

# Orientation of Vietnam logistics development to year 2030 in the context of deeper integration to world economy

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**Abstract:** *This paper provides a brief of Vietnam logistics activities, and reviews shortcomings and restraints affecting the development of logistics in past years. Meanwhile, it also analyses opportunities and challenges of Vietnam logistics in the context of deeper integration into international economy; proposes Vietnam logistics development orientation to the year 2030, 2050, strategy to the year 2020, 2030 and solutions to implement such orientation.*

**Keywords:** *Logistics services, logistics development orientation, opportunities and challenges of logistics development orientation, solutions for implementation of logistics development orientation solutions.*

## I. Necessary for study

Logistics plays an important role in national economy and international trade, has contributed positively to economic reinforces high in the last few decades, thus contributing to hunger radication, poverty reduction through better connections to production - consumption markets. The development of logistics services has great significance to ensure the development of production, business, ervices, meet the quality of service. Logistics will bring good development potential to reduce costs, improve product quality and service. Today, logistics is recognized as an essential economic function, a useful tool to bring success to businesses in manufacturing, sales, distribution, service, even in distribution manufacturing, consumption.

In Vietnam, logistics services are at an early stage of development. The statistics show that total logistics costs are high, accounting for over 20% of GDP, including transportation costs account for about 40-50% of logistics costs. Transport services and logistics are inputs to many areas of production, sales and service.

Logistics services have close relationship with the development of transport infrastructure (including seaports), the modes of transport... A large part of the budget (including ODA) has been invested, improved in the transport infrastructure to facilitate the development of freight and logistics services. The rapid transport infrastructure development in recent years also contribute significantly to the transport operation, as prerequisite for supply chain development continuum. The transport infrastructure system in our country was developed in a positive direction: to expand the scale and improve the quality. The road traffic routes, inland waterways, major railway

investment has been upgraded in conjunction with enhanced maintenance management has considerably improved throughput capacity. Seaports and airports system have been gradually expanding, upgrading and new construction to meet the growth of freight an average increase of over 10% / year. Many important works in service of the urgent modernization and industrialization of the country are constructed. Urban tranport is gradually expanding with the development of urban public transport and strong, urgent measures should be gradually limited congestion, curb traffic accidents. Local transportation system was also interested investors, to better meet the growing demand.

## II. The current status of logistics activities

### 1. General logistics status

Since the 2005 Trade Act takes effect, firms involved in logistics market has grown rapidly. From about 800 new enterprises in 2007, and now has 1,000 - 1,200 enterprises in operation in the logistics field. The majority of enterprises are small and very small, limited capital, human resources, equipment. Currently only about 10 large state - owned companies have a famousness in the market but can not compete with the foreign ones are present in Vietnam. According ranking logistics capabilities (LPI), Vietnam ranked 53<sup>rd</sup> among 155 countries and ranked 5<sup>th</sup> in the ASEAN. Logistics services account for about 2-4% GDP but growth rate is high, up to 20-25% yearly in 2007-2012.

### 2. Present status of the logistics center

By the end of 2012, there were 6 active logistics centers, 4 are in the process of developing or newly licensed, heavily concentrated in the Southeast region with a total land area of 279.8 hectares, of which the center in the South accounted for 94.7%. Most small - scale (less than 10 ha), except one large center (over 250 ha). *According to the capital structure:* 2 centers by a joint venture company, 2 centers 100% owned by foreign company, 2 centers by domestic company investment. *According to the criteria of importance:* national level (level I), regional level (level II) and local level (level III), the now only 1 at level II centers, remaining are unqualifying standings. *Distribution by province, city:* 3/6 in Binh Duong province, the rest is Hai Phong, Quang Ninh province, Ho Chi Minh City, each locality 1 center. *By region:* 2 centers in the Red River Delta, 4 centers in the Southeast. Back to business service providers: the number increased

from 600 - 700 in 2007 to 1,000 - 1,200 in 2012 (accounting for 0.2 % of numbers of the whole country companies).

