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Analysis of the Maritime Transportation in Vietnam

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Analysis of the Maritime Transportation in Vietnam“. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on 16th May 2014

Linh Phan Nguyen

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“Life is change, growth is optional, choose wisely” _ Karen Kasier Clark

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List of abbreviations

APEC	Asia-Pacific Economic Cooperation
ASEAN	the Association of South East Asian Nations
B2B	Business to Business
CIF	Cost, Insurance and Freight
DWT	Dead weight ton
FOB	Free On Board
GDP	Gross domestic product
LNP	Liquid Petroleum Natural
LPG	Liquid Petroleum Gas
QD-TTg	Decision by the Prime Minister
QD/BGTVT	Decision by Ministry of Transportation
TEUs	Twenty-foot equivalent units
ULCC	Ultra large Crude Carriers
UNCTD	United Nations Conference of Trade and Development
UNDP	United Nations Development Program
VINALINES	the Vietnam National Shipping Lines
WTO	World Trade Organization

Title of the Master's thesis

Analysis of the Maritime Transportation in Vietnam

Abstract:

The thesis is to provide comprehensive pictures about the Vietnam's maritime transportation from its establishing stage to its current status of operation and especially objectives & orientation for further development. Also, this analysis indicates some of author's thoughts and suggestions toward the government's policies as well as some recommendations to the maritime transport enterprises to tackle their threats and weaknesses based on their strengths for future opportunity and development.

Keywords:

International maritime transportation, Vietnam's maritime transportation

Téma diplomové práce

Analýza námořní dopravy ve Vietnamu

Abstrakt:

Cílem diplomové práce je poskytnout komplexní přehled o námořní dopravě ve Vietnamu od počátků po aktuální provozní stav, zejména pak cíle a orientaci na budoucí rozvoj. Tato analýza také představuje některé z myšlenek a podnětů autora vůči vládní politice, jakož i doporučení pro podniky námořní dopravy, jak se vypořádat s hrozbami a slabými stránkami na základě jejich silných stránek k budoucím příležitostem a rozvoji.

Klíčová slova:

Mezinárodní námořní doprava, vietnamská námořní doprava

Introduction

Globalization has become an area of major development trend of modern international relations. This trend will continue to thrive in the future. All countries in the world, especially the developing nations increasingly adopt policies of liberalization and open their domestic market for such international trade and Foreign Direct Investment (Mrak, 2000). One of the key factors, which escalates the international trade and increases the globalization trend for the last 20 years, is transportation.

Transportation is the lifeblood of the economy and transport development will promote the development of other economic sectors under. In this era of globalization, the current transport plays a very important role, especially shipping. The transportations link other economies, it shortens the gap of geospatial in order to reduce production costs, and promote trade development. These would benefit both producers and consumers.

According to the United Nations Conference of Trade and Development (UNCTD) (2010), in international trade, the role of the maritime transportation is particularly important, for example, in 2012, 52% of the world TEU capacity was carried by the 10 largest shipping organizations. The Maersk Line, Denmark; MSC, Switzerland; and the CMA-CGM group, France, which are the top 3 in the world, delivered a total of 5291145 TEU. This is equivalent of 30% of the world's total TEU capacity¹. The shipping industry specifically creates advantages for itself, because it provides worldwide range of transport, the industry helps to deliver commodities in bulk with low costs. Therefore, the shipping industry becomes a potential service business.

According to Tran (2004), Vietnam has great advantages for the development of marine transportation, for example, the country's geographical location - a long coastline and there are many different scaled seaports including domestic and international. Tran (2004) also stated that, in recent years the shipping industry of Vietnam is constantly evolving and reaching for further development. The industry contributes a lot to the development of the Vietnamese economy. Beside its positive contribution to the economy, the shipping industry of Vietnam still has many weak points for further implement. As a result, the weaknesses create favorable development for the shipping industry, which is difficult for not only people working within the industry but also those governmental officials.

