phuoc, Nhon Trach, VSIP Binh Duong
Key sectors	Electronics and mechanical engineering, consumer goods, IT, construction materials, automobile, chemicals, textile and garment, and telecommunication	Electronics and mechanical engineering, forestry and fisheries, IT chemicals, textile and garment, and telecommunication	Electronics and mechanical engineering, consumer goods, IT, chemicals, and textile and garment
Major investors	Samsung, LG, Toyota, Ford, Honda, General Electric, Jinko, Chevron, Bridgestone	Dentium, Foxlink, Hyosung, UAC Vietnam, Sumida, Panko	Intel, Renesas, P&G, Pandora, Abbott, Sanofi, Unilever, Lego, and CocaCola
Pros	Close proximity to China, reducing logistics costs for companies importing components from China	Low costs, room to relocate, along with suppliers and partners if required	Diversified supplier base and close proximity to the rest of Asia
Cons	Production, infrastructure and labor more specialized than in the south	Supplier networks and many high-end industrial zones not yet fully established locally	Congested logistics networks
Investment strategy	Companies seeking to quickly relocate operations and seeking high level of integration with Chinese supply chains	Companies seeking low costs, long term investment strategy, and willing to relocate majority of supply chain over time	Companies seeking to diversify its supply chain and distribution networks; companies interested om targeting the domestic market

Source: Dezan Shira & Associates

As a result, despite high headline occupancy rates, investors continue to have a broad range of location, scale, and facility options, with further supply expected to come online over the medium term.

Electricity

Vietnam's industrial electricity supply has remained consistently reliable, with occasional outages mainly during dry seasons due to decreased water

levels in hydroelectric reservoirs. To address these issues, the government is actively promoting a transition to renewable energy sources. According to the Electricity of Vietnam (EVN), Vietnam's power system ranks second among ASEAN countries in installed capacity. By the end of 2025, the country's total installed capacity, excluding imported electricity, reached approximately 87,600 MW, a rise of nearly 6,400 MW from 2024.

Of this total:

- Renewable energy sources (wind, solar, and biomass) make up about 24,453 MW, or 27.9 percent;
- Coal-fired power accounts for nearly 28,100 MW, or 32.1 percent; and
- Hydropower contributes 24,640 MW, or 28.1 percent.

Water and wastewater treatment

Water availability for industrial use in Vietnam remains stable and dependable, as industrial parks are given priority in water supply to support manufacturing and other industrial activities. According to the Vietnam Water Supply and Sewerage Association, the country's water infrastructure has advanced significantly over the past 30 years:

- Leakage in water supply has decreased from 17 percent in 2024 to around 15 percent in 2025.
- By the end of 2025, there are roughly 1,000 water supply plants with a combined daily capacity of approximately 13.2 million m³.
- There are 82 centralized wastewater treatment plants operating with a daily capacity of about 1.79 million m³.

Internet infrastructure

Vietnam's Internet infrastructure has rapidly advanced, offering reliable service via fixed broadband, 4G/5G, and fiber-optic connections. Fixed broadband speeds rose from 173.6 Mbps (33rd globally in March 2025) to 261.8 Mbps (10th in August 2025) in five months, among the fastest worldwide. Mobile internet reached about 152.2 Mbps in 2025, placing Vietnam in the top 20 globally.

Speed and reliability are consistent across cities like Ho Chi Minh City, Da Nang, and Hanoi, though service costs vary by location and provider.

Vietnam's seaport infrastructure

As of 2024, Vietnam had 298 seaports with about 107 km of wharf length, forming the backbone of its import–export logistics network. International gateway ports in both the north and south allow the country to handle large container vessels and support direct global shipping routes.

Vietnam also operates specialized ports connected to major industrial, petrochemical, and power complexes, capable of handling cargo ships of up to 200,000 tons, liquid cargo vessels of 150,000 tons, and crude oil tankers of 320,000 tons. Maritime transport dominates Vietnam's trade flows, with most imports and exports moving by sea and around 40 major international shipping lines operating in the country.

