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BRIDGING THE REAL AND DIGITAL WORLDS:

**TOP 5 SPECIAL
ECONOMIC ZONES (SEZS)
FOR MANUFACTURING
IN SOUTHEAST ASIA**



SOUTHEAST ASIA: MULTIPLE OPPORTUNITIES

Southeast Asia's investment potential is booming. The region's diversity and the unique strengths of each country - ranging from Singapore's expertise in finance and advanced technologies to Laos's massive hydropower potential - offer investors a wide variety of opportunities. More importantly, governments have invested billions of dollars into building Special Economic Zones (SEZs) and Export Processing Zones (EPZs) in recent years - where companies can take advantage of investment incentives, key facilities like electricity, water, and offices, as well as enjoy synergistic benefits and collaborate with others in the same space. This is the first of a three-part series that looks at the best locations for business operations that Southeast Asia has to offer businesses in manufacturing, Info-Communications and Technology (ICT), and energy.



THE WORLD'S MANUFACTURING HUB

Southeast Asia is a hotspot for manufacturing. Vietnam, Thailand, Cambodia and Myanmar boast a mixture of attractive investment incentives, availability of young, skilled and low-cost workers, and quality infrastructure. This makes them suitable destinations for operations in labour-intensive industries like garments and footwear, as well as more capital-intensive industries like electronics production and food processing.

Moreover, Southeast Asia is emerging as an affordable alternative to China, where labour costs have been rising. According to the Japan Center for Economic Research's manufacturing production index, ASEAN-5 (Indonesia, Thailand, Malaysia, the Philippines and Singapore) hit a 4.5% increase for 2017 on a constant growth trajectory since 2015, while China's growth has been decelerating since reaching a high of 15.7% in 2010.¹ Japanese companies invested \$23.8 billion into manufacturing activities in the region in 2016, an increase from \$7.9 billion the previous year, while Korean companies pumped more than 50 percent of their country's investment into the region, totaling \$6.0 billion.² ASEAN is rapidly becoming one of the world's most competitive destinations for manufacturing.

STAY COMPETITIVE USING VIETNAM

Vietnam is emerging as a prime destination for manufacturing. Its 16 free trade agreements help to lower tariffs on key exports like mobile phones and automobiles, as well as enhance access to major markets like the U.S., Japan, South Korea, and the EU. With 60% of the population under the age of 35 and ranking 8th out of 72 countries in the 2015 OECD Programme for International Student Assessment (PISA), Vietnam offers a young, skilled, and dynamic workforce. In fact, foreign investors that include the likes of Samsung account for almost 90% of the country's manufacturing exports.³

ADOPT A “THAILAND PLUS ONE” STRATEGY

The “Thailand Plus One” strategy has become increasingly popular among manufacturers, where they keep their main production bases in Thailand while extending their supply chain network to neighbouring countries, taking advantage of lower costs and new investment incentives. Cambodia, Myanmar, and Laos, with improving political stability and stellar growth rates of above 6%, offer companies an affordable yet conducive environment for their operations.

CONSTRUCT A REGIONAL SUPPLY CHAIN

Ultimately, moving key segments of one's supply chain into Southeast Asia could be highly beneficial. For instance, a tablet could be built using a high-value processor and memory chip from Singapore and mid-value components from Malaysia or Thailand, and then assembled in Cambodia for a lower cost. An all-ASEAN supply chain is not only cost-effective but could also serve key export markets as well as drive job creation and consumption in Southeast Asia itself.



VIETNAM

Tan Thuan Export Processing Zone

Extensive Connectivity

Located at the heart of Vietnam's thriving economy, Ho Chi Minh City, the TTZ's extensive connectivity makes it one of the most attractive investment destinations in the region. Just 4 km from the Central Business District (CBD), 1.5 km from the Phu My Hung New City Center, and conveniently linked to land, air and sea cargo transportation networks through the Tan Son Nhat Airport, Sai Gon Station, and Sai Gon Seaport, the zone boasts a prime location for exporters looking to establish a presence in the region. The zone supports a wide variety of production activities, including textiles, garments, electronics, medical instruments, glass, paper, cosmetics, and food processing.