¹ The United Nations Conference of Trade and Development. 2013. *Review of maritime transport*. Retrieved on Dec 6th, 2013 http://unctad.org/en/publicationslibrary/rmt2013_en.pdf

The implementations for the Vietnamese economy under the economic reform since 1986 have been supporting Vietnam to integrate with the international community as well as to create better conditions for the volume of imports and exports of Vietnam increased at a faster rate (Michiganstateuniversity, n.d)

In recent years, especially since Vietnam implemented its economic policy since 1986, the shipping industry has rapidly been developing. The maritime transportation market in Vietnam is gradually expanding according to the overall pace of regional and global trade trend (VOV, 2010)

In this context, any country with efforts to integrate into the general trend, they have to make policy adjustments, for example: become more open; to reduce tariffs, to remove of non-tariff barriers, to make exchange of goods, flow of capital and labor, to acquire technology development from all around the world. (Rana & Dowling, n.d). Therefore, Vietnam cannot stand outside of this trend. Especially in such conditions, the level of internationalization of production and services is increasing, the competition amongst enterprises, amongst countries in the field of economy growing more acute.

According to Bui and Nguyen (n.d), the integration with the world economy provides the opportunities to Vietnam in terms of economic development, increasing import and export but also other sectors. As a result, the Vietnamese maritime enterprises have to facilitate a series of major international carriers in order to compete with other competitors.

Meanwhile, there is not yet a study in a comprehensive subject on the Vietnam's maritime sector in order to offer a viable solution for the industry to meet the economic conditions of the country's maritime industry competitiveness.

So the topic "Analysis of the Maritime Transportation in Vietnam" will focus on the Vietnam's shipping industry status and its development solutions. The selected studies derived from real urgency in the maritime transport activities in Vietnam. This study includes three chapters. The first chapter, author will briefly define the Maritime Transportation from the international perspectives with datas, figures from recent years. The second chapter aims to firstly analyze the maritime transportation industry from its early establishing stage till its current situation, secondly to access the maritime transport system in Vietnam based on types of ship, age of ship and so on. Lastly, the auther summarizes plans, solutions and practices to develop the maritime transportation industry in Vietnam for future development based on decisions by the Vietnamese authorities. Also in this chapter the author will personally propose some solutions towar the governmental policies and toward enterprises operating in this maritime industry.

Chapter 1: Overview of the International Maritime Transportation

1. Introduction to the International Maritime Transportation

The maritime transportation is a method of intermodal freight transports, which is “*a system in which two or more different modes of transport, such as road and rail, road and waterway or rail and shipping are combined, or integrated, to enable goods contained within a single loading unit, to be moved from their space of origin to their final destination. The loading unit, depending on the system used, maybe a container, a swap body, a complete road vehicle or an unattached articulated semi-trailer*” (Lowe, p. xxi, 2011). Due to nature of operations of each method of transport, so people should really take into consideration to take advantages of them. “Each mode of transport has its own advantages, for instance, for the maritime transportation, potential capacity, high levels of safety, flexibility, low energy consumption, low environmental impact” (Lowe, p.xxi, 2001). Therefore, the intermodal transport allows different mode to utilize its advantages in establishing transport chain in order to help consumers with efficiency, cost effectiveness and sustainability. Generally, in order to optimize the intermodal transport to be practicable and economic solution, there is a need for significant traffic flows loaded in semi-trailer/swap body/container-sized consignments, originating near to, and for delivery within close proximity of, road-rail freight transfer terminals². Nevertheless limitations of each modes of transport, there is a considerable interests in increasing the use of intermodal transport because the intermodalism offers the opportunity to combine modes and find a less costly alternative than an unimodal solution^{3 4}









According to Rodrigue, Slack & Comtois (2013), there are three basic types in the intermodal transport depending on what nature environment they travel, which are (1) land (road, rail and pipelines) (2) water (shipping), and (3) air. Each mode of transport is specialized and used according to its technical, operational and commercial characteristics (figure 1.1):

² Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

³ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

⁴ Lowe. 2011. Intermodel freight transport. New York, Routledge, 2011

Figure 1.1: Technical, operational and commercial characteristics of different mode of transports