Free trade zones: Catalyst for high-value manufacturing

Free trade zones (FTZs) are emerging as a new pillar of Vietnam's industrial strategy, attracting high-value manufacturing, advanced logistics, and technology-intensive investment.

While more than 3,500 FTZs operate globally, Vietnam has historically relied on specialized zones, such as export processing zones, bonded warehouses, non-tariff areas, and duty-free zones, as precursors to a comprehensive FTZ model. The government is now piloting several large-scale FTZ projects to strengthen Vietnam's role in regional supply chains.

Da Nang FTZ

The Da Nang FTZ, established in June 2025, is Vietnam's first pilot FTZ and spans multiple non-contiguous areas across the city. The zone will host manufacturing, logistics, trade and services,

Land Prices and Utilities in Major Industrial Clusters

	North*	Central	South**
Industrial zone area (ha)	23,401.3	12,862.6	62,143.1
Occupancy rate	80%	56%	89%
Avg. factory rent (US\$/sqm/month)	4.9	4	5.2
Avg. industrial land price (US\$/sqm)	139	75	179
Electricity (US\$/kWh/month)***	0.05-0.13	0.05-0.13	0.05-0.13
Water (US\$/m ³ /month)****	0.3 - 0.8	0.3 - 0.6	0.4 - 0.6
Waste water treatment (US\$/m ³ /month)	0.2 - 0.7	0.2 - 0.6	0.3 - 0.7

*North covers data for Hanoi, Hai Phong, Hung Yen, and part of Bac Ninh

**South covers data for HCMC, Dong Nai, and part of Tay Ninh

***Electricity: Paid monthly and directly to Vietnam Electricity Corporation (EVN) using VND (same price for the whole country).

****Water/Wastewater: Paid to industrial park developers (prices are different depending on each industrial park's policy).

Source: Dezan Shira & Associates

Major Seaports in Vietnam

Seaport	Region	Direct international routes	Transshipment role	Notes
Hai Phong Port (traditional terminals)	Northern Vietnam	China, Japan, South Korea, ASEAN	Limited (regional)	River/estuary terminals; tide-dependent; feeder-oriented
Lach Huyen Port (deep-water gateway)	Northern Vietnam	China, Japan, South Korea, ASEAN (select direct calls)	No	Deep-water gateway within Hai Phong port system; larger vessels
Da Nang Port	Central Vietnam	China, Japan, South Korea, ASEAN	No (feeder port)	Not a transshipment hub; long-haul cargo routed via North/South
Chan May Port	Central Vietnam	Northeast Asia, ASEAN	No	Deep-water by design, but limited container liner services
Cai Mep – Thi Vai Port (main deep-sea port)	Southern Vietnam	US, Europe, Canada, Middle East, East Asia	Yes (major hub)	Vietnam's only port cluster with regular direct intercontinental services
Cat Lai Port	Southern Vietnam	ASEAN, China, Northeast Asia (feeder)	feeder-based	Largest container volume; US/EU cargo transhipped via Cai Mep
Hiep Phuoc Port	Southern Vietnam	ASEAN, China (feeder)	No	Supporting port for southern industrial zones

Source: Dezan Shira & Associates

digital technology, IT, and innovation activities, with production and logistics clusters positioned as the core engines for regional manufacturing and transshipment.

The FTZ comprises seven locations totaling more than 1,800 hectares across Lien Chieu District and Hoa Vang District.

Strategic advantages

- Proximity to Lien Chieu Port, Da Nang International Airport, and the East–West Economic Corridor.
- Integration with the planned Da Nang International Financial Center, supporting a broader innovation and services ecosystem.

Key incentives

- **CIT:** 10 percent preferential rate for 15 years, with 4 years of tax exemption and a 50 percent reduction for the following 9 years.
- **Personal Income Tax:** 50 percent reduction for 10 years for experts, scientists, executives, and highly skilled workers.
- **Import duty exemption** on fixed assets.
- **Land rent and land use fee exemptions** for the entire project life.
- **Simplified investment procedures:** Foreign investors may establish economic organizations without first obtaining an Investment Registration Certificate (IRC).
- **Immigration incentives:** Visas of up to 5 years and residence cards of up to 10 years for skilled foreign workers and their families.
- **Trade facilitation:** Certain goods are exempt from specialized inspections if they meet recognized international standards.
- **Logistics flexibility:** Goods transiting within the FTZ may be stored for up to 90 days, extendable twice for 60 days each.

