

CHAPTER 11 TRANSPORTATION AND LOGISTICS

OVERVIEW

With its favourable location, large labour force, and stable political system, Vietnam has seen strong growth in its manufacturing sector and corresponding import and export volumes in recent years. High-quality logistics infrastructure, along with effective and efficient customs procedures, are two key goals Vietnam needs to achieve to continue attracting foreign direct investment (FDI), increase its competitiveness, connect local companies to global supply chains, and become a transportation hub for ASEAN.

I. INFRASTRUCTURE

Relevant authorities: The Ministry of Industry and Trade (MOIT); the Ministry of Finance (MOF); and the Ministry of Construction (MOC)

EuroCham members support Decision 708 of MOIT approving plans for the improvement of Vietnam's Logistics Performance Index.¹ Transport infrastructure is one of the key factors the Government should address to reduce logistics costs. However, if "infrastructure" is only defined as a physical concept, it would not be sufficient to gain a better understanding of the concept's development trajectory. Infrastructure in the logistics industry must be seen as an interlinked node between physical and supporting mechanisms, such as the procedures needed to operate physical infrastructure. This indicates a need to develop the current transport infrastructure system; to modernise stations, ports, road networks, and warehouses to ensure the efficient use of all types of transportation. The aim should be to ensure favourable connections between logistics centres and manufacturing sites as well as consumer areas and traffic hubs, meeting the long-term development demand of logistics centres.

Despite global challenges, Vietnam can still find opportunities to boost the economy. To do so, the foundation for industries must be consolidated through a combined development effort of air, land, and sea.

1. Airport infrastructure and security procedures

Issue description

Vietnam has been demonstrating a remarkable efforts in expanding and modernising the country's airport infrastructure and operation, most notably the Long Thanh International Airport which is expected to begin operation by late 2025. The efforts are also demonstrated via the improvements made for the Terminal 3 at Tan Son Nhat International Airport. These actions well carried out the principles for advanced logistics and security solutions in this aspect set out in Decision 648 of the Prime Minister approving the Master Plan for the development of nationwide airport and airport systems for the period of 2021-2030, vision to 2050.²

To meet the upward trajectory and vision set out in the Master Plan, focusing on developing the infrastructure would need an in-depth look into the current operation of long-standing airports will provide a useful benchmark for future project implementation. Currently, Vietnam's international airports' cargo security processes require mandatory X-ray scanning of loose air goods at airport terminals which experienced some operational delays. This led to an increase of truck traffic, pollution, and cargo damage from unnecessary handling. Additionally, manual documentation, especially in Hanoi, slows down the process of cargo handling, adding one to two days of delay for freight, especially during peak periods. Henceforth, an extension of mechanisms should be in place to support the current process bracing for future growth and needs of the industry.

¹ Decision 708/QĐ-BCT dated 26 March 2019 of the Ministry of Industry and Trade approving plans for the improvement of Vietnam's Logistics Performance Index (Decision 708).

² Decision 648/QĐ-TTg dated 07 June 2023 of the Prime Minister approving the the Master plan for development of the nationwide airport and airport system for the period of 2021 - 2030, with a vision to 2050 (Decision 648).

The European Union's comprehensive air cargo security framework, established through Regulation (EC) No 300/2008 and its implementing regulations, enables a multi-layered approach to security screening. This framework, through its regulated agent regime, permits security controls at various points in the supply chain while maintaining strict standards. Similarly, the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) program demonstrates the effectiveness of pre-terminal screening by certified partners. These established international frameworks show how security and operational efficiency can be enhanced through well-regulated, multi-point screening processes, offering valuable insights of a supportive alternative model in air cargo screening for Vietnam's growing air cargo sector.

Potential gains/concerns for Vietnam

A key principle is granting flexibility in how security objectives are met while maintaining strict standards. This approach enables European cargo facilities to optimize screening efficiency while upholding security.

With the current great effort from the Civil Aviation Authority of Vietnam (CVVA) in airport operation and monitoring, a thorough consideration to the proposed approach would be a vital contemporary approach to alleviate both physical and regulatory weights in the near future when multiple international standards airports come into full operation. If these challenges persist, Vietnam risks ongoing bottlenecks at airports, reducing the attractiveness of its logistics and transportation hubs. Increased delays and pollution may lead to higher operational costs, diminished competitiveness, and the potential loss of foreign investment in logistics infrastructure.

