

CROSS BORDER TRANSPORT & LOGISTICS SYSTEM IN VIETNAM

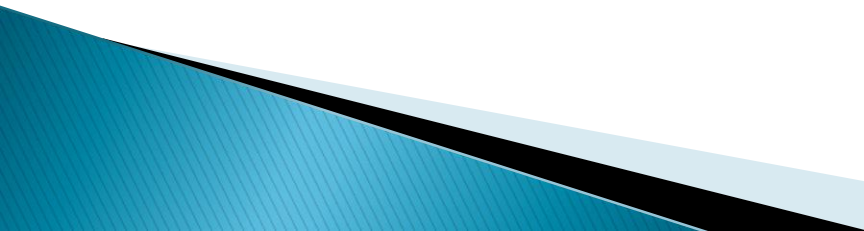
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VIET NAM

CROSS BORDER TRANSPORT & LOGISTICS SYSTEM IN VIETNAM

▶ PRESENTATION OUTLINE

- ▶ 1. CROSS BORDER TRANSPORT
 - ▶ 2. LOGISTICS SYSTEM IN VIETNAM
 - ▶ 3. OPPORTUNITIES TO VIETNAM LOGISTICS
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OVERVIEW GREATER MEKONG SUBREGION (GMS) COOPERATION PROGRAM

- ▶ The GMS was established in 1992 when six countries: Cambodia, PRC, Laos, Myanmar, Thailand and Viet Nam – agreed to an activity-based economic cooperation arrangement.
 - ▶ In 2002, the countries consolidated the sector-wise programs into a comprehensive GMS Strategic Framework (SF) for a period of ten years (2002–2011) as the “key means through which closer economic cooperation and prosperity will be achieved”.
 - ▶ In 2005, the GMS heads of governments reaffirmed their commitment to the Economic Cooperation Program (ECP), identifying “connectivity, competitiveness and community” as the building blocks of a vision of economic prosperity for the GMS.
 - ▶ The ADB has supported the ECP since its inception in 1992 under the GMS Regional Cooperation Strategy Program
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Strategic thrust of GMS Transport Cooperation

* Early years – 1st TSS

- Create cross-border access; priority to improvement over new construction
- Facilitate cross-border traffic, focus on trade

* Current Thrusts – 2nd TSS

- “Towards seamless transport services on a fully connected and integrated GMS network”
- Focus on:
 - Completing the GMS transport corridors
 - Economic efficiency and reduced transport costs
 - Move toward an open market for transport services
 - Multi-modalism

Background to Cross-Border Transport Agreement (CBTA)

- ▶ The CBTA is a multilateral instrument designed to be adopted by all GMS members to facilitate cross-border transport of goods and people.
- ▶ The CBTA covers all the relevant aspects of cross border transport facilitation in one document.
- ▶ These include:
 - Single stop/single window customs inspection
 - Cross-border movement of persons
 - Transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and agriculture and veterinary inspection
 - Requirements that road vehicles will have to meet to be eligible for cross-border traffic
 - Exchange of commercial traffic rights
 - Infrastructure, including road and bridge design standards, road signs, and signals.
- ▶ GMS countries agreed to undertake the initial implementation of the GMS Agreement on GMS on a pilot basis at 5 of the 15 border-crossing points identified in Protocol 1 of the CBTA.

Profile of Development of GMS-CBTA

Status of Ratification of 20 Annex & Protocol

- By the end of the 2008, commencement of the initial implementation of the Agreement in at least seven key border crossings points and their associated routes and corridors
 - *Hekou (PRC)-Lao Cai (VIE)*: MOU for initial implementation (2007); commencement of the initial implementation under Single Window modality (2008)
 - *Dansavannh (LAO)-Lao Bao (VIE)*: MOU for initial implementation (2005); Commencement of initial implementation under Single-Stop modality (2006); undertaking of EWEC tripartite meetings and procurement of ICT equipment to facilitate operations of border authorities (2008); establishment of CBTA “fast tracks” (2009)
 - *Bavet (CAM)-Moc Bai (VIE)*: MOU for initial implementation (2005)
- By the end of 2010, commencement of full implementation of the Agreement and its annexes and protocols, along priority GMS corridors


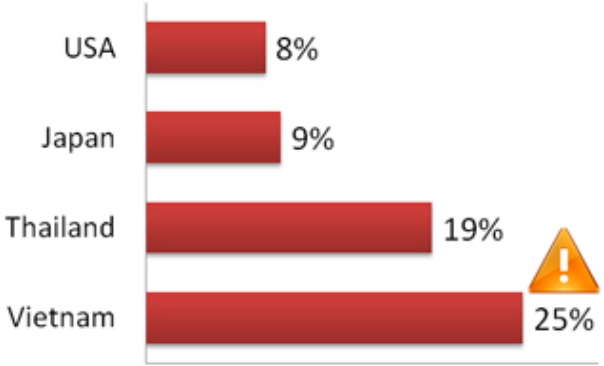
Constraints that Need to be Addressed to Move Forward

- Border checking facilities need to be improved
- Need to increase traffic volumes, which are low due to limitations on origins/destinations (ex: expand EWEC to Bangkok (in Thailand) and to Ha Noi (in Viet Nam))
- Need to extend the geographic scope of bilateral and trilateral traffic rights exchange
- Extension of bilateral and trilateral traffic rights exchange to generate appropriate network externality for GMS corridors
- Expansion of CBTA (including CTS) implementation along the (i) Southern Economic Corridor, (ii) Southern Coastal Corridor, and (iii) Central Economic Corridor
- Periodic transfers/relocation of border officials and government authorities require frequent trainings on CTS
- Dissemination of CTS among Customs officers and the private sector
- Continue capacity-building and training for customs officers to border customs officials, government organizations and transport operators in VIE, LAO and THAI

