

In the shift to market economy, international freight services boomed in our country and mainly focused on HCMC. Previously, local firms got accustomed to a kind of business and studied experience from foreign counterparts. However, the current business is still confused and not in line with legal frame and requires actual measures to stabilize and develop. First, these measures have to hold some Party's

by all means of transport, improve the sector's capacity to be able to guarantee overseas transport contracts in line with international common practices and laws in air and sea freight, raise the proportion of commercial rights from 10-12% currently to 40% by 2000". The Ministry of Transport's plan is to satisfy the need for passenger and goods transport in terms of quantity and quality, meanwhile to build a uni-

flow of goods from every locality to three biggest economic hubs: HCMC, Đà Nẵng and Hà Nội.

According to the Vietnam Maritime Department, exports and imports will grow fast, reaching 86.2 million tonnes of dry and general merchandise by 2000, and up 2.63 times by 2010 with 227.8 million. In addition, due to trade liberalization, a large quantity of cargo from neighboring countries such as Laos, northeast Thailand, south China will be carried or transitted via Vietnam's central and southern international ports to foreign markets due to less freight charges.

The growth rate of international air freight averaged 18% from 1993 to 1997. According to the Ministry of Planning and Investment's master plan on transport, international air freight would rise by 14% by 2000 and 4% by 2010 on average. This forecast is similar to that of International Air Transport Association (IATA): Vietnam's air transport may increase by 19% in the period 1993-2000, and 16% in 2000-2010. This is a top growth rate in the region. If the growth is maintain, it is estimated Vietnam's international freight would reach 127,629 tonnes by 2000 and 431,644 tonnes by 2010.

HOW TO DEVELOP VIETNAM'S INTERNATIONAL FREIGHT FORWARDING

by VÕ THÀNH TRUNG

viewpoints of socio-economic development.

Transport development must guarantee regional restructure, making a new strategical position for the country's development regions and fully utilizing local available resources. Plans not only meet present and domestic needs but also future and foreign ones.

Freight technology must be state-of-the-art to make Vietnamese goods competitive with their counterparts in the world. Currently, freight charge for a unit of Vietnam's GDP is 8 times higher than that for Japan, 2.5 times for China, 1.5 times for India. The Government shall improve five existing transport lines: road, railway, river, sea and air, and first give priority to the focal economic regions.

I. FREIGHT FORWARDING TARGETS AND ORIENTATIONS

The Party's report concerning the orientation, task, and plan of economic development from 1996 to 2000 pointed out Vietnam needed to develop strongly various kinds of services, provide new services meeting diverse requests of business and life, increase fast the volume, quality and safety of freight forwarding

Estimate Of Amount Of Merchandise Carried Via Vietnamese Ports

| Lines | Unit | 2000 | 2010 |
|--|-------------|---------|---------|
| Seaway | mil.tonnes | 86.20 | 227.80 |
| - Vietnamese imports and exports | mil. tonnes | 73.51 | 169.49 |
| - Transit cargo (of Laos, Thailand, Cambodia, South China) | mil. tonnes | 3.19 | 9.31 |
| - Goods transferred between foreign ships | mil. tonnes | 9.50 | 49.00 |
| Airway | tonne | 127.629 | 431.644 |

Source: Vietnam Maritime Department, Ministry of Planning and Investment, and Vietnam Airlines

form network of transport for three focal economic regions. The industry shall set up the North-South transport backbone, link local markets with foreign ones by sea and air route. Thus, the transport sector must become an important lever for the foreign trade development. The authorities should pay attention to the multimodal freight forwarding to make the best use of available infrastructures and means of transport. The development plan must underline two steps: first, international freight and then overland transport. The sector's aim is to smoothen the

The above table shows the freight services development is a must.

II. SOLUTIONS

- Apply advanced methods of freight forwarding such as accepting and transporting goods on time; cooperate with sellers to meet the buyers' requests; implement door-to-door and package services; negotiation-trade-transport. When these ways are applied, the forwarder will minimize at least ineffective and dead time in the whole process from ordering, producing to selling goods. The time to handle the cargo will be

shortened and the work quality improved. The clients will focus their energy and time on doing business, every activity of distribution will be assigned to the forwarder from A to Z. All information about goods will be continuously provided to the client. The forwarder will cater for services adding value to goods, clearing customs formalities, and buying insurance so that the cargo arrives at the destination as scheduled.

- Control and stabilize freight charges: Free competition will help reduce transport fees but also lead to dumping and bad effects causing losses to firms and state budget. Forwarders and carriers compete with each other. The Government should make policies to control charges, set a minimum level and regularly inspect the execution. It should strictly fine tricks in bad competition including the offer of too high commissions. So it should determine a maximum level of commission and examine operations of private company agents revealing signs of bad competition. Local firms should cut management costs and help each other to gain orders, increase profits and reduce costs.