Addressing these issues can streamline operations, reduce environmental impacts, and enhance the efficiency of cargo movements, positioning Vietnam as a more competitive and sustainable logistics hub in Southeast Asia.

Recommendations

- Establish off-terminal x-ray scanning facilities to minimise handling at airport terminals and reduce congestion.
- Introduce electronic documentation systems, including digital signatures, to replace manual stamping and expedite processes.
- Improve traffic flow by investing in real-time traffic management platforms, using predictive analytics to optimise truck movements, and establishing seamless coordination between logistics providers and airport authorities.

2. Road and railway infrastructure development

Issue description

To achieve its export potential, domestic industry must deliver a seamless flow between production nodes. To do so, road and railway infrastructure in the country must be properly funded. Current developments need to keep pace with the country's rapidly growing trade volume. Projects such as the North-South Expressway and the high-speed rail line between Hanoi and Ho Chi Minh City are vital for improving freight transport, but are still in the early stages of development.

Potential gains/concerns for Vietnam

Delays in the completion of these projects may restrict Vietnam's ability to accommodate future logistics demand, leading to longer transit times and increased transportation costs. Poor infrastructure could result in missed opportunities for foreign investment and the country's role in regional trade. Accelerating these projects will significantly reduce transportation costs, improve supply chain efficiency, and bolster Vietnam's competitiveness as a logistics hub for international trade. Better infrastructure will also reduce environmental impacts through more efficient and streamlined transport systems.

Recommendations

- Prioritise the completion of key projects such as the North-South Expressway and Long Thanh International Airport to boost connectivity and reduce congestion following the directive of the Government and the Prime Minister, ensuring completion by December 2025.

- Invest in rail infrastructure to provide a viable alternative to long-distance freight, reducing reliance on road transport and cutting emissions.
- Promote collaboration between public and private sectors to ensure that infrastructure developments align with the logistics industry's needs and support Vietnam's long-term growth in global trade.

3. Port development

Issue description

Vietnam's port infrastructure is at a critical juncture, requiring modernisation and expansion to meet the needs of growing international trade. Ho Chi Minh City's port facilities are outdated, congested, and face river draft limitations that restrict the handling of larger vessels. This has prompted a strategic shift towards developing the Cai Mep-Thi Vai (CMTV) port area, which offers modern facilities, deeper channels, and greater accessibility for high-volume shipments. In tandem, the Hai Phong/Lach Huyen port area in the north holds significant potential for growth, with planned dredging to a depth of -14.0 meters to maximise cargo load capacity and accommodate mega-ships up to 18,000 TEUs. These improvements are essential to position both CMTV and Lach Huyen as transshipment hubs in the region, enhancing Vietnam's status in the global logistics network.

Furthermore, there is a nation-wide issue for Vietnam international ports which is the container blockage that hinders the port's operation. Idle containers exceeding 90 days often remain unaddressed despite existing regulations, causing congestion and operational inefficiencies. This highlights the need for stricter enforcement and expedited customs decisions.

Potential gains/concerns for Vietnam

By addressing these strategic priorities, Vietnam can enhance the CMTV and Lach Huyen ports' roles as major transshipment hubs in the region, bolstering its position in the competitive landscape of global trade and logistics. Vietnam's ports are vital gateways for international trade, but the current infrastructure is struggling to meet the demands of growing trade volumes. Without significant upgrades, Vietnam risks falling behind in the region's logistics race to become a key logistics hub in Southeast Asia.

Recommendations

- **Expand deep-water port capacity:** Accelerate projects like the CMTV expansion and the development of Lach Huyen to meet rising demand. Deep-water ports, particularly in the south, are vital for accommodating larger vessels and increasing connections with international shipping lines.
- **Upgrade port technology:** Investing in advanced port technology, such as automated handling systems and real-time cargo tracking platforms, will streamline operations and boost efficiency. Implementing digital systems for tracking cargo and managing customs processes will help reduce congestion and enhance throughput.
- **Enhance intermodal connectivity:** Improving road and rail connections to and from ports is critical for a seamless transition between transport modes. By strengthening intermodal connectivity, the movement of goods to industrial zones and inland logistics hubs will be faster and more efficient, reducing delays and supporting economic growth.
- **Modernise customs procedures:** Introducing streamlined and digitalised customs clearance processes will reduce the time spent on inspections and documentation, alleviate bottlenecks, and improve cargo flow. This is essential to make Vietnamese ports more attractive to international shippers. Reinforce enforcement of policies on idle containers by ensuring customs adhere to the 90-day timeline for survey and disposal decisions, expediting cargo clearance and mitigating congestion risks.
- **Create additional incentives:** Establishing incentive policies for vessels using clean energy, such as methanol and liquefied natural gas (LNG), could encourage eco-friendly shipping practices in Vietnamese ports, contributing to sustainability goals and aligning Vietnam's logistics sector with global environmental standards.