Logistics in Viet Nam

- ▶ Logistics has appeared in Vietnam for the last 20 years.
- ▶ Income from Logistics sector around 2–4% GDP.
- ▶ In recent years, Logistics has rather rapid growth rate, about 30%/year.
- ▶ Logistics businesses are small in scale, operate not so effectively, lack competitive abilities.
- ▶ Due to the rapid development, there has been a severe shortage of human resource for Vietnam Logistics Market

Logistics in Vietnam

| Introduction | Objectives | Methodology | Conclusion | | | | | | | | | | |
|--|--|---|------------|--------------------|-----|----|-------|----|----------|-----|---------|-----|---|
| The current situations of the Vietnam logistics industry | | | | | | | | | | | | | |
| <p>In 2010, Vietnam ranked 53rd out of 155 countries and 5th out of the ASEAN bloc in the Logistics Performance Index (LPI). <i>Source: World Bank</i></p> <p>This was a medium position within the ASEAN.</p> |  <p>800 Logistics Companies in Vietnam</p> <p>Ha Noi 100</p> <p>Ho Chi Minh city 700</p> | <p>Logistics Cost in Vietnam is quite high</p> <h3>Current Logistics Cost/GDP</h3>  <table border="1"><thead><tr><th>Country</th><th>Logistics Cost/GDP</th></tr></thead><tbody><tr><td>USA</td><td>8%</td></tr><tr><td>Japan</td><td>9%</td></tr><tr><td>Thailand</td><td>19%</td></tr><tr><td>Vietnam</td><td>25%</td></tr></tbody></table> <p><i>Source: Vietnam Business Forum</i></p> | Country | Logistics Cost/GDP | USA | 8% | Japan | 9% | Thailand | 19% | Vietnam | 25% | <p>Current logistics system is facing high cost issue due to low information acquisition and processing skill for improved automation efficiency.</p> |
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| <p>http://vietnam-logistics.com 7</p> | | | | | | | | | | | | | |

Logistics Regulatory Review in Vietnam

- ▶ Commercial Law dated 14 June 2005:
Logistics is only recognize as a trade practice
- ▶ Decree No 140/2007/ND-CP dated Sep 5th, 2007 provides detailed regulations for implementation of the Commercial Law with regard to conditions for engaging in logistic services business and the limitations on liability of business entities:
This Dcree is simple, lacking necessary factors that encourage and attract investment

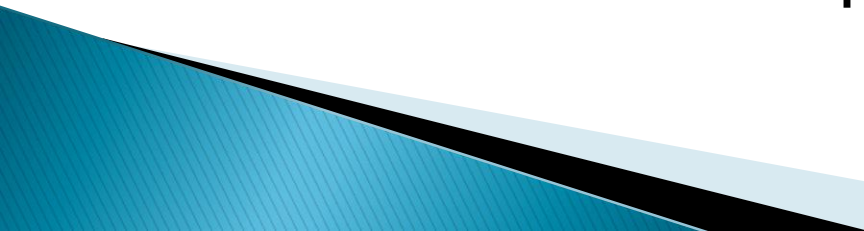
Logistics Regulatory Review in Vietnam

- ▶ Decision No 2223/QĐ-TTg dated December 13th, 2011, the Prime Minister approved the plan “Vietnam’s ICD System to 2020 with vision to 2030”:

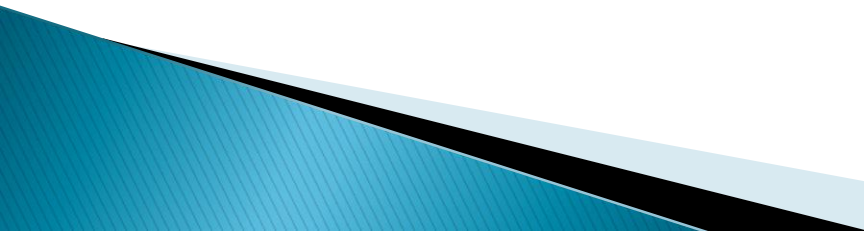
It is a legal document of great importance in the development of logistics services in Vietnam in the coming time.

With ICDs functions, those are basis for profits of logistics services operator

CURRENT STATE OF LOGISTIC TRAINING

- ▶ According to VIFFAS: Logistics training programs in Vietnam are sketchy and general.
 - ▶ In 2008, University of Transport in Ho Chi Minh City started its first course on logistics administration and multimodal transport
 - ▶ Other Universities and colleges of trade or maritime have just have courses on sea transport and foreign trade insurance.
 - ▶ There are a few course books and documents
 - ▶ There are a few experts than required.
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Logistics Regulatory Review in Vietnam

- ▶ About legal corridor, to fulfill the commitment of WTO and to facilitate commercial activities of businesses, a number of paving way decisions logistics sector have been issued by Government
 - ▶ There are many documents from ministries and departments for guidance, adjustment, facilitating disturbing procedures or speed up activities of the logistics and logistics service sector.
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OPPORTUNITIES TO VIETNAM LOGISTICS

- ▶ Nowadays, basis factors of opportunities are on Vietnam logistics side: with the trend of globalizing logistics, Vietnam is a fertilized soil to develop logistics in the next decades
 - Vietnam has developed a deep water seaport system
 - Container development is expected to reach 17%/year and national export, to reach USD 500 billion in the coming years.
 - The sea transport cost is expected to be leveled to global one.

Thank you

The times very shortly, Any questions for please
send me by email: nguyenbang@mt.gov.vn