DEVELOPMENT OF VIETNAM LOGISTICS SERVICE ENTERPRISES IN THE FUTURE THE CURRENT STATE AND SOLUTIONS

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Logistics has been recognized as a major economic function, a useful tool for the success of many companies in the world. Logistics enterprises are increasingly specialized with higher level and considered as a backbone of the service sector in international trade. The reason is that this sector helps improving the delivery speed and streamlining the flow of goods. It is estimated that total value of global logistics services is over US$1,200 billion per year, accounting for 16% of global GDP. A 10% reduction in transportation cost may allow the global trade volume to increase by 20%, and the GDP of each country rise by 0.5%.

Vietnam has a great potential for logistics development, therefore Vietnamese logistics enterprises are growing up in the beginning period and have contributed 15% of GDP annually. When difficulties and challenges in the current period are identified and solutions to development of logistics enterprises are found, it would bring favorable conditions for other sectors to quickly integrate into the global supply chain and establishment of a strong logistics sector. This also brings many benefits to not only Vietnam's economic development but also the region in future.

Keywords: logistics service

1. The current state of the Vietnam's logistics market

a. The achievements:

From 2006 until now, the market of logistics services in Vietnam (also known as logistics outsourcing market or third party logistics services/3PL) has changed strongly with the average annual growth rate of 20-25%, playing an important role in the national economic development. According to World Bank's report in 2009, Vietnam's LPI (Logistics Performance Index) ranked 53th among 155 countries, taking the top place of low-income countries and showing a positive progress.

At present, there are nearly 1,200 logistics companies operating in Vietnam (more than Thailand, Singapore), approximately 18% of them are state-owned companies, 70% are private companies, 10% are not registered and 2% as the foreign invested companies.

Under the WTO commitments, as from Jan. 1, 2014, Vietnam will officially allow foreign owned companies to participate in its logistics market. However, in different way, many foreign companies have been doing business in Vietnam for a long time and accounted for a 30% -35% market share of 3PL services with modern and professional technology. Although foreign companies only account for 2%, they are the world's leading logistics MNCs (top 25 or 30) and have rich experience, technique, technology and prestige for hundreds of years.

Despite of small market share, unprofessional skills, small operating scale and lack of standard facilities and even no long-term strategies, domestic companies have grown significantly. They know how to take advantages of operating locally and learn experience from foreign companies. They could be multimodal transport companies, and project companies or purchasing ones. Members of the Vietnam National Shipping Lines

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(Vinalines) also have been expanding their operations to neighboring countries such as Laos and Cambodia, and associating with foreign partners to participate in bidding to provide logistics services for third countries when transiting via Vietnam to China, Laos, and Cambodia, etc.

In recent years, Vietnam's logistics enterprises have made significant achievements. As reported by the IMF in January 2010, Vietnam was one of 10 countries (along with China, Bangladesh, Congo, India, the Philippines, Madagascar, South Africa, Thailand, and Uganda) having the most impressive LPI of the year. In comparison with other countries in the ASEAN region, the gap between Vietnam and these countries are not too large (Table 1)

Many projects on warehousing, logistics, ICD (Inland clearance depot) has been invested and implemented. Both two functions: ICD and logistics are combined in most construction projects to become logistics – ICD center. For example, SGL Logistics Center in Sóng Thần Industrial Zone (Bình Dương), a joint venture company of Vietnam Schenker and Gemadept, started operation in March 2009. This center has been serving mainly producers of high-tech products, electronics, manufactured goods, chemicals, garments and consumer goods. Bình Dương Production and Trade Company (Vietnam) and YCH Logistics Group (Singapore) have signed a joint venture to establish YCH Logistics- Protrade Center, and it is expected to begin operating in the first quarter of 2010. Tiên Sơn Logistics - ICD Center (Bắc Ninh province), which is the first logistics center in the North, operated as from November 2009.

Table 1: Vietnam's logistics capacity in comparison with other countries in the region.