The pilot incentive framework became effective on December 12, 2025, and will apply for 10 years.

Hai Phong FTZ

Following Da Nang, Hai Phong established its FTZ to strengthen its position as a northern manufacturing and logistics hub. The zone focuses on advanced manufacturing, logistics, finance, and premium services, leveraging the city's deep-water ports and established industrial base.

The FTZ is organized into three zones associated with the Dinh Vu – Cat Hai Economic Zone and the Southern Hai Phong Coastal Economic Zone, covering more than 6,000 hectares.

Existing industrial infrastructure within the FTZ includes:

- DEEP C II Industrial Park
- Nam Dinh Vu Industrial Parks I and II
- East Hai Phong Industrial Park, currently under development and expected to welcome investors in 2026.

Key incentives

- **CIT:** 10 percent preferential rate for 15 years, with 4 years of exemption and a 50 percent reduction for the next 9 years; the rate increases to 15 percent afterward.
- **Enhanced R&D incentives:** Enterprises may deduct 200 percent of R&D expenses when calculating CIT.
- **PIT:** 50 percent reduction for 10 years for highly skilled workers and experts.
- **Import duty exemption** on fixed assets.
- **Full land rent and land use fee exemptions** during the project life.
- **Simplified establishment procedures** for

foreign investors without requiring an IRC at the initial stage.

- **Immigration incentives**, including visa exemptions and 10-year temporary residence cards for qualified foreign professionals and their families.
- **Reduced inspection requirements** for goods meeting recognized international standards.

The pilot incentive scheme took effect in July 2025 and will remain valid for 10 years.

Dong Nai FTZ

The proposed Dong Nai FTZ is expected to become a key component of Vietnam's expanding free trade zone model, supporting high-value manufacturing, logistics, and innovation in the Southern Key Economic Region.

Located in Dong Nai, the FTZ is designed to complement major infrastructure developments, particularly Long Thanh International Airport (LTIA), while serving as an integrated platform for industrial production, logistics, financial services, and research activities.

Strategic advantages

- Proximity to the LTIA, enabling efficient access to global supply chains.
- Connectivity to Phuoc An Seaport, supporting multimodal logistics integration across air and sea transport.
- Integration within the Ho Chi Minh City–Dong Nai–Ba Ria–Vung Tau growth corridor.
- Positioning along regional trade routes, strengthening cross-border and trans-Asian connectivity.

Functional structure

The FTZ is planned as a large-scale development of over 8,200 hectares, with an estimated investment of US\$16 billion, structured around four core functional zones:

- High-tech industrial zone (3,095 ha), focused on green and high-value manufacturing.
- Logistics and export production zone (1,987 ha), supporting aviation-linked logistics and distribution.
- Financial and trading zone (1,500 ha), including proposed capital and foreign exchange activities.
- Innovation and R&D zone (1,419 ha), targeting research, IT, and digital economy development.

The zone is intended to function as both a production and logistics hub, while also supporting financial and innovation-driven activities within a unified framework.

As a pilot initiative, Dong Nai FTZ remains subject to central government approval, as Vietnam has yet to establish a comprehensive legal framework for standalone FTZ models of this scale. 🌸



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Setting Up High-Tech Manufacturing Operations in Vietnam

For foreign investors, establishing a manufacturing facility in Vietnam requires careful planning across site selection, regulatory compliance, and operational feasibility.



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Setting up manufacturing facilities in Vietnam

Foreign manufacturers entering Vietnam typically establish production facilities through two primary approaches: leasing industrial land to build a factory or renting a ready-built factory (RBF) within an industrial park.

Leasing industrial land

Leasing industrial land provides full control over factory design and production layout but involves higher upfront investment and longer timelines. Investors must secure land-use rights, obtain construction permits, and complete facility development, a process that can take 12 to 18 months.