Chu Lai Open Economic Zone

Attractive Investment Environment

The Chu Lai Open Economic Zone in Quang Nam was ranked one of Vietnam's first-rate coastal economic zones by the Ministry of Planning and Investment (MPI).⁴ It boasts an attractive investment environment that has attracted domestic and international manufacturers. Its facilities include a logistics centre, a vocational school, and a seaport capable of receiving cargo ships and tankers, with an 11-km access channel and a capacity of 1.5 million tons of cargo a year. The main industrial products are automobiles, garments, textiles, construction materials, and electronics.



THAILAND

Tak Special Economic Zone

Abundant Supply of Low-Cost Labour

The Tak Special Economic Zone is notable for its abundant supply of low-cost labour. Situated in the East-West Economic Corridor (EWEC) along the border of Myanmar, the zone offers businesses easy access to migrant day-workers from Myawaddy, while enjoying Thailand's favourable investment incentives and quality industrial infrastructure. Finished goods can then be conveniently exported through the Mae Sot International Border Checkpoint, which links Thailand and Myanmar. This can help to facilitate cross-border exports, as well as exports to India and China through Myanmar.



MYANMAR

Thilawa Special Economic Zone

Manufacturing Facilities for a Range of Industries

The Thilawa Special Economic Zone is the first to be established in Myanmar. It is located on the outskirts of Yangon, Myanmar's economic centre. The zone has particularly thrived in recent years due to a growing number of Thai companies relocating their operations to the area to take advantage of lower labour costs. It accounted for about 12% of total registered investment projects in Myanmar from 2014 to 2017. The zone supports a wide range of industries, particularly garments, toys, steel products, packaging, and waste management.⁵



CAMBODIA

Phnom Penh Special Economic Zone

Second-largest Economic Zone in Cambodia

The Phnom Penh SEZ is the second-largest economic zone in Cambodia and one of the most successful. The majority of factories are foreign-owned and activities are concentrated in garments manufacturing, mechanical assembly, and food processing. The SEZ presents a distinct opportunity for firms looking for cost-effective solutions for labour-intensive industries.



Vietnam - Chu Lai Open Economic Zone



MAJOR TENANTS

Truong Hai Automobile Company (Vietnam), Hyundai (South Korea), Chow Tai Fook (Hong Kong), ExxonMobil (U.S.)



TOTAL INVESTMENT IN SEZ

US\$3.68 billion (2017)



SIZE (HA)

32,400⁶



CONNECTIVITY

City: Ho Chi Minh City District 1 (4km), Phu My Hung New City Center (1.5km)

Port: VICT port (20m)

Airport: Tan Son Nhat International Airport (13km)



INCENTIVES

Import duty exemption: For goods used to make fixed assets, raw materials used in production but not produced in Vietnam

Corporate income tax exemption: 100% relief in the first 4 years from the date of taxable income, 50% relief in the next 9 years, or tax rate of 10% for 15 years (selected enterprises)



Vietnam - Tan Thuan Export Processing Zone (EPZ)



MAJOR TENANTS
Not available



**TOTAL INVESTMENT
IN SEZ**
US\$1.69 billion (2018)



SIZE (HA)
300



CONNECTIVITY
City: Ho Chi Minh City District 1 (4km), Phu My Hung New City Center (1.5km)
Port: VICT port (20m)
Airport: Tan Son Nhat International Airport (13km)



INCENTIVES
Import duty exemption: For machinery, raw or essential materials used in the production



Thailand - Tak Special Economic Zone



MAJOR TENANTS

Charoen Pokphand Group
(Thailand) (potential)



TOTAL INVESTMENT IN SEZ

US\$114.74 million (2018)



SIZE (HA)

141,900



CONNECTIVITY

Road: Highway No. 1, Asian
Highway No. 32



INCENTIVES

Import duty exemption: For
machinery, raw or essential
materials used in manufacturing of
export products

Corporate income tax exemption:
3 years (general activities), 8 years
(targeted activities)



Myanmar - Thilawa SEZ			
	<p>MAJOR TENANTS CJ Foods Myanmar (Republic of Korea), Yakult (Japan), Fujifilm (Japan through Singapore investment)</p>		<p>TOTAL INVESTMENT IN SEZ US\$1.1 billion (2017)</p>
		<p>CONNECTIVITY Airport: Mingaladon International Airport City: Yangon commercial district (23km)</p>	
		<p>SIZE (HA) 2,400</p>	
		<p>INCENTIVES <u>Import duty exemption:</u> For capital goods and raw materials <u>Corporate income tax exemption:</u> 100% relief for 5-7 years, 50% relief for next 5 years, 50% relief for following 5 years</p>	