Vehicle	Capacity	Truck Equivalency
 Barge	1500 Tons / 50-100 TEU 52,500 Bushels 453,600 Gallons	57.7 (865 for 15 barges in tow) 18 to 40 (intermodal)
 Hopper car  Doublestack rail car	100 Tons / 4 to 5.3 TEU 3,500 Bushels 30,240 Gallons	2.0 (intermodal) to 3.8
 100 car train unit 100 car intermodal train	10,000 Tons / 400 to 530 TEU 350,000 Bushels 3,024,000 Gallons	385
 Semi-trailer truck	26 Tons / 2.65 TEU 910 Bushels 7,865 Gallons 9,000 for a tanker truck	1
 Panamax containership	5,000 TEU	2,116
 VLCC	300,000 tons 2 million barrels of oil	9,330
 747-400F	100-125 tons (Depending on freight density and range)	5

Source: Rodrigue, Slack & Comtois, 2013. Retrieved on 7th May 14 from <http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/perfcompfrt.html>

Talking about definition of each mode of transport, first of all, transporting in land, there are two main major types, which are roads, railway and pipelines. Road transportation is used to transport passengers or goods on roads. Characteristics of road transporting are large consumers of space with the lowest level of physical constraints among transportation modes. Road transportation has an average operational flexibility as vehicles can serve several purposes but unable to operate outside roads⁵. Some of disadvantages of this mode of transport are high costs of maintenance for both vehicles and infrastructures and time consumption during construction.

Secondly, it is railways mode for those wheeled vehicles operate on traced path. This type of transportation also consists of monorails and maglev. Rail is by far the land transportation mode offering the highest capacity with a 23 000 tons fully loaded coal unit

⁵ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

train being the heaviest load ever carried⁶. Thirdly, another mode of transports in land is pipelines, which can be laid on land or under water. Pipelines are used to transfer from gas, low viscosity, to oil, high viscosity. Physical constraints of pipelines are low and include the landscape and pergelisol in arctic or subarctic environment. Pipelines are very important because they are correspondent to refineries and harbors⁷. Fourthly, the second type of transport modes is air transportation. This mode of transport is simply to transport goods, cargoes and passengers in the air by airliners and cargo aircrafts. Air transport constraints are multidimensional and include the side, the climate, fog and aerial currents. Recently air transportation has been growing significantly by quantities of high value freight and is playing a growing role in international logistic⁸. The last mode of transporting, which this whole research paper will involve, is the maritime transportation. The marine transportation is the transportation activities related to the use of infrastructure and sea transport, which is the use of land, water attached to the sea route linking between different countries, territories, or regions domestically and globally⁹. The maritime transportation is also the process including the use of ships for loading and unloading equipment or to serve the movement of passengers and goods on the sea-lanes¹⁰. This mode of transport is the most efficient way of transporting goods, services and passengers over long distances in large quantities. The physical constraints of the maritime transportation are oceans, coasts, seas, lakes, rivers and channels. Some of characteristics of this mode of transport are high terminal costs, very expensive to build, maintain and improve¹¹.