II. CUSTOMS

Relevant authorities: The Ministry of Finance (MOF); The General Department of Customs (GDC); and the Ministry of Industry and Trade (MOIT)

1. Customs practices

Issue description

With Vietnam being more and more integrated into the global economy, the need for customs practices to be thorough and continuously aligned with international standards is crucial. By consolidating and improving customs practices, Vietnam can ensure the sustainable flow of international investment and trade into the country. Customs valuation remains crucial, and to support Vietnam's ambition to become a global transshipment hub, easier vessel discharge/loading flexibility within and across customs zones is needed alongside infrastructure development and to facilitate cargo rerouting.

Potential gains/concerns for Vietnam

For a better understanding of which customs practices Vietnam needs to invest in, we break down the term into the following pillars:

a. Improper declaration of preferential tariffs

Multiple preferential tariffs exist, but procedures vary. Importers often face challenges in correctly applying tariffs, leading to clearance mistakes. Errors in tariff declaration may result in penalties, especially when goods originally exempt from import tax are used domestically or when declarations are incorrect or incomplete. Vietnam's free trade agreements (FTAs) are also vital for global competitiveness. Digitalisation and paperless certificates (C/O) can reduce costs and mistakes, enhancing efficiency.

b. Customs valuation and price consultation

In light of increased border checks and price consultations, importers have encountered challenges with customs authorities using internal databases to question declared values. This often leads to disputes when importers cannot fully justify differences in pricing. Clarity is required regarding the use of reference prices, as this has contributed to uncertainty and diminished trust in the customs valuation process.

We recognise the efforts in customs valuation procedures of the customs authority. However, we seek further clarification on how these reforms align with the WTO Customs Valuation Agreement, ensuring fairness and consistency. Greater transparency in the rationale and valuation methods behind reference prices would foster trust and cooperation between customs authorities and businesses, promoting a smoother trade environment.

c. HS code classification

Despite efforts for consistent national application of HS codes, there is limited transparency in decision-making. Unclear legal references and a short timeline between issuance and effective dates lead to confusion and non-compliance. Digitalisation has also caused misalignment of customs data, further complicating compliance during transitions.

d. EUR.1 form and the way forward

To experience the preferential tariff derived from the EU-Vietnam Free Trade Agreement (EVFTA), Vietnamese exports must be fully documented in the C/O paper form EUR.1. The lack of this form caused a significant hindrance to exporters' operations. For example, EU importers have had to pay full duties and delay processes, increasing storage costs, extending lead times, and affecting business relationships. The reliance on this form needs to be closely monitored and studied for improvements in practice in the near future.

MOIT took steps to ensure the supply of this form is guaranteed until the end of 2024. Ensuring a long-term solution is urgent to avoid a situation in which a lack of adequate export forms impacts the entire export industry of Vietnam, frustrating the benefits of the EVFTA.



Recommendations

- Improve customs procedures by distinguishing administrative errors from law breaches, ensuring flexible cargo movement, and providing transparent rationale for customs valuations.
- Accelerate the digitalisation of customs processes, including e-C/O implementation, to reduce lead times and errors and enhance efficiency.
- Enhance clarity and compliance by publishing legal references for HS codes, providing adequate lead times before enforcement, and updating customs data systems in advance.
- Transition to a secure and efficient digital certification system, supported by adequate infrastructure and training, while implementing self-certification for eligible factories and ensuring MOIT's processes are adjusted to prevent future EUR.1 form shortages.

2. On-spot import and export procedures

Issue description

Since the Law on Commerce³ and following a series of decrees from the Government and circulars from MOF from 2005 until the publication of Decree 08,⁴ on-spot export and import have been allowed. This has created convenience and competitiveness for foreign-invested enterprises by having factories in Vietnam to increase the “made in Vietnam” localisation rate without having to import ingredients from other countries. On-spot exporters and importers save on costs and lead times, increasing the readiness and availability of goods in the context of time-to-market and nearshoring.