Ready-built factory (RBF) renting

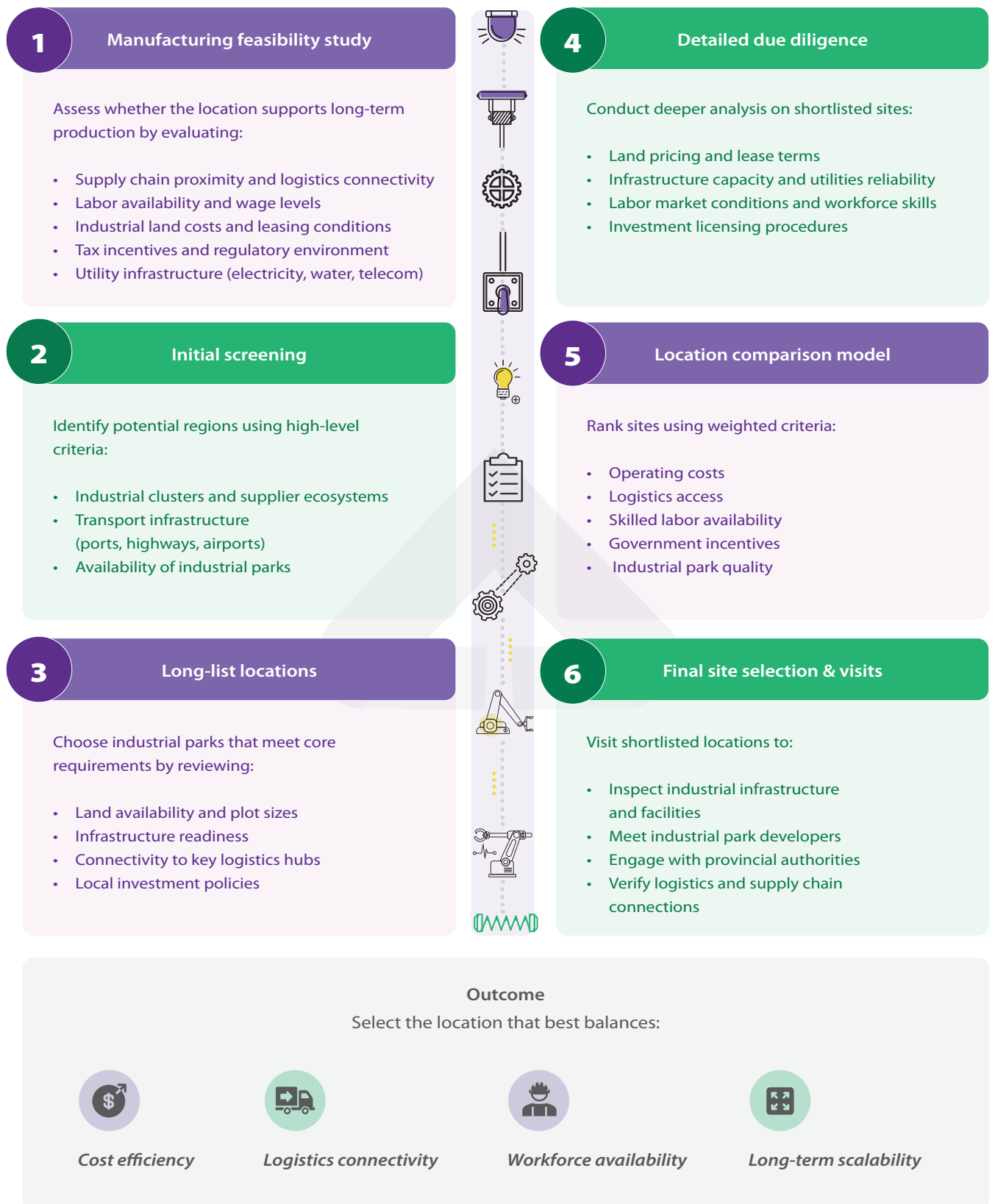
Unlike land leasing, renting RBFs offers a faster and more flexible entry option. These facilities are pre-constructed and managed by industrial

park developers, allowing manufacturers to begin operations more quickly, typically within six to nine months. As a result, RBFs have become increasingly popular among foreign investors seeking to establish production capacity rapidly while minimizing capital expenditure.