- Perfect the freight technology of single cargo: The forwarder should establish a center to gather single cargo, containerize and forward them to the destination so that they are not removed and repacked in Singapore and Hong Kong as at present. Its clients will be other forwarders (acting as its agents), importers and exporters. The center should carry out the two-price system, one for direct consignors and another for the agent with lower price, the agent has to benefit from the gap between these prices. The center must be a trustworthy partner of agents and must not allure their clients. In addition to price cut, the center should give other preferences to their agents such as handling cargo, issuing bill of lading, customs clearance so that the agent has enough time to prepare necessary documents for its clients. The center should clarify the schedule of packing and loading merchandise and observe this schedule even though it will suffer losses due to less cargo for a shipment. This will heighten its reputation. The center is deemed as a wholesaler while the agent a retailer. It has to give preferential treatment to the agent as major clients. It also makes favorable conditions for the agent to expand clients

and markets even in case it may reduce profits. In the long run, it cannot accept cargo from direct consignment. This will give more profits by using advanced technology of gathering cargo, saving freight charges and interests paid to agents. Profits will increase by US\$850-1,000 per container. The packing of collected cargo must be done at the container freight stations. The cargo kept in warehouses of agents outside the ports, if sufficient for containerization, will be carried to ports. As a result, the port area can prevent cargo jam and speed up the shipment. The number of centers will depend on the market demand, financial situation and their efficiency.

- Expand the market share of Vietnam's international forwarding: International air freight slice taken by local forwarders increased from 29% in 1994 to 37.3% in 1996. This is an encouraging achievement while exports shipped by domestic fleets made up only 14% in 1995 and 13.34% in 1996. Domestic companies shipped 12.66% of the total Vietnam's volume of exports in 1995, 13.83% in 1996, so the freight market is almost dominated by foreign forwarders. Local transporters should cooperate with forwarders, importers and exporters. A forwarder is the potential client and it can bring hundreds of clients to the carrier. In the short run, the local companies should focus on developing their fleets and open lines to major ports in Southeast Asia, North America, and West Europe. Regarding the ports located in the mainland, the companies should combine with forwarders with the aim to make the best use of their facilities, knowledge, experience and branches. The forwarders will be given preferences in charges and storage from local carriers and thus serve their clients better, especially in the peak times of export. The clients will be advised to buy and sell goods at FOB and CIF prices respectively. The cooperation may be done by associating rights and obligations between firms, for example, a carrier can buy transport means by borrowing money from its partners or issuing shares with the forwarders' participation.

- Establish cargo hubs and distribution networks: This is very essential to the air freight. At the moment, because the volume of exports and imports carried by local airlines is still small and mainly carried via Tân Sơn Nhất Airport.

As a result, cargo hubs in Hà Nội and HCMC need be developed. From there the merchandise will be transported to other places by local carriers and vice versa, exports are gathered there to sail abroad. The gathering of merchandise at the cargo hub allows the reduction of time to wait and generates services to add values to the merchandise and boost the demand for transport. Thereby the forwarders can charter large airplanes to reduce transport costs, connecting Vietnam with international ports such as Osaka, Singapore, Paris, Frankfurt, Le Havre, Hamburg...at the same time settle the cargo jams in the peak times of export. The forwarder should set up a distribution network linking the hub with other economic regions nation-wide. In addition, international flights carrying cargo arrive in or depart Nội Bài and Đà Nẵng should be remained. In the long run, when the amount of merchandise in the North and the Central Vietnam soars, the air freight will be expanded to these airports.

- Regarding infrastructure and means of transport: The Government should upgrade seaports and airports, plan the network of ports reasonably and determine which is important to the entire country. The system of roads and rivers should be developed and dredged for the convenient navigation of large ships. Moreover, it should find funds to invest in building sea-going fleets and pay attention to develop ships carrying containers and dry cargo. The ship repairing at overseas ports should be limited and in the future the local shipyards can repair and build new ships. The ports to transit foreign merchandise and deep water ports should be set up to attract transit cargo and hi-tech and commercial centers need be developed to increase the demand for transport. Upgrade the Cần Thơ Port to export agro-products and import farm materials serving the Mekong Delta and reduce the foreign trade implemented via Sài Gòn Port to save tens of millions of U.S. dollars. Focus on sea transport along northern, central and southern coasts to link inland ports with international ones.