Nation	LPI	Clearance Capacity	Infrastructure	International maritime transportation	Logistics Capacity	Access ability	Schedule
Malaysia	3.44	3.11	3.5	3.5	3.34	3.32	3.86
Thailand	3.29	3.02	3.16	3.27	3.16	3.41	3.73
Vietnam	2.96	2.68	2.56	3.04	2.89	3.1	3.44
Indonesia	2.76	2.43	2.54	2.82	2.47	2.77	3.46

This was the second consecutive time, Vietnam ranked 53rd position, LPI of Vietnam was even higher than some average-income countries (such as Indonesia, Tunisia, and Honduras, etc.). Over two years, Vietnam's criteria score were higher than average (> 2.5 /5) and logistics capability has been improved on many aspects with outstanding results in 2009 (Table 2).

Table 2: Vietnam's Logistics Performance Index in 2007 and 2009

Criteria	2007	2009
Customs clearance capacity	2.89	2.68
Infrastructure	2.5	2:56
International maritime transport	3:00	3:04
Logistics capability	2.8	2.89
Atccess ability	2.9	3:10
Time for customs clearance and services	3:22	3:44
Synthesis	2.89	2.96

With the investment of some professional logistics suppliers, the infrastructure for information technology related to the logistics sector has also been improved efficiently to keep up with the development of logistics services. In January 2010, Splendid Technology Company started applying RFID (Radio Frequency Identification) management technology in Vietnam, which made Vietnam one of countries that are applying RFID technology.

b. The remaining issues:

Besides the success achieved, Vietnamese logistics enterprises still have to face many problems.

Although there are numerous domestic logistics enterprises their activities are still scrappy. Vietnamese logistics enterprises, because of lack of experiences and professional skills, could only provide basic and low value-added services, mainly competing in price and mostly working for foreign 3PL companies.

Regarding financial resources, 80% of Vietnam's logistics enterprises established with the chartered capital under VND1.5 billion, and some of them have only from VND300 to 500 million. Their workforce is small and can only carry out simple tasks because of poor experience and knowledge of international law. The organizational systems are lowly specialized.

Vietnamese logistics enterprises are mainly providing transport services and warehousing. They usually engage in individual stages, such as warehousing or customs agents, rather than providing the whole chain of logistics services. Only about 10 - 15% members of the Vietnam Freight Forwarders Association (VIFFAS) are able to provide 3PL services. Most Vietnamese enterprises are focusing on some small patch in the entire supply chain, in which freight forwarding is the most common. This is a relatively simple form, the delivering companies can serve as wholesale dealers who sell to retail buyers. After being collected, goods will be filled in the containers and transported to the recipient country. In these countries, the agents that are partners of Vietnamese companies will make customs clearance of goods and deliver to the recipient at the warehouse.

Markets of Vietnamese logistics companies are mainly domestic areas or some Southeast Asian countries, while foreign companies expand their business globally. This is a large obstacle because with globalization, the giant clients like Nike, Adidas, and Nokia tend to use resources from countries or territories around the world and they want to be provided with the entire (all-in) logistics services. Due to the fact that Vietnamese companies neither integrate into the global logistics network nor have any representative offices in foreign countries, they are not eligible to independently participate in bidding for providing logistics services overseas. Currently, they only work as the sub-suppliers at the level 2, 3 or even level 4 for foreign partners who own global network with services such as forwarding, customs clearance and transport. There are no Vietnamese logistics providers who are able to take part in and manage the entire process of logistics services.

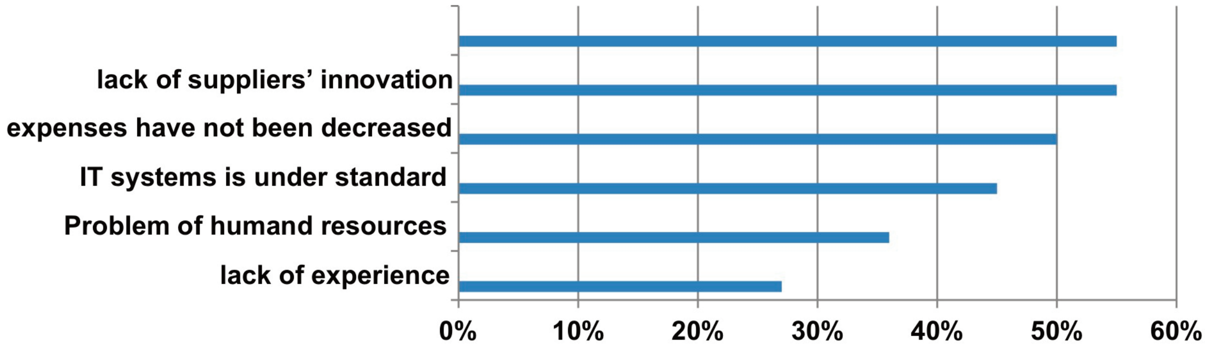
The Vietnamese logistics enterprises also have not effectively cooperated with the domestic import and export companies to get mutual supports. Most of Vietnamese companies export at FOB price and import at CIF one, which unintentionally exclude Vietnamese firms from the domestic logistics market.