⁶ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

⁷ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

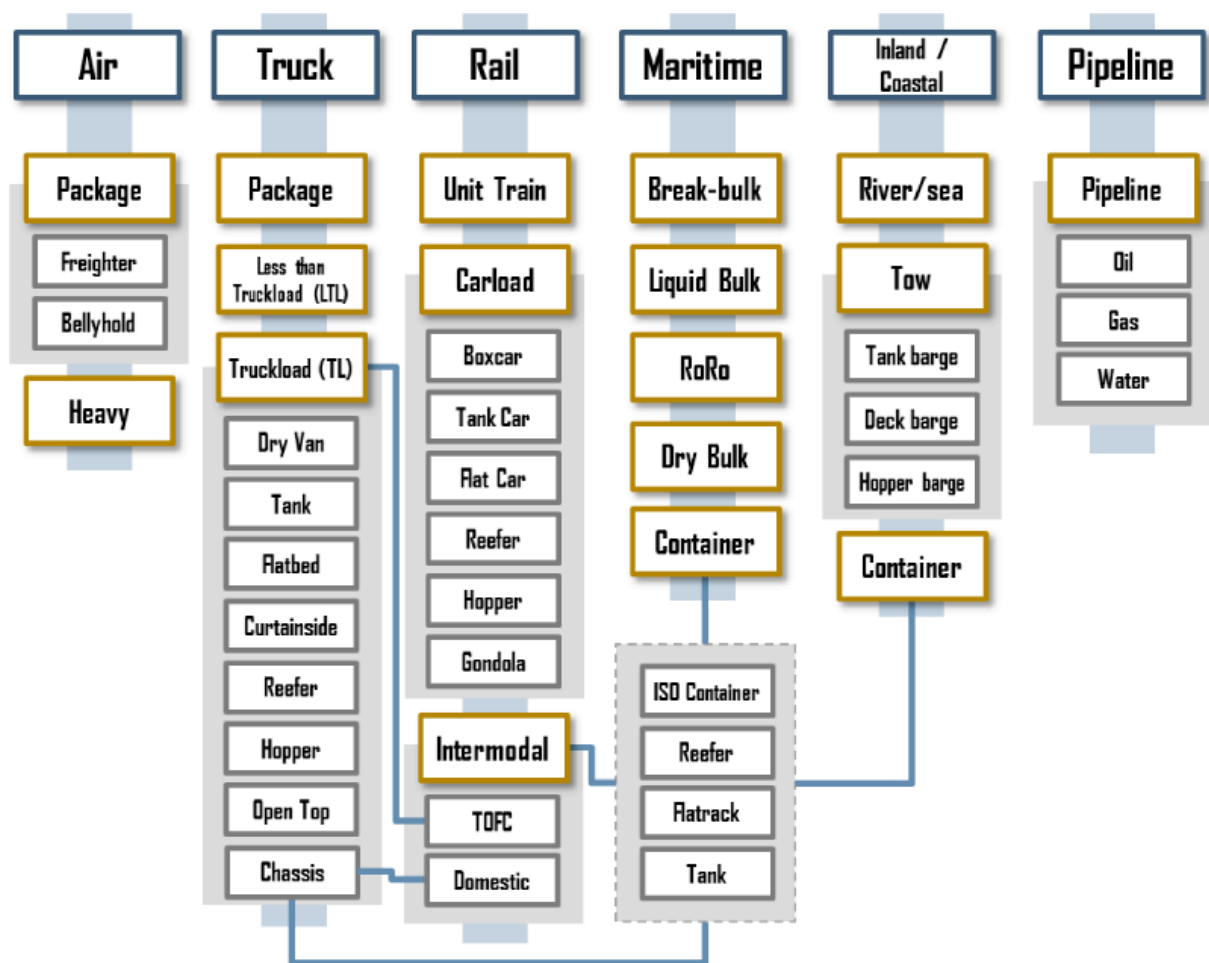
⁸ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

⁹ Stopford. 2009. Maritime Economics. New York, Routledge, 2009, p.48.

¹⁰ Stopford. 2009. Maritime Economics. New York, Routledge, 2009, p.48

¹¹ Rodrigue, Slack, & Comtois. 2013. Geography of transport systems. New York, Routledge, 2013.

Figure 1.2 Main freight modal options



Source: Rodrigue, Slack, & Comtois, 2013 retrieved on 7th May 14 from http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/freight_options.html

Marine Transportation established quite early compared to other modes of transport. As the result, people have been taking fully advantage of sea lines in order to increase trade and exchange passengers, goods and services between regions, territories. Consequently, the international shipping becoming more and more moderns compared to other modes of international transportation system. By definition, the maritime transportation is an action of transporting goods or people by sea and other waterways. These shipments involve many different kinds of services including shipping, port facilities. And each of these stages is organized in complex way.

The maritime industry provides two main major types of services:

- **Charter services**, in which maritime companies hire a ship/vessel for a certain purpose to deliver goods between specific locations. This type of shipping service is normally for bulk cargo such as petroleum, iron ore, grain or coal, which are carried and delivered by specialized cargo ships.

- **Liner shipping services** are offered by shipping companies, in which ships and vessels operate within regular routes on fixed schedules. According to world-shipping organization (n.d), about 400 liner services are running today, which provide weekly delivery from all the ports.