- Perfect the network of bonded warehouses, specialized storage; upgrade damaged warehouses and build new ones. Equip with means of transport and heighten the capacity of storing merchandise and set up the network with clients' computers for statistics and supervision of

cargo move. In addition, pay attention to the storage services, bonded warehouses to attract transit cargo, reserve merchandise waiting to be imported into or exported from Vietnam without tax imposition. Regarding the laws on customs, foreign exchange or foreign trade, the warehouse should be a duty free and separated area. The companies are entitled to place their goods there or take them back to their countries without application for permits of export and import. These warehouses help facilitate Vietnam's commerce, increase imports and exports, and create revenues for the state budget.

- Management: The regulation of business is carried out via laws, taxes and the Vietnam's Freight Forwarders' Association (VIFFAS). The Government should rectify bad commercial transaction and prevent dumping competition.

- Improve the role of VIFFAS to unite the firms involving in freight forwarding and provide members with necessary information and experience. To do so, the association should organize an appropriate apparatus including boards of foreign relations, international and domestic freight forwarding, training, finance... The relations of these boards need be identified and the association's activities are regularly maintained by the standing secretariat. In the situation that firms belong to various ministries and ruling agencies and find hard to come to a consensus, the association is a nucleus to combine many firms in the same sector to utilize fully the sector's resources in the national industrialization and modernization.

- Finding markets: The Government should make the best use of diplomatic relations with other countries, sign agreements on economic cooperation with the aim to intensify foreign trade and thereby boost the demand for international freight forwarding. In addition, the Government should ratify international conventions on transport, ASEAN's multimodal agreement, negotiate and sign agreements on sea and air freight with North American countries to make favorable conditions for direct lines to these countries.

III. SOME SUGGESTIONS

1. Regarding macro-economic management

The Government should have

policies to protect local freight forwarding. If the foreign giants are free to set up their branches in Vietnam, they will kill the local embryonic industry. The protection will be in line with the relations of each country with Vietnam. The freight forwarding should be focused on major state-owned companies. Small and private companies act as agents for overland transport or the broker of customs clearance. When they have enough financial strength and experience, they can take part in international forwarding.

Speed up the process of equitization of state-owned enterprises to give them more financial power and competitiveness and step by step make them large companies to find overseas markets. Most of the worldwide large forwarders are joint stock, limited or public companies.

In licences granting, strictly examine a company's financial position, business experience, and qualifications of its staff to limit uncontrolled competition and illegal trading such as acting as agent of foreign companies not yet permitted to operate in Vietnam.

The Government should perfect the legal system, adjust charges and fees, freight charges and other services fees, for example, charges of merchandise unloading, container freight station (CFS), charges relating to import-export documents in freight forwarding. Clarify the management over chartering and sea transport. Reduce tax for firms investing infrastructure, buying new means of transport and exempt tax for international line which is short but subject to fierce competition. Due to fierce competition, foreign liners open services to collecting single cargo just at the container yard and the consignors pay no charge as when packing in CFS. These services should be terminated and cargo must be concentrated on the CFS so that the cargo jam will be avoided and the CFS's utilization rate increased and the state budget will have more revenues.

The customs formalities need be renewed to facilitate export and import. Regulations on import and export should have high consensus among the General Department of Customs, the Ministry of Trade and examining bodies, and the Bureau of Standards and Measures to prevent contrasts in contents of legal documents and forms of dealing with exports and imports. Soon issue the Customs Act specifying the service

of customs brokerage to improve and specialize this kind of service as developing countries. Simplify the customs formalities to shorten the time of customs clearance. The consignment of cargo exported from different localities and on different date should be permitted to use the same bill of lading.

The Government could build cargo centers and later lease them to forwarders or plan them near international ports, major industrial and commercial center for firms' investment. These hubs would provide all services of freight forwarding.

2. On micro-economic management

Local forwarders should cooperate with one another to have conditions to improve their service quality and expand the market shares by consolidating door-to-door services and renewing means of transport.

The training of skilled workers in the freight forwarding industry should be fully paid attention to, not only in concerning liners, but also in universities and vocational high schools. The trainees need be equipped with knowledge about geography, laws of countries having freight relations with Vietnam. Firms should understand their success depends wholly on their manpower.

Specialize the customs brokerage by organizing a separated team or company specializing in customs clearance and tax payment which contributes to fight against smuggling and commercial fraud. Pay attention to services of overland transport serving international forwarding to increase turnovers.

Local forwarders should be prepared to find a firm foothold in foreign markets. They also need to gradually raise their position so that in the future they can rent foreign means of transports for their freight services.

In conclusion, international forwarding plays an important role in developing Vietnam's foreign trade, help speed up the development of urban areas and hi-tech industrial parks. When the foreign trade grows, it will make conditions to modernize the national freight forwarding. As a result of this, the development of Vietnam's freight forwarding sector is a must if the economy is expected to become industrialized and modernized.