In comparison with other countries, logistics technology employed by Vietnamese companies is still low. Infrastructure and equipment for logistics activities are obsolete and incompatible; size of storage systems is small and scattered; facilities and equipment such as forklift, conveyor belts, packaging or encoding equipment, pipeline and lighting systems are primitive. Means of transport are not modern and diverse enough. Level of mechanization in cargo handling is low, mainly depending on manpower. The application of information technology in warehouse management, transportation and storage is still being limited. Currently, most Vietnamese logistics companies use traditional communication systems (phone, fax, and email) to send or receive documents and only a few of companies have software or information system to directly connect with their own partners. The information linkages between ports, shipping agents and customers fails to meet requirements and the working procedure is still too complicated and depends on paperwork. Management capabilities of the logistics enterprises are weak due to lack of experiences and methodical investment.

Those above issues are main reasons for low quality of Vietnamese logistics services as well as quite high cost. The logistics costs account for 25% of GDP (compared with 9% - 15% in developed countries) and transport costs account for 30% - 40% of production costs (this percentage is 15% in other countries). This situation reduces the competitiveness of services and goods supplied by Vietnamese enterprises.

Researches on companies who use logistics services showed that there are three biggest complaints (see Figure 1): (1) The service quality has not been as high as promised (55%); (2) The lack of constant innovations (55%); and (3) Expenses have not been cut as expected (50%). In addition, there is a considerable concern about problems with human resource, information technology and practical experience.

Figure 1: Limitations of logistics service providers in Vietnam



Source: SCM

These results show that Vietnam logistics services suppliers are only in the first stage of development and only at the level of execution in relationship with customers. Logistics services market in Vietnam is still very fragmented and competition in this market is very keen. To find the way to development for this sector, further analyses on the impact of external environment should be done to identify opportunities and difficulties.

2. The potential development of Vietnamese logistics enterprises

There are many factors affecting the growth of logistics services sector in Vietnam. However, the most notable ones are economic environment and geographical position of the country.

a. Economic factors:

Logistics activities always have been in connection with the movement and the optimization of the flow of goods and information between different locations. The first necessary condition for the development of this sector is the growth of economic and import-export activities. Logistics services market in Vietnam is small (about 2-4% of GDP) but has high growth rates (20-25%/year). With the economic growth of approximately 8% per year, the WTO membership had made Vietnam an open market for flows of goods, services and investment. Increases in export values (average 10-12% per year) are an important factor which promotes the formation of the flows of goods and raw materials in both domestic and foreign markets.

Table 3: Import and export value of Vietnam, 2000-2009

Year	Export (US$ million)	Import (US$ million)
2000	14,482.70	15,636.50
2001	15,029.20	16,217.90
2002	16,706.10	19,745.60
2003	20,149.30	25,255.80
2004	26,485	31,968.80
2005	32,441.90	36,978
2006	39,605	44,401
2007	48,516	62,682
2008	62,685	80,714
2009	57,1 (8.9% reduction)	69,05 (13.3% reduction)

Volume of goods transported via seaports in 2010, 2015, 2020 and 2030 is estimated at 280 million tonnes, 500-600 million tonnes, 900-1100 million tonnes and 1600-2100 tonnes respectively. This growth would create a large market for logistics services and requires new logistics services suppliers to meet the market demand. According to *Vietnam Supply Chain Insight Magazine* (No. 3. 2009), the demand for logistics services in Vietnam has been increasing steadily in recent years (Table 4).