In the context of globalisation, international brands that do not have a presence in Vietnam prefer to develop raw materials and accessories in Vietnam so that they can use those raw materials to produce their final products. In the past, the three-way trade relationship between: (i) producers of raw materials and accessories in Vietnam (holding technology, skills, and processes); (ii) the factory(ies) producing finished products in Vietnam (signing processing or export production contracts for brands), and; (iii) international brands (not present in Vietnam) brought considerable benefits to Vietnam's business environment in general and local enterprises in particular.

Specifically, Vietnam's on-spot import and export policy helps to reduce logistics costs and delivery times, attracting FDI from international brands setting up factories in Vietnam as well as increasing Vietnam's import-export volumes due to preferential tax rates under FTAs.

Despite this, MOF is still considering abolishing on-spot import and export as regulated in Article 35.1 of Decree 08 as seen in the recent consultation on the draft decree amending it. However, it appears MOF has not considered the positive impact of on-spot import and export procedures. In particular, the outsourcing activities of Vietnamese enterprises and the investment activities of international brands in Vietnam are yet to be evaluated when considering abolishing on-spot import and export.

The Law on Commerce, the Law on Foreign Trade Management, and Decree 69⁵ all refer to “on-spot export” and “on-spot import” in processing activities. If MOF only considers the view of customs management when deciding whether or not to delete Article 35.1, it would appear to overlook the benefits of “on-spot export” and “on-spot import” for processing activities as well as the legal value of documents with higher legal effect as required by Article 156 of the Law on the Promulgation of Legal Documents.⁶

Potential gains/concerns for Vietnam

The abolition of import-export policy, in particular, Article 35.1 of Decree 8 including Point c, will increase input costs for manufacturers, leading to increased costs of goods produced and processed in Vietnam. Furthermore, delivering goods through bonded warehouses instead of directly between factories (when applying on-spot

3 Law on Commerce 36/2005/QH11 dated 14 June 2005 of the National Assembly (Law on Commerce).

4 Decree 08/2015/ND-CP dated 21 January 2015 of the Government providing specific provisions and guidance on enforcement of the Customs Law on customs procedures, examination, supervision, and control procedures (Decree 08).

5 Decree 69/2018/ND-CP dated 15 May 2018 of the Government detailed regulations on a number of articles of the Law on Foreign trade management (Decree 69).

6 Clause 2, Article 156 of the Law on the Promulgation of Legal Documents stipulates: “In case legal documents have different provisions on the same issue, the document with higher legal effect shall apply”.

import and export) or having to import them from abroad will increase operating costs for businesses and shipping time, reducing the competitiveness of goods produced in Vietnam. Consequently, Vietnam would become a less attractive destination for the investment of international brands.

Recommendation

- Keep Article 35.1 of Decree 8, including Point c, in force to allow current on-spot import/export practices to continue.

III. SUSTAINABILITY IN THE TRANSPORTATION AND LOGISTICS INDUSTRY

Relevant authorities: The Ministry of Industry and Trade (MOIT), the Ministry of Planning and Investment (MPI), the Ministry of Construction (MOC), and the Ministry of Agriculture and Environment (MOAE)

Issue description

Sustainability is a key theme in the transportation and logistics industry's development trajectory. This concept is vital for the long-term growth of the industry and to avoid the negative consequences of fleet emissions. Globally, multinational enterprises are committed to sustainability goals, targeting areas like sourcing, supply chains, and product life cycles. In logistics, the focus is on CO₂ reduction, with a long-term goal of net-zero emissions by 2050. Short-term improvements involve renovations, but long-term solutions require innovation and collaboration between businesses and government.

In Vietnam, the Government's push for higher engine efficiency standards and Euro V and VI compliance by 2030 is welcome, as is the shift to renewable energy in material handling equipment. Optimising land use for logistics and industrial activities could also reduce land demand and protect green spaces. From the private sector, many initiatives had been carried out, such as the use of renewable/recycled fuels.⁷ Nonetheless, for long-term growth, it is vital that there is a strong foundation derived from implementable regulatory measures for businesses to innovate and take action.

The Vietnamese government has demonstrated a strong commitment to sustainable transportation through comprehensive policy frameworks. Notable initiatives include Decision 876 (July 2022)⁸ outlining green energy transition in transport, Decision 888 promoting climate action implementation,⁹ and Decision 1191 (September 2024) establishing greenhouse gas emission reduction plans.¹⁰ These policies align well with international best practices and set clear targets, such as transitioning to 100% electric public buses by 2050 and promoting alternative fuel adoption.