Before committing to a factory rental, companies must conduct:

- **Market and location research**, evaluating industrial zones based on logistics connectivity, infrastructure quality, and proximity to ports, airports, and suppliers.
- **Legal due diligence**, verifying land-use rights, environmental permits, and zoning compliance.
- **Lease negotiations**, covering rental rates, contract duration, and additional costs such as maintenance and utilities.
- **Infrastructure and workforce assessments**, ensuring reliable utilities and sufficient local labor availability.

How to Select Your Factory Location



Once a facility is selected, investors typically sign a memorandum of understanding (MoU) and provide a deposit to reserve the property before finalizing the lease agreement. Following this, companies must complete several regulatory steps before production begins, including establishing a local legal entity, obtaining fire safety approvals, securing environmental permits where required, and importing and installing machinery. For many investors, the RBF model offers an efficient pathway to enter Vietnam's manufacturing sector while maintaining flexibility for future expansion.

Notable trends affecting location selection

Trade policy developments and tariff adjustments

Trade policy developments and tariff changes are increasingly influencing manufacturing location choices, especially for export-focused investors considering supply chain resilience and market access. Despite global uncertainties, the trend of foreign manufacturers in Vietnam planning to expand over the next two years remains strong.

Industrial land absorption rates in both northern and southern regions remain below historical averages, which has helped keep rental prices relatively stable and provided investors with greater flexibility when selecting locations. At the same time, demand for RBFs and ready-built warehouses (RBWs) is increasing, particularly in southern Vietnam, as companies seek faster market entry and greater operational flexibility amid evolving trade conditions.

Administrative decentralization and provincial restructuring

The operation of newly merged provinces is reshaping the investment landscape. These

changes may influence local investment incentive schemes, licensing procedures, and administrative coordination between authorities. Industrial park development plans are also being adjusted to align with new provincial boundaries and regional development strategies.

Growing warehousing demand driven by US trade flows

Increasing imports from the United States are driving stronger demand for logistics infrastructure. Vietnam's application of zero-percent tariffs on US goods is expected to support import growth. As a result, demand for warehousing space and logistics services is expanding, particularly in areas located near major ports and key consumption markets.

ESG and regulatory compliance

Environmental, social, and governance (ESG) regulations are becoming increasingly important for manufacturing investors. Industrial projects must comply with environmental impact assessments, emissions standards, and waste management requirements, which can influence facility design and operating costs. 🌿



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CASE STUDY 1

Large-scale electronics manufacturing investment

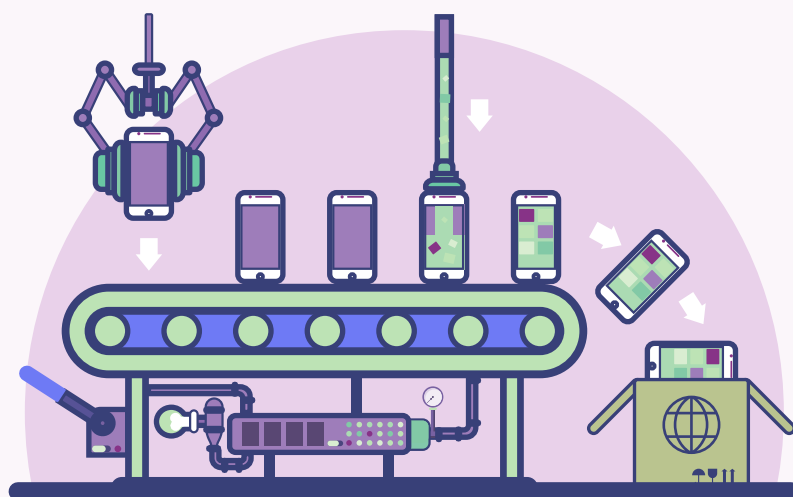
A global manufacturer of camera and biometric recognition modules for smartphones, tablets, IoT devices, and smart vehicles sought to expand its manufacturing operations to Vietnam. The company required a minimum 10-hectare industrial land plot in northern or central Vietnam to establish a new production facility.