Besides, Vietnam is accelerating the process of economic integration through the reforms of mechanism, policies, administrative procedures, building the legal and financial systems in accordance with international practice. This country is actively applying information technology in manufacturing, business or state management and modernizing its infrastructure systems. This economic context is very favorable for Vietnamese logistics enterprises to develop and satisfy their need for international economic integration.

Table 4: Forecast growth in demand for logistics in Vietnam

Year	Value (US$ billions)	Growth rate (%)
2007	1.4	-
2008	1.77	26.4
2009	2.17	22.4
2010	2.56	18.3
2011	3.2	24.7

In January 2010, Vietnamese government approved the detailed planning of North-South highway, linking Hà Nội to Cần Thơ (approximately 1,811 km) to improve North-South transport capability and support 1A and 1B National Highways. The government has also planned to invest in developing the Cái Mép deep-water port, the Vân Phong International Transit Port, Long Thành International Airport, East-West Economic Corridor (EWEC), Hà Nội – Hải Phòng - Hà Khẩu – Kunming corridor, along with systems of highways and transcontinental railways.

Vietnam is strategically adjusting its seaport system to keep pace with the development of the country. In June 2009, Tân Cảng Cái Mép deep-water container port received the vessel named MOL Premium of Mitsui O.S.K Lines (Japan) with a length of nearly 300 meters, portative power of 6.350 TEUs and tonnage of 73,000 DWT, this is the largest tonnage vessel which have ever arrived at the port in Vietnam. At the same time, Vietnam also launched the first direct shipping line from Vietnam to North America, not transit via the port of Singapore or Hong Kong. With this direct shipping service, now it takes only 15 days from Vietnam to Seattle and 16 days to Los Angeles, at least two days faster than before.

In 2009, Vietnam's air freight was optimized by shortening the distance of the flights, including: Mèo Vạc – Nội Bài, 128km; Cần Thơ – Buôn Ma Thuộc 24km shorter; Phú Bài - Pleiku 54km shorter; Tân Sơn Nhất - Baven (Phú Quốc) 54km shorter, and this helped save time and reduce costs significantly for customers. According to Vietnam Airlines, the shortened routes (from 3-10 minutes per trip) could save about US$30-35 million per year. All customers will benefit immediately from ability to optimize their air logistics.

The implementation of electronic customs and remote customs clearance has achieved some positive results, especially in some Customs Departments that often have to handle large flows of goods, such as Hải Phòng, Hà Nội, Đà Nẵng, Bình Dương, Đồng Nai, and HCMC. Currently, the General Department of Customs has expanded the operation of e-customs procedures in 10 provinces and cities including Hà Nội, Quảng Ninh, Lạng Sơn, Hải Phòng, Đà Nẵng, Quảng Ngãi, HCMC, Đồng Nai, Bình Dương and Bà Rịa-Vũng Tàu. By the end of 2011, they expect that 70% of enterprises will participate in electronic customs system, thus, 70% of the customs declaration would be solved. With this positive implementation, Vietnam hopes to meet the international standards of customs in trading, processing and exporting in order to make customs clearance faster.

b. Geographical location and natural conditions:

Vietnamese logistics enterprises have many advantages from the natural conditions and geographical position of their country.

Vietnam is in the Southeast Asia and adjacent to Laos, Cambodia and China. This location is quite convenient for road transportation. Located on the axis of the three economic corridors in Southeast Asia and also being the gateway to the Pacific Ocean, Vietnam has many advantages in commercial activities, especially in international trade. This location makes transition unnecessary when exporting Vietnam's goods. Meanwhile, exporting goods from the North-Eastern region of Thailand, Laos, Cambodia and Yunnan Province of China requires transit and temporary warehousing in territories of Vietnam, Thailand, Myanmar and Guangxi Province of China, respectively. However, Myanmar is not a direct competitor of Vietnam as its position is not convenient for transportation in Northern and Eastern territories. Thai coast is limited to the Gulf of Thailand while Guangxi's beaches belong entirely to the Gulf of Tonkin. From perspective of international transportation, these two places could be considered as blind alleys. Therefore, Vietnam's transit zones could help save costs and time.