Nonetheless, with the key vision of moving towards the new era set out by Vietnam, the development plan for the transition to a greener and more sustainable transportation and logistics industry requires higher flexibility and adaptability to exogenous factors of the global market trend. Henceforth, the aforementioned plans are valuable foundations for the next direction of the development policies. Inspiration from the EU's practices and dissection of the policy characteristics can aid Vietnam to adjust the course and allocating resources for development. By learning from its peers, Vietnam can speed up the process in research and development (R&D), boosting the industry growth rate towards a new era.

7 "Vietjet pioneers operating the first flights using sustainable aviation fuel supplied by Petrolimex Aviation, reducing carbon emissions by 80%", *Vietjet Air*, 17 October 2024. Available at: <<https://www.vietjetair.com/en/news/news-1697697232035/vietjet-pioneers-operating-the-first-flights-using-sustainable-aviation-fuel-supplied-by-petrolimex-aviation-reducing-carbon-emissions-by-80-1729148856962>>, last accessed on 29 October 2024.

8 Decision 876/QĐ-TTg dated 22 July 2022 of the Prime Minister approving the Action program for transition to green energy and mitigation of carbon dioxide and methane emissions from transportation (Decision 876).

9 Decision 888 dated 25 July 2022 of the Prime Minister approval for Scheme setting out tasks and solutions for implementation of outcomes of the 26th Conference of the parties to the United Nations framework convention on climate change (Decision 888).

10 Decision 1191/QĐ-BGTVT dated 30 September 2024 of the Ministry of Transport on the Plan for greenhouse gas emission reduction in the transport sector by 2030 (Decision 1191).

For example, EU's commitment to move to much lower/zero-emission vehicles and greater fuel economy.¹¹ They could also include a detailed roadmap for the development and transition of these vehicles in Vietnam by 2030. This will require consideration of the impact on city and town planning, refuelling solutions, access, end-of-life, and a commitment to nationwide enforcement of plans and timelines. These plans will also need to include Biogas (generation 2 and 3); electric RE fleets (short haul/urban planning as the priority, then towards long-haul planning); hydrogen-based fuel, renewable thermal energy, etc.

In the EU, many measures have been taken by legislators to create regulatory ecosystems that enforce standards for business compliance. Notable examples include the EU Green Deal, Fit-for-55 targets, the FuelEU Maritime Initiative, the Corporate Sustainability Reporting Directive (CSRD), Shift2Rail, the Green Logistics Programme, and the Environmental Impact Assessment. These efforts took into consideration all aspects of the transportation industry and laid out new sustainability principles to cultivate a new business culture that emphasises sustainability.

Potential gains/concerns for Vietnam

A sustainability roadmap should be developed, outlining steps to reach net-zero carbon in logistics, identifying key stakeholders at central and provincial levels, and setting a clear timeline. Businesses must also work with authorities to align on actions that achieve the triple bottom line: people, profit, and planet. However, the roadmap should perceive the shift towards sustainability as the evolution of a grand industry that encompasses the transportation and logistics sectors. This growth will require a transformation from the niche level (micro), then to the socio-regime level (meso), and wide landscape adoption level (macro).^{12 13}

Drawing on experience from the EU, Vietnam's Green Growth Strategy (VGGs), and Sustainable Development Goals (SDGs) explicitly linking development, environmental, and climate planning to conform with the Kyoto Protocol and Paris Agreement,¹⁴ policy measures must combine incentives and monitoring methods to oversee both the input and output of the industry.

With this perspective and timescale in mind, and tackling priority impacts first, we can see the short, medium, and long-term actions that are necessary – and begin to fit this into a proposed framework, as illustrated in the following diagrams: (i) An overview of the grand plan which can be a general guidance to different types of transportation (road, railway, air, and sea), and; (ii) a breakdown of actions needed from now until 2025.

11 "A European Strategy for low-emission mobility", *European Commission*. Available at: <https://ec.europa.eu/clima/policies/transport_en#tab-0-0>, last accessed on 28 November 2024.

12 Geels et al. (2017). "The Socio-Technical Dynamics of Low-Carbon Transitions", *Joule*, 1(3), pp. 463–479. Available at: <<https://doi.org/10.1016/j.joule.2017.09.018>>, last accessed on 29 October 2024.

13 Naudé (2010) Industrial policy: Old and new issues, WIDER Working Paper, No. 2010/106, ISBN 978-92-9230-344-0, *The UN University World Institute for Development Economics Research* (UNU-WIDER), Helsinki, last accessed on 29 October 2024.