Key challenge: Limited availability of large industrial land plots that were ready for immediate handover within the client's project timeline.

Our approach:

- Collaborate with the company to develop location criteria and assess these criteria based on their importance and impact on project success.
- Conduct preliminary research using Dezan Shira & Associates's database and gathering info from real estate developers, brokers, and investment agencies to assess facilities, infrastructure, costs, and tax incentives at potential locations.
- Assess the suitability of each location against the company's criteria to create a shortlist.
- Present a summary report that details the preliminary research findings, including the rating and ranking of potential sites within the search area, along with tax and tariff information and the regulatory landscape for establishing manufacturing facilities in Vietnam.
- Organize stakeholder and provincial meetings based on feedback, manage logistics for site visits, and accompany the team to all meetings.

Result: The process initially screened 13 provinces and identified 29 industrial parks with potential land availability. This list was narrowed to 11 industrial parks across three provinces for detailed evaluation. The client ultimately shortlisted two locations, one in northern Vietnam and one in central Vietnam, for final consideration.



CASE STUDY 2

Medical device manufacturer entering southern Vietnam

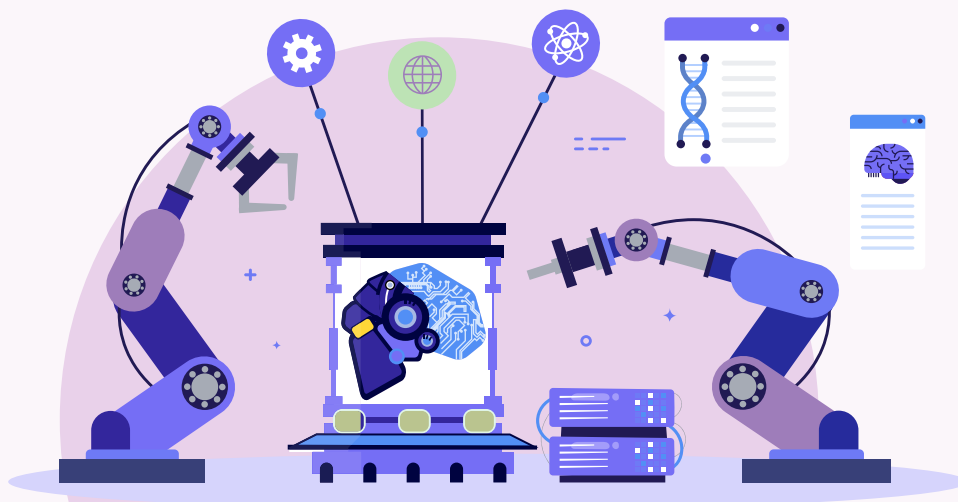
A European manufacturer of orthopedic and medical support products sought to establish a manufacturing facility in southern Vietnam, preferably near Ho Chi Minh City. The project required a ready-built factory that met strict infrastructure and facility standards.

Key challenge: Strict technical and infrastructure criteria for the production facility.

Our approach:

- Work with the company to create location criteria and assess these criteria based on their importance and overall influence on project success.
- Conduct research by utilizing Dezan Shira & Associates's database and requesting information from 37 industrial zones, then supplement these findings with updates or commentary as needed to give the company a comprehensive view of each potential location.
- Present a summary report that outlines the research results and ranks potential sites within the search area based on their ability to meet the client's key location criteria. The report also includes information on tax compliance, incentives, labor availability, and salary benchmarking.
- Schedule meetings with key stakeholders, coordinate logistics for the project team during site visits, and accompany the team to all meetings.

Result: The search initially covered five provinces and identified a longlist of 20 potential ready-built factories. This was narrowed down to five industrial parks across four provinces for final evaluation. The project concluded with the successful selection of a suitable facility in southern Vietnam, with legal advisory support provided for the company establishment stage.





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