These two kinds of shipping services have been serviced by four broad types of commercial vessels, which are:

- **Passenger vessels**, which are divided into **passenger ferries**, where passengers are carried between short distance destinations and **cruise ships**, which are used to carry passengers on long-duration of vacation trips, normally more than two weeks. According to Rodrigue, Comtois & Slack (2013), there were about 20.3 million people were carried by cruise ships. This also indicates a optional growth for this business
- **Bulk carriers**, which are specialized to transport dry/liquid commodities in bulk. The Ultra large Crude Carriers (ULCC) are the largest tankers, which can carry up to 500,000 DWT. The largest dry bulk carriers can carry around 400,000 DWT compared with typical size (between 100,000 and 150,000 DWT).
- **Cargo ships**, which are designed to carry non-bulk cargoes, goods and materials. The ships are especially designed for certain purpose tasks. Also they are equipped with different type of machines to load and unload. The cargo ships are slit into four groups: (1) general cargo vessels, which are used to transport packed commodities such as foods, furniture, machinery and so on (2) tanker are used to deliver gasoline/liquid products (3) multi-purpose vessels are designed to carry different types of goods at the same time (4) reefer ships are specially designed to deliver fresh goods for example meat, fish, vegetable and other foodstuffs.
- **Roll on – Roll off vessels**, which are meant to wheeled cargo including cars, trucks, trailers and railroad cars. These can be driven on and off the ship on their own wheel. (Rodrigue, Comtois & Slack, 2013)

In maritime transportation, deadweight tons (DWT) is the measurement unit, which is used to calculate the amount of cargo that can be delivered by an empty ship with the ship's operational design limits. Maritime freight is traditionally divided into two key groups:

- **Bulk cargo:** is dry/liquid commodity cargo delivered in unpacked, large form such as petroleum, grain and coal. In order to transport this kind of commodity cargo, it is required to have specialized ships/vessels, storage facilities and customized

transshipment such as oil tankers.

- **Break-bulk cargo:** is used to describe goods, which already packed and must be loaded individually. General cargo ships are used to carry this sort of cargo.

2. Advantages and Disadvantages of the maritime transportation

Pros	Cons
<ul style="list-style-type: none">• The most important role in the international transport globally, which is account for 80% goods transported (6000 billion tons, 25000 billion ton per mile.• The capacity is really big with utility of many different types of large vessels, ships and carriers.• The most flexible and suitable for most types of goods.• Construction of maritime routes is low cost• Low price of shipping compared with the means of other types of transport• Low fuel consumption on tonnage, but just a little bit higher than river transport	<ul style="list-style-type: none">• Speed of different types of ships is relatively low.• Sea transport is easily influenced by natural conditions despite of supporting from growing science and modern technology.• The risks of accidents, technical problems and errors in designing, manufacturing and transporting are unavoidable.• Salvage and rescue are very difficult to reach within a short period of time.• Risks are incalculable due to very large tonnage and value of goods increasing.• The policies and laws easily affect vessels, ships and carriers during long haul transiting in various ports of different countries.

Insurance of imported goods was established very early on, recognized, supported and continuously developed. So far, insurance for imported goods transported by sea has been really effective and implicitly become customary international trade in foreign trade activities. In order to promptly remedy the risks, losses, on the one hand, there is an increasing modernization, improving the quality of the fleet, on the other hand have to take effective

measures to tackle the economic losses offset by fact, it is through insurance - the form of risk diversification principle community.