14 "Aligning Near- and Long-Term Planning in Vietnam to Meet the Goals of the Paris Agreement", *World Resources Institute*. Available at: <www.wri.org/climate/expert-perspective/aligning-near-and-long-term-planning-vietnam-meet-goals-paris-agreement> last accessed on 29 November 2024.

Figure 14: An overview of the grand plan for sustainability development in the transportation and logistics industry 2025 – 2040 (adapted from the research framework of Khoa Nguyen, 2023)¹⁵

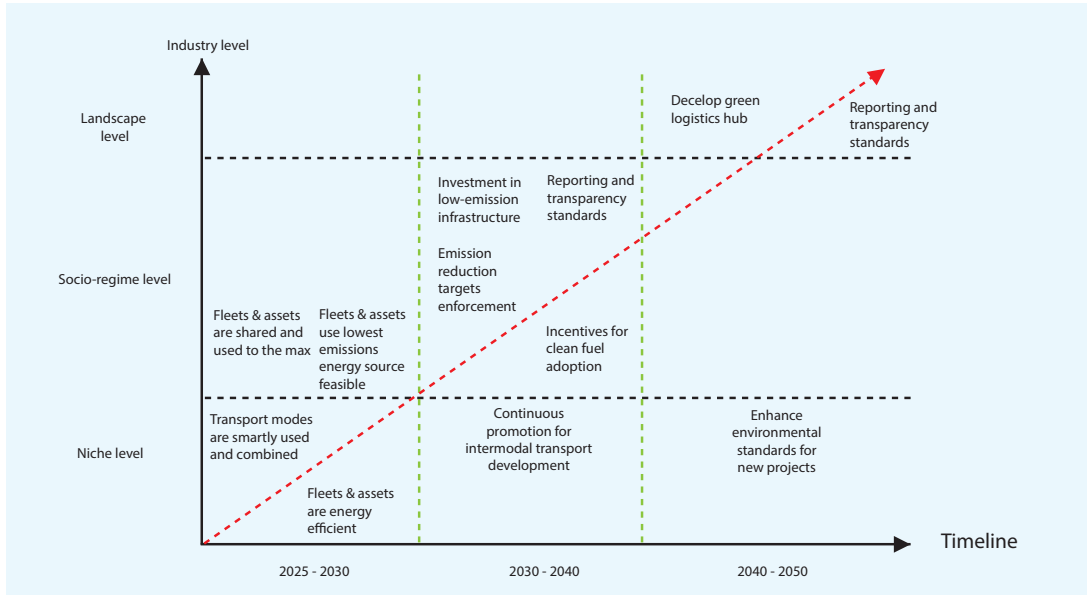


Figure 15: The “right-now” roadmap for Vietnam’s logistics strategy and interventions

| 2020 – 2025: Priority interventions | | After 2025 | |
|---|---|--|---|
| MAINTAIN AND IMPROVE... | | SHIFT TO... | |
| Fleets & assets are shared and used to the max <ul style="list-style-type: none"> • Increase vehicle fill • Fit for purpose • Reduce empty back haul • Synergies, multi drop points • Combine with others industry partners | Transport modes are smartly used and combined <ul style="list-style-type: none"> • Increase use of rail and ocean / water transport • Optimize multi-modal • Reduce Air transport | Fleets & assets are energy efficient <ul style="list-style-type: none"> • Shift to EURO IV, V & VI • MHE using lower emission fuel or 100% electric (RE) • Renewable Electricity (RE) for DC's | Fleets & assets use lowest emissions energy source feasible <ul style="list-style-type: none"> • Biogas (gen2 & 3) • Electric short haul • Electric long haul • Hydrogen • Renewable Thermal Energy (RThE) for DC's |
| <ul style="list-style-type: none"> • Drive a pre-competitive approach • Reduce empty back haul • Multi-load/multi-drop | <ul style="list-style-type: none"> • Improve multi-modal connectivity / infrastructure • Investment in rail / sea / river / ports | <ul style="list-style-type: none"> • Shift to EURO IV, V & VI • Renewable Electricity (RE) for DC's & MHE | <ul style="list-style-type: none"> • AVAILABILITY / ACCESS / INCENTIVES / SUPPORT & INFRASTRUCTURE • Vision and Roadmap |

¹⁵ Khoa Nguyen (2023) “A Comparative Study on Policies to develop the Electric Vehicle Industry: Vietnam Vs. Other Countries”, Master of Public Policy Analysis, Fulbright University Vietnam.