### **3. Assessment of the current state of logistics center**

Number of logistics centers not more, newly built in the last 5 years, concentrated in the Southern industrial zone. Selected location criteria: Close to the supply of goods, near densely populated areas, can be combined from two or more modes of transport. Small - scale centers, primarily serving companies in industrial zones or provinces; investment has not been synchronized, the lack of specific services, not attract domestic and foreign investment. Specialized labor in logistics center has not been basically formal trained on professional services. Integration among centers is low.

System of laws, regulations is still lacking in specialized and unequal: Legal documents for business, operation, engineering standards of logistics center has not been built, issued and implemented. The policy was not uniform, clear guidance to support the development of the logistics centers, logistics sub-sector.

### **4. Evaluation of the causes affecting the operation of logistics services**

In recent years, reform efforts have been taking place in most major transport sub-sectors but the implementation is very slow. Lack of orientation, multimodal transportation, logistics activities lead to imbalances, improper links between transport modes. The asynchronous transport infrastructure development connections to seaport in Vietnam could not promote multimodal transport to reach the desired effectiveness, hinder the development of logistics services. Organizations in each mode of transport is good but links between transport modes is very limited, the connection between the inlandwaterway port and road, rail are missing a lot, and not synchronized.

The level of application of the liner shipping operation is limited. There are no uniform regulations on the processes and procedures for delivery of goods in multimodal transport. Currently, although the number of shareholders but operation of the Vietnam logistics services business is fragmented, lack of professionalism, providing only basic services, price competition is essential, so little added value and only works for the 3PL, 4PL foreign companies. Due to the weaknesses of transport infrastructure, information technology is not yet supported effectively, that is why logistics costs in Vietnam are quite high, which reduces the competitiveness of Vietnam enterprises on services and goods.

Potential of Vietnam logistics enterprises is weak financially (80% of established enterprises has the charter capital under of VND 1.5 billion), on personnel, organizational global networks, information systems, computer links.

## **III. Opportunities and challenges in the context of deeper integration into the world economy**

### **1. The international context**

Deeper integration into the WTO, logistics competitiveness in the domestic, regional and

international market tougher, more intense. Before this context has formed alliances, corporations, shipping companies multinational in large scale, has the ability to provide logistics services in an uninterrupted supply chain across the region and globally.

### **2. The domestic context**

Vietnam has a favorable geographical position, located in strategic areas of Southeast Asia and dynamically developing region. The natural conditions have a direct impact and indirectly to the development of the logistics center system.

By 2020: GDP growth rate average is from 6.5 to 7.5% / year, GDP per capita reached in US.\$ 3,000 - 3,200 in 2020. *The economic structure:* industry, construction and services accounted for 85%; agriculture and forestry declined to 15%. Infrastructure development in sync, there are a number of modern works. The rate of urbanization of over 45%. By 2030: GDP per capita reached 4,500 - 5,000. Growth, development, and urbanization in Vietnam has changed rapidly in the past decade. Urbanization trend will continue in the coming decades. Control the process of urbanization is very difficult task and the impact of this process will alter quickly the distribution pattern on socio - economic activities, including logistics services.

Currently, the transport demand is rising faster than the speed of transport infrastructure development. Without strategic intervention, the sustainable development of logistics activities in Vietnam shall face with the challenges, even threats.

### **3. Opportunities**

Vietnam is located in the dynamic economies of the world, located close to the South China Sea, is the connection between Southeast Asia, Northeast Asia, the Pacific Ocean and the Indian Ocean, and has the potential to develop logistics services infrastructure serving to the region center of transshipment (hub or cluster).

Seaport system has been investing construction in large scale and modern handling equipment. A number of projects have been put into use, with the investment of the private sector in building the base port logistics services following at Cai Mep - Thi Vai, the research to develop logistics center in some provinces...

There has formed a number of ICD to make customs procedures for imports and exports container, consisting of import and export cargo, container yard behind or next to the port. In the North, there are 4 ICD; a number of locations outside border gate of the customs procedures. At Central region in large industrial zones have formed goods checkpoints outside the border gate. In the South has 5 ICD as Phuoc Long, Transimex, Bien Hoa, Truong Tho, Song Than (in Song Than Industrial Park).

There are many opportunities, institutions and policies are to be improved the legal basis for the exploitation of logistics services. State of logistics management is enhanced through the drafting and implementation of legal documents, strategies and master plans; volume of exports and imports is increased, creating conditions for the development of logistics services; can exchange and share information,

experience with other countries in the world.