The Vietnam's coastal line is over 3000 km long with many suitable positions for deep ports.

Vietnam and nine other countries and territories are around Eastern Sea (Biển Đông) where a huge amount of goods is transported while Taiwan (Kaohsiung Port) and China (Hong Kong and Shanghai Ports) are destinations for ships from Singapore's port. Some feeder and sub-panamax vessels can arrive at Vietnam's ports to load and unload goods from and to Vietnam as well as neighboring countries, buy foods for their journeys and do periodic maintenance or necessary repair. This is a big advantage for Vietnam as Malaysia is too close to Singapore, meanwhile, the Philippines and Indonesia are isolated archipelagos.

The Southeast Asia map shows that except for Jakarta (Indonesia), it takes the same duration of 2 hours to fly from HCMC to all capitals of ASEAN countries. Besides, it also takes about 2 hours to fly from Hà Nội to Southern China which is the most developed region of China. It is similar with flights from Hà Nội to Taipei, Dakka (capital of Bangladesh), from Hà Nội or HCMC to three of biggest ports in the world, which are Singapore, Hong Kong and Kaohsiung. Therefore, Vietnam is considered to be positioned in the most dynamic and busiest economic zone of the world. This position is really favorable for developing infrastructure and networks for logistics services in order to support business activities of Vietnam and ASEAN as well.

Vietnam is famous for many rivers and mountains. Its many rivers are large enough to allow navigation of big boats, even sea ships. Therefore, they can take direct trip to end destinations without requiring road transport. Vietnam is one of few countries whose road, railway, river, sea and air transport systems are of the same importance. With roadway, Vietnam had 17.000km with the center line linking from North to South in which a variety of transportation means such as trucks and containers can be used. The country owns a coastline of 3.200 km long and 42.000 km of waterways with 266 sea ports in most provinces and 20 of them can facilitate international and container transportation. The railroad system with the length of 3.200 km is also linked with foreign railroad lines. Until now, Vietnam has 20 airports and three of them are international ones (Nội Bài, Tân Sơn Nhất and Đà Nẵng) and a system of satellite airports that can facilitate air transport to many provinces.

Those above factors are a favorable basis for better development of transportation systems. Moreover, the multi-modal transport is an important factor to establishment of supply chain of logistics services and is also a prerequisite for the development of Vietnamese logistics enterprises. This development will not only serve the domestic business but also the international supply chain.

c. Opportunities from cooperation policies in the region:

The deeper the economic integration into ASEAN region, the bigger the demand for trading among these countries. Total trade value of this region reached US$1.500 billion and the market size has been growing steadily with a rate of 5 - 6% annually. A member of ASEAN, Vietnam may benefit from the growth of logistics systems and logistics development policies in the region.

By August 2010, the rapid integration of logistics industry roadmap in ASEAN has been implemented for two years. Although new, logistics services have received a special attention from ASEAN countries. In 2010, the Master Plan on ASEAN Connectivity has made an important progress. According to the plan, by 2015, most of taxes in ASEAN will be 0%. Basically, ASEAN will complete the roadmap of trade and investment liberalization by 2013. Specifically, in the field of air freight, ASEAN countries signed multilateral agreements on full freight transportation liberalization, creating the foundation for a unified aviation market by 2015. In the field of shipping, ASEAN adopted the "Roadmap for Building an ASEAN Unified and Competitive Sea Transportation" and built a friendly transportation environment to encourage maritime transport investments among its member countries. In the field of logistics management, ASEAN is quickly implementing strategic plans, developing customs and the ASEAN Single Window mechanism to harmonize trade management rules and customs procedures among member countries. According to this plan, six ASEAN countries will complete building single-window customs in 2010, and Vietnam will complete this in 2012. ASEAN is also reviewing and standardizing infrastructure planning, improving legal environment and harmonizing transport sector standards. The ASEAN countries are implementing two important projects: ASEAN road networks and railway system between Singapore - Kunming. These two projects will expand the linkages between ASEAN and its partners in the region.