3. The world maritime trade

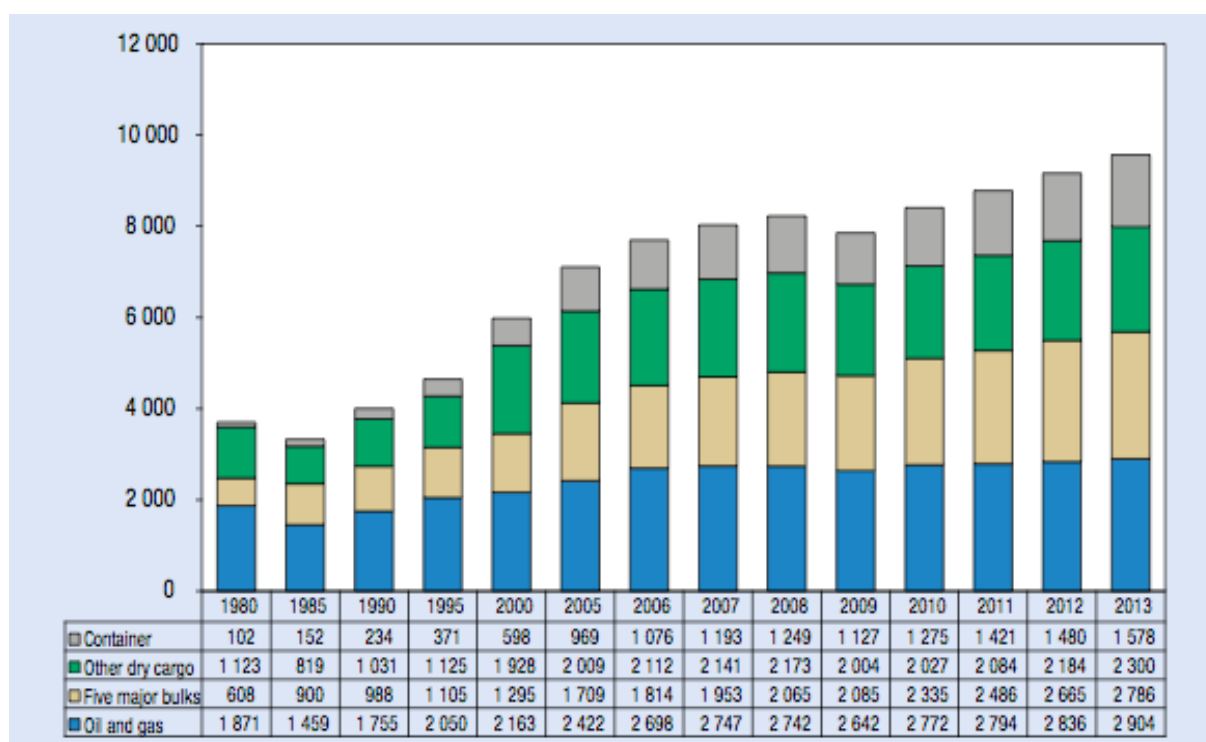
According to the Review of Maritime Transport (2013), due to increase domestic demand in China as well as increased trade within the Asian region and the global trade, the international maritime trade marked a better performance compared with the world economy in 2012-2013. In details, the volumes of goods and services got transported increasing at estimated rate of 4.3 percent in 2012, which was approximately as high as 2011. There were about 9.2 billions tons of goods were delivered international wide, with tanker trade accounting for less than one third of the total including crude oil, petroleum products and gas. In addition, the dry cargo accounted for two third of the 9.2 billions tons of goods (Table 1.1).

Table 1.1: Development in international seaborne trade, selected years (Millions of tons delivered)

Year	Oil and gas	Main bulks	Other cargo	dry	Total cargoes)
1970	1 440	448	717		2605
1980	1 871	608	1225		3704
1990	1 755	988	1 265		4 008
2000	2 163	1 295	2 526		5984
2005	2 422	1 709	2 978		7 109
2006	2 698	1 814	3 188		7 700
2007	2 747	1 953	3 334		8 034
2008	2 742	2 065	3 422		8 229
2009	2 642	2 085	3 131		7 858
2010	2 772	2 335	3 302		8 409
2011	2 794	2 486	3 505		8 784
2012	2 836	2 665	3 664		9 165

Source: Review Maritime Transport, 2013 retrieved on 28th April 14 from http://unctad.org/en/publicationslibrary/rmt2013_en.pdf

Figure 1.3 International seaborne trade, selected years (Millions of tons loaded)



Source: Review of Maritime Transport, 2013 retrieved on 28th April 14 from http://unctad.org/en/publicationslibrary/rmt2013_en.pdf