Policies and mechanisms to develop logistics services in Vietnam have been interested in building and gradually improved.

#### 4. Challenges

Rapid urbanization has led to many problems, making it difficult of people and society for the transport access.

Vietnam enterprises operating in today's logistics sub-sector in terms of size (personel, capital, revenue,...) is still very small, only a few dozen foreign state-owned enterprises (including equitized state-owned enterprises) is relatively large (200-300 employees), the average number of remaining 10-20 staff, equipment, facilities, infrastructure was poor, mainly buying and selling sea transport freight, air freight, customs clearance agents and good transport service (trucking), have done some logistical warehouse services but not many. Asynchronous operation, fragmented and small-scale, technology level is not keep up with the countries in the region.

Vietnam enterprises operating mainly within the domestic or several countries in the region. On the other hand, these enterprises operate independently, lack of cooperation and coordination. Qualified staff to provide logistics services is limited, failing to meet the business requirements in terms of integration and stiff competition. Therefore, before the attraction of foreign logistics enterprises, a part of qualified human resources or group of people will be on work in foreign companies, leading to a brain drain in place.

The overseas companies provide logistics services in Vietnam market are big pressuring to the state-own enterprises (equitized state-own enterprises). In the national trade relations, the majority of our exports are mainly exported under FOB, FCA in terms of international trade. Thus, the right to dispose of transportation are designated by the purchaser; logistics companies will hardly have the opportunity to participate in the logistics service.

Transport infrastructure has grown rapidly but not yet synchronized, no connection due to lack of multimodal transfer hubs, on-line infrastructure (rest areas, repair facilities, commercial services...), especially not create multi-modal transport corridors to transit while demand on high quality service is growing, making the cost of the domestic logistics much higher than other countries. The logistics company itself spend costly to logistics service so that it will reduce profits investment, limit broading services of company.

Port system is also limited, mainly general and specialized ports; less container port, or it is under the construction process. Most berths only respond to vessels of less than DWT 50,000 in handling. The e-logistics development has not been paid enough attention of enterprises. Competitiveness of Vietnam's enterprises is low, heavily involved in the international shipping market. Institutional policies and lack of uniformity, not to facilitate logistics support infant development.

#### IV. The development of logistics services in Vietnam to year 2030, 2050

#### 1. Development orientation of logistics services

*Objectives:* To 2020, formed full service of 3PL, growth rate 24-25% / year; contribution to GDP ratio is 10%, the proportion of outsourced logistics services is 40% and reduce logistics costs to GDP to 18%, rank of LPI from 35 to 40 among the top economies in the world. By 2030, the growth rate of 34-35%/year; contribution to GDP ratio is 15% of GDP, the rate of outsourced logistics services is 65% and reduce logistics costs to GDP to 15-17%. By 2050, most indicators reached the international standard.

#### 2. Main criteria to form a logistics center system

Based on the growing demand of goods traffic (production - consumption) in each specific area, on the economic corridors and 6 economic regions; guarantee of scale, concentration, and stability.

Convenient connection of transportation under the system of transport corridors, major transport route, using a multimodal transportation network; facilitates both production and consumption. There are advantages in geographical location: near the top of the supply and/or near market, consumer products. Operations radius of center minimum level I is 200km, level II is 100km, level III is 50km.

Synchronize with other the strategies, master plans, such as spatial planning, construction and land use master plans. Ensuring environmental laws and regulations, traffic order and safety, fire prevention...

#### 3. Expected distribution logistics centers

In Northern forming 7 logistics centers level I and level II in the area, perimeter, economic corridors. In Central Highlands forming 6 logitics centers level I and level II in the area, perimeter, economic corridors. In South to form 5 logistics centers level I and level II in the area, perimeter, economic corridors. The logistics centers level III in the provinces and cities directly under the central building, according to the criteria approved by the Ministry of Industry and Trade.

#### 4. Identify development priorities logistics services

*Implementation of the strategy focuses on the following priorities:* Logistics cost reduction strategy in Vietnam (interference in the bottleneck of supply chain - like capacity of the port, warehousing and transshipment point; planning multimodal transportation; determine the social rehabilitation of specific export products).