To integrate more fully into such international organization as WTO, ASEAN or APEC, Vietnam has signed several bilateral or multilateral trade liberalization agreements. The boom in trade between Vietnam and other countries around the world has led to the increase in demand for logistics services. For example, the economic cooperation programs GMS (Greater Mekong Subregion) has set up four economic corridors to connect Indochinese countries together. And three most feasible ones of them connect Vietnam with neighboring countries. In June 2009, East-West economic corridor has been opened to allow cargo trucks to travel to and from Thailand and Vietnam. This event created a great potential for effective, cost-saving and time-saving transportation.

These opportunities offer favorable conditions for Vietnamese firms to accelerate their development in both domestic and regional logistics services markets.

3. The difficulties for Vietnamese logistics enterprises

Despite the said potentials and achievements, Vietnamese logistics enterprises still face many difficulties.

a. Logistics infrastructure failed to meet expectations:

The air, sea, rail and road as well as waterway transportation systems in Vietnam have been underdeveloped and incompatible. Vietnam enterprises cannot optimize the combination of multimodal transport and container transport because Vietnam lacks transfer points. Those two modes of transport still depend on the foreign ships and transiting ports. The sea ports can only receive small tonnage vessels and have no long-term development plans. There is no separate area for goods transportation or other logistics services in airports. The linkage between seaports to inland transport is limited, without any connection with railway system. Meanwhile, road system has intersected with the residential areas leading to congestion. Traffic system does not meet the requirement of modern transport and this is one of the main causes that makes service fee in Vietnam's ports 50% higher in comparison with other ports in this region. According to Spire, a research and consultant company, warehouses for logistics services in Vietnam were backward. Less than 10% of warehouses have large cranes and trailers. Many warehouses were built before 1975 so they cannot meet the international standards of loading or unloading.

Currently, the application of information technology in Vietnamese logistics enterprises operation is still weak in comparison with foreign companies. Most Vietnamese logistics business websites only give general description about their services, lacking necessary add-ons for customers such as track and trace tools, schedules, e-booking, tracking documents, visibility and orders controlling.

b. Policy and legal environment:

In recent years, Vietnam has been in the process of perfecting its legal system and laws. Therefore, the uniformity needed for of developing logistics services according to some standard is still not achieved. Logistics services have only been first mentioned in legal documents in the Commercial Law 2005 that came into effect on Jan. 1, 2006. On Sep. 5, 2007, the Government issued Decree 140/2007/NĐ-CP providing guidelines on implementation of the Commercial Law regarding the conditions to provide logistics services and setting responsibilities for logistics services providers. Maritime Law, Investment Law, and Competition Law, etc. lack guidance decrees. Many issues related to financial obligations and customs clearance at airports and seaports are not uniform, causing many problems for logistics activities. Besides, the laws that directly adjust logistics activities are too general and not specific. The provisions and guidance of the state has not created a positive environment for the development of this sector. Approaching the international practice tardily has caused waste of opportunity for development of multimodal transport in Vietnam. Even the determination of the legal and standard framework for recognition and using CFS or ICD also took a lot of time. And until the early 21st century few new CFSs have been allowed to operate. The delay in figuring and orienting the management task is an important reason leading to the poor experience and business potential of the Vietnamese logistics services providers.

c. Shortage of well-trained labor:

Logistics services always have to meet the high requirements of international standards. Staffs working in logistics industry must have a good knowledge of foreign language, geography, rules relating to customs, export and import, and national and international laws of commerce. According to VIFFAS, due to fast development, Vietnamese enterprises are facing shortage of skilled human resource, and only 10% of their demand is met. With 1,200 logistics companies operating in Vietnam, from 2,000 to 3,000 new laborers should be trained annually. So far, only MGC Logistics Institute gives courses in management of supply chain management and professional logistics, and VIFFAS has also completed a logistics curriculum approved by FIATA. The other logistics training programs are small and insufficient, and mainly focus on maritime transportation and forwarding operations. In order to achieve more success in the future, full attention must be paid to training human resource for logistics industry.