Cambodia - Phnom Penh Special Economic Zone



MAJOR TENANTS

Toyota (Japan), Yamaha (Japan), Coca-Cola (United States)



TOTAL INVESTMENT IN SEZ

\$555.6 million (2017)



SIZE (HA)

350



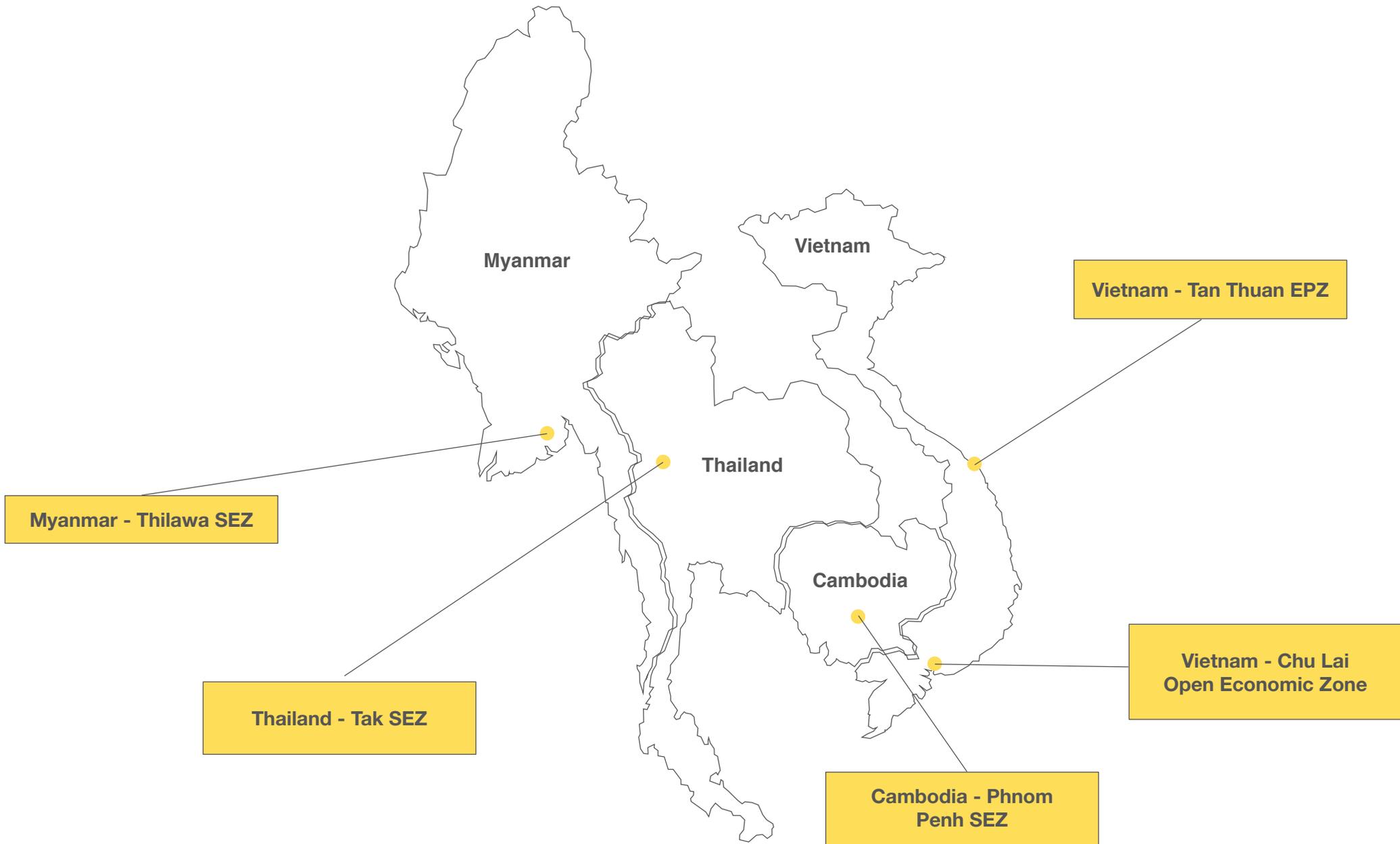
CONNECTIVITY

Airport: Phnom Penh International Airport (8km)



INCENTIVES

Import duty exemption:
For production equipment, construction materials, raw materials, or intermediate goods used in production



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