Strategic human resource training and specialized logistics on the one hand to meet human needs through the fast train, on the other hand accelerate training of skilled professionals logistics applications, deployment logistics and management practices keep up the supply chain industrialized countries.

Logistics restructuring strategy, including plans to promote the growth of the service-providing third party logistics (3PLs) in the country, see this is the prerequisite for the development of logistics services market in Vietnam. Promote and engage in logistics information technology, especially the customs procedures at the border check point (to strengthen institutions, promote standardization in operations... and development of logistics portal, EDI, e-logistics...).

#### 5. Programs focus on logistics in 2020

Development of the logistics park in the North to

the size, location suitable to serve the needs of intermediate goods as well as serve the industrial production, processing and export. Development of logistics industrial park in the South (serving international container shipping through international container port and international airport).

The development of logistics centers associated with renovating the gate to boost trade exchanges with other countries. Developing diverse distribution centers in the cities, large urban of country to serve on the retail market, the logistics center near industrial production zones and processing exports.

## **V. The implemented solution oriented development**

### **1. Promote investment solutions in sync KCHTGT development, transport vehicles as platforms for logistics operations**

Developing a synchronous transport infrastructure urgent task was interested, focused investment priorities.

Increased transport activity requires transport agencies reasonably organize reasonable, synchronized transport system, must develop multimodal transport, transport hubs, logistics center... Need good organizational implementation of strategies, master plans which have been approved; Selection of projects more carefully in order to prioritize the most needed projects. Sync with traffic infrastructure development needs rapid development of means of transport, cargo handling facilities, particularly container goods. The development of strong national fleet plays an important role in the development of the supply chain in Vietnam.

### **2. Development solutions on logistics service market**

Need urgently promote and market development before opening, comply with its WTO commitments, and also to promote the advantages of the transport system. *The solution to resolve the difficulties and obstacles for the development of the logistics market today:* eorganize of logistics enterprises in services, improve the quality and efficiency of business, performed the extensive and intensive investment (in technology and modern equipment); Investment in digital equipment, technology information system; Implement programs to promote business links between logistic service enterprises. Strengthening the role of the professional associations concerned. Freight Forwarders Association of Vietnam (VIFFAS) is the Association should take the initiative to organize, promote business links between logistics service, enlist the cooperation of the VCCI to help generate business market development.

### **3. Solution training, human resource development, logistics**

Has policy to support enterprises, schools to boost logistics training and development of human resources both in extensively and intensively. Take advantage of the programs funded by international organizations to facilitate local officials have the opportunity to raise the level in other country in the world.

Universities and colleges need to put into the logistics training programs adapted to in the coming years, open training sessions short and long term to

meet the rising, diversity demand, in the future.

### **4. Solution to promote the development of logistics services in the enterprises**

*Advanced skill level and logistics services in the enterprises:* Now there are no enterprises reach the level of 3PL, 4PL service providers (only at 1PL, 2PL) that is why they should need to raise the level of expertise, professional skills, including foreign language.

*Expanding the network of representatives and marketing activities of enterprises:* Logistics activities currently require intensive nature, have representative offices in foreign countries. It should promote the collection and distribution of goods. Collection system agents abroad or in the country should be strengthened for goods to go smoothly. Expanding the network of representatives abroad, in the country which have a large amount of goods. Need to identify target markets; looking for partners and agents; research organizations of logistics operations in foreign markets or in the country. Opening branches/send representatives to the transaction. Hire staff organized activities to delivery goods.

### **5. Measures to accelerate the application of information technology in enterprises**

Need the best use of information technology to achieve the advantages of electronic and improve the efficiency of the logistics chain. Communication links between the logistics centers and other logistics center in the region and around the world. E-commerce applications in logistics operations to improve the efficiency in international trade. Standardization of information systems to improve the efficiency of transport operations, warehousing and administration.