4. Viewpoints and solutions to development of Vietnamese logistics enterprises

With existing capacity and growing challenges, it will be difficult for local logistics enterprises to meet the demand of logistics market by relying only on self-development.

Experiences from developed countries show that logistics activities should be integrated various individual services and employ huge resources in terms of infrastructure so in the first stages of development, logistics industry needs strong support from the government to invest in basic infrastructure and unify the development objectives of enterprises. In Vietnam, this is more necessary when the deadline of opening logistics services market is coming soon, hence, time pressure requires drastic measures, otherwise business opportunities for Vietnamese firms would be over. Thus the optimal viewpoint in the next period is to focus on solutions of national level to create momentum for the local logistics enterprises with the objective of meeting the needs of the domestic and international market.

a. Solutions of national level:

At the national level, the goal of logistics activities is how to make the best use of all existing resources for transport operations, freight forwarding, cargo storage and other related activities. Therefore, it is necessary to create a diversified and flexible logistics system that allows transferring from partial optimization to overall optimization, increases in purchasing, manufacturing, distribution, transportation, and recycling from each company to entire industries through cooperation. This requires the following solutions in order to create a favorable environment for the operation and development of the sector.

- Promoting and actively implementing the logistics cooperation program between ASEAN countries and between ASEAN community with the world in order to take the biggest advantages of the opportunities from the outside:

As a coordinator of the ASEAN countries, Vietnam needs to cooperate better with other ASEAN members and complete the full integration roadmap for logistics industry. ASEAN members should build and comply with a legal standard together. Vietnam should closely cooperate with the ASEAN Chamber of Commerce and Industry, and ASEAN Business Advisory Council to build a "green corridor /land", thereby facilitating flows of goods and services among ASEAN members. Through the project "ASEAN green corridor /land", with the application of information technology in the electronic customs declaration, enterprises can save money by reducing the clearance time at the border gate. Vietnamese logistics enterprises, supporting services and their associations should be encouraged to take part in ASEAN's programs to improve logistics management in cooperation with such experienced partners as JETRO and ERIA. Besides, a fair and level playing field for foreign, public and private enterprises should be created by giving support from the government in terms of land lease, infrastructure and credit to help local logistics industry successfully integrate into ASEAN.

- Building the master development strategy for the logistics service in Vietnam in accordance with the ASEAN logistics integration strategy and the national economic development strategy: Vietnam should give priority to the development of the following strategies:

+ Logistics costs reduction: intervening in the bottlenecks of supply, such as the performance of ports, warehouses and transit points; and planning multimodal transport to quickly promote the development of low-cost means of transport.

+ Human resources training: focusing on training logistics experts who are able to deploy logistics and supply chain practice management.

+ Logistics restructuring: including plan to promote domestic 3PL service providers, considering this as a premise for development of logistics services market in Vietnam.

– Planning a national logistics network: All logistics resources should be reasonably arranged in a comprehensive and multi-purpose zoning map to make them interact and support each other effectively. Main waterways and railroad lines should be identified before constructing new ports; upgrading and expanding roads system, and introducing more specialized vehicles. The government should pay attention to the construction of highways for specialized vehicles and build more container road stations. It should also implement the plan for sea ports and road system up to 2020 and the vision for 2030, especially the research project on development of a sustainable transportation system. The IT infrastructure needs to be strengthened to serve the development of the logistics network including business information, electronic data interchange and Internet systems.

– Rapidly and comprehensively reforming the resources for the industry: The focus of this strategy should be the construction of logistics infrastructure and uniform technical facilities including railroad stations, ports, warehouses, container yards and other facilities for loading and unloading, and ICD ports. There must be more logistics centers in key economic zones to collect exports and distribute imports or finished products. The government should expand the scale of existing ports; build and upgrade the container port system, ICD and the logistics centers to support the clearance of goods transported by inland containers; and facilitate the development of multi-modal transportation. More international shipping lines to European or the American markets should be opened and big Vietnamese fleets should be formed to undertake services on these lines. IT must be applied to the exchange of commercial data and customs clearance to improve business performance and encourage standardization of invoices, technological criteria, logistics information portals, EDI, and e-logistics. The legal system should be perfected to facilitate the development and operation of local 3PL enterprises.

