

# SAIGON PORT AND DEVELOPMENT OF ASIA-PACIFIC REGION IN THE TWENTY-FIRST CENTURY

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## 1. ASIA-PACIFIC REGION IN THE 21<sup>ST</sup> CENTURY

### 1. Globalization, regionalization and the Asia-Pacific economic development

The 20<sup>th</sup> century witnessed a lot of political and economic changes. The end of the Cold War led to new opportunities for the world economic development. Globalization and regionalization became two major trends in the second half of the century and will be certainly more widespread in the 21<sup>st</sup> century. In spite of effects of the Asian financial crisis, the Asia-Pacific region is expected to adjust its industrial policies and improve its economic structure. These tendencies certainly affect the development of shipping business and ports in this region.

The most remarkable feature of the economic globalization is the fact that the world trade and its share in the world GNP have increased faster than the world growth rate. In the 1980s, the world trade represented 30% of the world GNP (this proportion is expected to rise to 50% by 2015) and from then on, the world trade growth rate has been higher than the world economic growth rate. In 1998, the world economy rose by 4% while the world trade grew by 8% and this trend is expected to continue during the first two decades of the 21<sup>st</sup> century. As the first stage of the globalization, the regionalization is considered as one of the most important features of the world economic development in the next century. Many regional groupings, such as the EU, NAFTA and APEC, have come into being and produced effects on the world economy. At present,

three said groupings include a third of the world population and control three quarters of the world GDP and 75% of export value. Development of those three groupings will determine pattern and scale of the world economic development in the next century.

Asia-Pacific is one of regions that gains the highest growth rate in the world. In the past two decades, the average growth rate of Asian economies was 7%, of Eastern Asia was 8%. In the mid-1990s, Asia-Pacific accounted for a fifth of the world GDP and a quarter of the world trade value. The Asian financial crisis in late 1997 made many people worry about the future of this region. In 1998-99, the growth rate and import of this region fell drastically. Many others, however, thought that this region, with its potentials and resources, could recover quickly and keep going on with its development.

### 2. Trends of port development in Asia-Pacific

Fast economic and trading development of Asia-Pacific has led to great demand for shipping and great efforts by shipping companies. It is estimated that Asia would account for 50% of the world container transport in 2000 and 60% by 2001; and from 104 million to 152 million TEU's would be handled in Eastern Asia and Southeast Asia in 2000. The following are main trends of port development in Asia-Pacific in the coming years:

a. Keener competition between container ports: When the amount of cargo transported by container increases, all Asian-Pacific countries tried their best to build container ports. The size of container vessels

becomes bigger and they require appropriate ports while the number of those ports in this region is small. That is why container ports in this region are facing keen competition.

b. Application of new techniques to port management: All container ports are computerized and equipped with modern facilities in order to handle all kinds of ship. All port authorities are trying their best to have activities at a port automated.

c. Information and communication networks: A good information network helps a port play the role of a controlling body in the multimodal transport system. More and more investment is put in this network with a view to facilitating activities at ports.

d. Diversification of port services: A wider and wider range of services offered by ports has attracted more and more shipping companies and other industries. Many ports have developed into centers of information and services meeting all kinds of demand posed by shipping business in its globalization process.

### 3. Prospects of the Saigon Port in the 21<sup>st</sup> century

Reality shows that most countries by the sea have become economic power, especially in ocean commerce and shipping industry. Ports are usually considered as centers connecting various zones in a country with foreign trading centers and places where import and export take place. Thus, ports can act as stimuli for the development of industrial estates, trading and tourism business, cultural activities and urbanization process.

The National Development Strategy for 2003-2010 set a growth rate

of 6%-8% as one of its main targets. The development of production will certainly affect the shipping business, and thus forcing ports to be upgraded.

When Vietnam's international relations develop and Vietnam joins various regional and international organizations, the shipping industry enjoys better business opportunities besides the advantage of a convenient position along many international shipping lanes. In the national development strategy for the next decade, targets set for the shipping industry are as follows:

- developing the national fleet,
- building more seaports, especially deep water ports and ports in vital economic zones,
- developing the shipping and shipbuilding industries,
- applying new technologies and know-how developed by international ports to local ones.

In 1999, reforms in policies on encouragement to foreign and private investment, tourism industry, port charges and administrative procedures produced good effects on the transport and shipping business:

+ The total volume of goods transported was 126.5 million tons, increasing by 8.2% compared with 1998 (according to a report made by the Ministry of Transport and communications).

+ 30,453 ships arrived at Vietnam's ports, increasing by 35% on the year before, including 12,843 local ships (up 23%) and 17,657 foreign ones (up 44.7%).

+ The amount of cargo handled by Vietnam's ports reached 66,309,351 tons (increasing by 18.7% compared with 1998), including 1,022,328 TEU; or 11,471,297 tons (increasing by 29.2%). At HCMC ports, 24 million tons of cargo were handled in 1999 (increasing by 14% compared with 1998), including 5,845,810 tons of liquids, 10,739,817 tons of dry cargo and 7,507,200 tons of cargo in container (or 731,298 TEU). In 1999, Hải Phòng Port handled more than 6.5 million tons of cargo for the first time while the Saigon Port handled 8.3 million tons.

After the economic reform was introduced, the Vietnamese economy started to develop and integrate into the world economy. Its foreign trade value increased remarkably in the years 1993-96, fell slightly in 1997-98 because of the Asian financial crisis and reached US\$22 billion in 1999. In 1999, the export value reached the record level of US\$11 billion, the trade gap was reduced to

some US\$200 million (equaling 10% of the trade gap in 1998). The development of foreign trade has helped ports and shipping industry expand their operation for the past few years.