### **6. Measures to strengthen cooperation and integration**

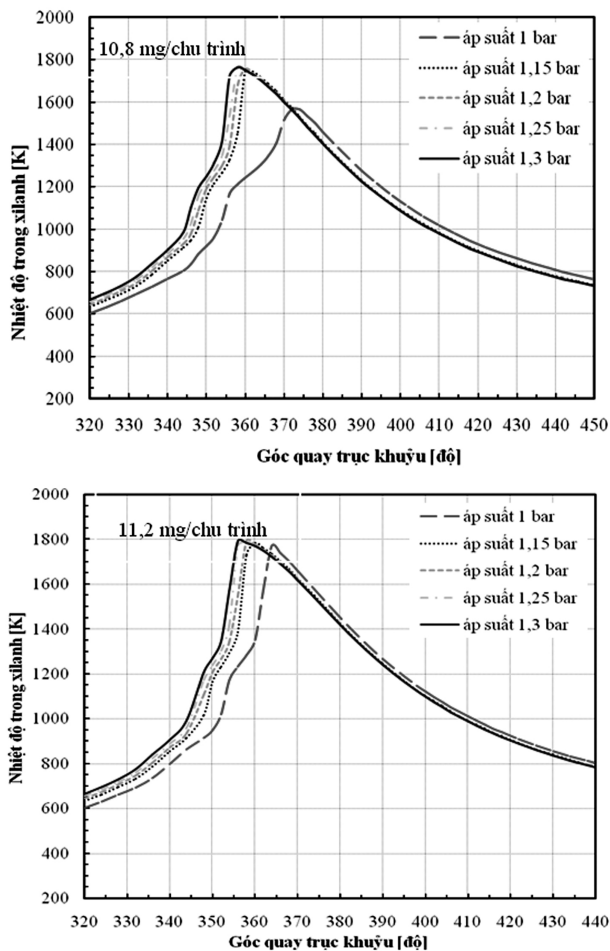
One of important factors for business participating in the global logistics operations to potential financial and reputation in the marketplace meant to be strong enough. The country now needs to concentrate power links in order to increase competitiveness, specialization according to your strengths need to choose partners or "good enough" - partners-capable, prestige, experience, preferential option for well-known logistics companies in the world, associate with them, and exchange sharing experiences with them to develop sustainable and efficient logistics sub-sector in our country.

Need to promote binding process, promoting the market development business for mergers and acquisition (M&A) in the logistics services. The Association need to do well its role as a bridge to the state, foreign relations to regional integration and international; and be where research and development (R & D), management standards, documents, forms, statistics, evaluation criteria... of the sub-sector.

## **VI. Conclusion**

Study of orientation on development of Vietnam logistics services has an important role in economic development in particular, developing countries in general, because the logistics accounts for most of the

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Hình 4: Ảnh hưởng của tăng áp tới nhiệt độ trong xilanh

#### 4. Kết luận

Qua kết quả nghiên cứu ảnh hưởng của áp suất tăng áp tới đặc tính cháy HCCI của động cơ sử dụng nhiên liệu n-heptane, ta có thể đưa ra kết luận sau:

- Khi áp suất nạp tăng thời điểm cháy diễn ra sớm hơn, hiệu suất nhiệt và công suất động cơ tăng.

- Ở mỗi chế độ áp suất nạp khi tăng lượng nhiên liệu chu trình thì thời điểm bắt đầu quá trình cháy diễn ra sớm hơn.

- Tăng áp làm tăng hệ số nạp, áp suất và nhiệt độ trong xilanh tăng. Động cơ có thể làm việc ở hỗn hợp nhạt, ít phát thải độc hại.

- Tuy nhiên khi tăng áp quá lớn, đặc biệt ở chế độ tải lớn (lượng nhiên liệu chu trình lớn), tốc độ tăng áp suất trong xy lanh cao, động cơ làm việc rung hơn □

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#### ORIENTATION OF VIETNAM...

(Tiếp theo trang 12)

previous manufacturing process, manufacturing, services, distribution products; logistics costs account for a high proportion of production costs; GDP contribution of logistics in our country is low, while costs in GDP is relatively high. The orientation, strategic development planning properly for priority projects, appropriate steps will be taken specialized logistics service integration roadmap, to bring Vietnam into an industrialized country by 2020 and the years later.

Along with the appropriate policies and adequate investment from all economic sectors, certainly in the near future logistics services will have strong development, commensurate with potential of the country required to meet deeper integration into the world economy □

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