

Vietnam load shifting

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Some of the biggest suppliers to global tech companies such as Apple are clustered at Deep C Two, close to northern Vietnam's biggest port, Haiphong. Now geopolitical tensions between Beijing and Washington and the risks to business exposed by the Covid-19 pandemic are spurring more manufacturers to shift out of China -- and Deep C, a Belgian developer which runs five zones in Vietnam, is getting ready.

If there is enough demand, "we will reclaim the land from the sea", said Dung Bui Thi Thuy, a marketing executive.

The accelerating shift to countries such as Vietnam is part of a growing "China plus one" strategy to redraw global supply chains. As rivalries grow between China and the US over technology and security, more companies fear curbs on what and where they can manufacture. As a result, many are supplementing production in China, still the world's biggest manufacturing hub, with expansion to other countries.

"Koreans, Taiwanese, Chinese -- there seems to be an unstoppable transfer or at least relocation from mainland China into other countries," said Koen Soenens, Deep C's sales and marketing director. "Foreign companies currently in China, ask them what's next. [They say] "For the Chinese market, we stay in China; to serve our overseas clients, we are looking for a new location"."

But the trend also exposes the risks and uncertainties of shifting resources to countries such as Vietnam, where the bureaucratic and physical infrastructure, including the electricity grid, is straining under the weight of demand just as the country faces headwinds from a turbulent global economy.

Vietnam's export-led growth has pulled millions of people out of poverty over the past 30 years, and the country has won a big role in the tech supply chain: Apple already produces millions of AirPods there.

But one European diplomat there said the country was "at a crossroads" where it had to ease bureaucracy, create a more transparent regulatory framework and get rid of "absurd" red tape.

"They received this strong trend of investment . . . up till now it has been easy for them," the diplomat said, questioning whether Vietnam had the infrastructure for further growth.

Ho Duc Phoc, Vietnam's finance minister, said in an interview that the country's infrastructure was "improving and becoming more modern" and highlighted a big attraction for investors: cheap labour.

"We have an abundant and cheap supply of labour . . . [it] will be cheap for a long time," he told the Financial Times.

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"How are they going to find those people? Most probably outside the city limits, thanks to their investment in dormitories for workers," said Soenens.

Some 150km away at the Thanh Oai industrial complex in Hanoi, where B. Braun employs about 1,100 people, the medical technology company is considering building dormitories on site as it plans to double investment and its workforce within the next five years.

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