– Perfecting policies on investment and incentives: Policies to encourage investment into logistics sector are much needed. Tax incentives for logistics services and LSPs in forms of cuts in corporate income tax for local LSPs and cuts in import-export duties their customers are also very helpful.

- Building an open and selective legal framework: Law documents relating to logistics sector should ensure consistency, clarity and reasonableness with the aim of creating a transparent logistics market. Legal normative documents concerning to logistics operations and support activities such as multi-modal transport, e-commerce, and customs formalities should be in place.

Other necessary things to do is to standardize the process of logistics services, statistics in logistics, relevant matters such as taxes, insurance, banking, environment; regulations on licensing, business conditions, multimodal transport, and nomenclature and codes of goods. Customs regulations on NVOC license, customs clearance agents and import-export documents must be consistent with international and regional practices.

– Strengthening linkages and promoting the role of associations: Professional logistics operations require the integration of supply, production, imports - exports, and distribution of materials into transporting and forwarding services. Therefore, the connection between businesses is necessary to form and promote the role of professional associations. Governments should promote and encourage linkages between domestic and foreign enterprises. It is necessary to have a specific roadmap of opening market to reduce time pressure for Vietnamese logistics enterprises. The selection of foreign investors should focus on those who have reputation and capabilities in logistics services. Experiences from China shows that selection of foreign-invested projects in key economic fields has a very important role in promoting logistics industry. Although many associations such as Vietnam Seaports Association, Vietnam Ship Agents and Brokers Association, Vietnam Shipowners Association, and Vietnam Freight - Forwarders Association have come into being, the role of these associations has not really produced intended results. These associations need to be more active in protecting their members' interests, especially in training, cohesion, communication, and coordination and in helping them access and enter into foreign markets. These associations also need to link with and support each other, share information, opportunities and resources to facilitate the strong growth in this sector.

b. Solutions of corporate level:

- Developing 3PL model: To improve service quality, logistics companies should develop the professional 3PL model. They are companies that can supply bundles of logistics services; manage flows of raw materials, goods and information; and help customers to effectively control part of or whole supply chain. However, to acquire a large scope and strength, Vietnamese logistics companies should focus on linking solutions. Because the competition in this sector will be much fiercer, cooperation between local LSPs should be beefed up to create a basis for other solutions, such as:

+ Strengthening linkages between Vietnamese logistics enterprises to solve the problem of firm size and working capital, and create LSPs that are strong enough to compete against multinationals.

+ Making the connection between local and foreign LSPs to rapidly expand the scale, capital, and business networks to approach the international market, accessing modern logistics operations and management, saving costs and creating high quality services that are competitive on both domestic and global markets.

+ Linking local LSPs with import-export firms to change their habit of purchasing on CIF and selling on FOB, creating new markets, and strengthening competitiveness for both LSPs and exporters-importers.

– Improving the quality of human resource: This aim could be achieved by encouraging formation of logistics faculty in colleges and universities, looking for international and domestic sponsors for short-term training programs, seeking for financial support from governmental or non-governmental agencies for full-time training programs. The enterprises should also inform their trade association of their demand for labor to help with planning. The associations should coordinate with the enterprises and appropriate governmental bodies to carry out researches in practical applications and publicize these results for reference. These researches should focus on aspects such as technology, logistics, labor, demand and market size, cost, logistics, quality services, logistics infrastructure, and risks threatening logistics security.

– Enhancing technical facilities and managerial skills: Local LSPs should beef up their technical facilities to establish perfect connection with local and foreign purchasing agencies, thereby avoiding problems with customs, transport and legal procedures. Modern IT facilities can help LSPs grasp the flow of goods, warehousing, and inventory as planned and send feedback to importers, exporters, producers and distributors. Such logistics management software as TMS or WMS can help LSPs reduce cost and improve their performance.

Logistics can be seen as blood vessels of a country which can boost production, consumption and economic growth. In Vietnam, the economy is integrating gradually into the world economy, becoming a link of the global value chain. Developing logistics service business not only creates the ability to contribute directly to the economy but also helps Vietnam's economy become more dynamic, effective and competitive in the future■

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