The Saigon Port has an important role to 18 provinces in South Vietnam because it is the port in Vietnam that handles the biggest volume of cargo every year. At the Saigon Port, there are 19 wharves of a total length of 2,370 meters, 213,754 square meters of yard and 76,174 square meters of warehouse. The Port includes three main areas: Nhà Rồng- Khánh Hội; Tân Thuận container port and Khánh Hội. It is trying to improve its capacity by installing new facilities and equipment in order to help develop the trading relation between South Vietnam and

shipping channel to the Port, varying from 9m to 11m, allows most container ships to come to the Port (container ships of the third generation could enter the Port at time set by the Port Authority while ships of the fourth generation have to wait for high tide). This is one of efforts to attract more foreign ships.

With the ODA source of finance (US\$37,387,998), the port authority has upgraded 15 out of 16 wharves. The capacity to handle cargo per square meter at a wharf rose from 2 tons to 7 tons. A new warehouse with an area of 6,480 square meter has been built. Many facilities (cranes, specialized vehicles, container yard, etc.) have been put in use. It's expected that the Saigon would handle 9 million tons of cargo in 2000 and 14 million tons by 2010.

**Table 1: Cargo handled at the Saigon Port in 1995-1999 (million tons)**

Year	Exports	Imports	Others	Total
1995	2,308	4,259	644	7,211
1996	2,691	3,798	850	7,339
1997	2,766	3,274	780	6,820
1998	2,865	3,595	1,141	7,601
1999	3,302	3,523	1,530	8,355

the world. The Government has also decided to develop the Saigon Port into an international shipping center and this is a chance for the Port to develop faster. This decision also reflects the strategic role of this port.

## II. STRATEGY TO DEVELOP THE SAIGON PORT IN THE 21<sup>ST</sup> CENTURY

### 1. The shipping lane along the Saigon river and a contain port

In the coming years, the Saigon Port faces both opportunities and difficulties, especially in reforming its management machinery and competing against both local and foreign ports in surrounding countries. It is forced to take part in the regional division of labor and specialization process. To help the Saigon Port to play better its role in the development of Vietnam's foreign trade, the Government has approved the project to modernize the Saigon Port based on a US\$30-million loan from the ADB and US\$10 million from the national treasury. This project, which was started in late 1997, is expected to be complete in the first half of 2000. At present, the depth of

In the years 1995-1999, the volume of container handled by the Saigon Port also increased as shown in the following table:

**Table 2: Volume of container handled by the Saigon Port in 1995-99**

Year	by ton	by TEU
1995	928,589	77,356
1996	1,151,683	106,258
1997	1,242,721	123,689
1998	1,416,994	146,384
1999	1,820,817	177,457

The Table 2 shows that the volume of container handled by the Port increased remarkably in 1998 and 1999 (some 200,000 TEU in 1999). The average growth rate in the period between 1991 and 1999 was 62%. That's because the Port was upgraded in those two years (new facilities were installed, new container yard and warehouses built).

### 2. Business performance

The business performance of the Saigon Port, like in other companies, shows itself in the profit. The Table 3 gives us a panoramic view of the

tomers into having their goods handled at the Saigon Port, improve port facilities and reduce cost and port charges. These efforts have contrib-

ing and multimodal transport, etc.) and offer a wider range of services (agent service, hotel and restaurant, supply of ship's stores, etc.).

**Table 3: Saigon Port' business performance in 1995-99**

Indicator	Unit	1995	1996	1997	1998	1999
Volume handled	1,000 tons	7,211	7,339	6,820	7,601	8,355
Total receipts	VND mil.	333,578	414,498	378,831	415,516	376,310
Working capital	VND mil.	309,018	317,687	322,754	324,028	371,000
Profit	VND mil.	78,708	80,670	57,540	59,148	42,023
Labor force	person	4,865	4,448	4,750	4,593	4,528
Monthly personal income	VND mil.	1.94	2.48	2.09	2.12	2.25
Profit/receipts	%	23.6	19.5	15.2	14.2	11.1
Profit/capital	%	25.4	25.3	17.8	18.25	11.3

Port's performance in the past few years.

There are many causes of the increase in volume of container handled, especially in 1999 when the increase reached its peak: Vietnam exported more and more goods (rice, fertilizer, cement, clothing, footwear, etc.), the Port Authority tried its best to diversify port services and market them to export companies; study needs of customers and find ways to meet them thereby persuading cus-

uted a lot to the improvements in port performance.

### 3. Diversification of port activities

HCMC is on its way to modernization but operation at the Saigon Port is not appropriate to the urbanization process and environmental protection requirements. The Port Authority has made plan to avoid handling cargo at wharves near residential areas, develop its activities (shipping, road transport, warehous-

### 4. Reforms in customs formalities, service supply and port management

Targets set by the Port Authority for itself in the near future are to simplify formalities, enhance the service quality, connect computer system in port offices with those in customs offices, shipping agencies and companies, important customers, banks related governmental bodies (tax, quarantine, chamber of commerce and industry, import and export authorities, etc.) and foreign partners. The Port Authority has made a plan to cooperate with the Customs in computerizing the process of fulfilling all customs formalities so as to reduce the waste of time on paperwork and facilitate the customs clearance process and transport of goods.

The 21<sup>st</sup> century is an era of knowledge-based economy. The Port Authority, as directed by the Government, will try hard to apply new technologies to its operation, improve the service quality and its performance, and enhance the quality of its labor force with the aim of making the Saigon Port an international shipping center in the next century. ■