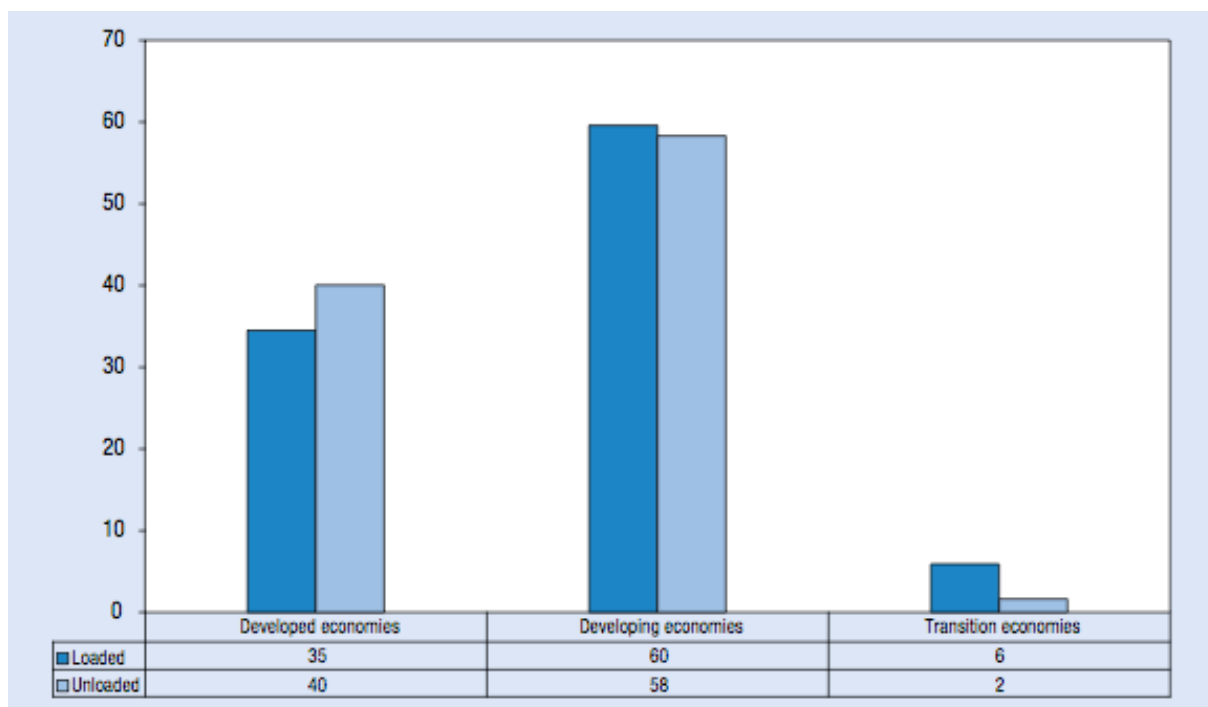
In 2013 forecast, the total-miles/tons performed by maritime transportation will be reached up to about 9.6 billion tons of goods, in which containers account for about 1.6 billion tons; other dry cargoes account for 2.3 billion tons; major bulks account for about 2.8 billion tons and oil and gas account for about 2.9 billion tons (Figure 1.4).

In 2012, there was a strong growth up to 5.7 percent in dry-cargo freights in dry-bulk volumes. In terms of demand for iron ore coal in Asia, there was a 7.2 percent expansion major dry-bulk shipment. Not surprisingly, China, the country has been contributing significantly to the increasing trend of seaborne trade in recent years, continuously provide impressive import volumes to the world.

In terms of container trade in 20-foot equivalent units (TEUs), there was a slowdown significantly in 2012 due to a slump in Europe's import demand and the results of ripple effect on global export volumes, with volumes increasing by 3.2 percent, down from 13.1 percent in 2010 and 7.1 percent in 2011.

Reflecting participation in the international trade system, there was a large share contributed by developing countries to international maritime trade. In details, these countries added to global goods loaded for 60 percent and good unloaded was up to 58 percent in 2012. Also developed countries accounted for 35 percent of loaded goods and 40 percent for unloaded goods.

Figure 1.4 World seaborne trade, by country group, 2013 (percentage share in world tonnage)



Source: Review of Maritime Transport, 2013 retrieved on 28th April 14 from http://unctad.org/en/publicationslibrary/rmt2013_en.pdf

The world seaborne trade breakdown based on geographical region in 2012 indicated that Asian region still accounted for the largest loaded and unloaded goods (39 percent and 57 percent respectively) compared with Americas, Europe, Oceania and Africa. On the other hand, the Africa stands as an increasing attracting region for the seaborne trade and maritime transport because of the increasing value of import/export between Asia in which China plays a dominant role. For instance, the trade flows between China and Africa accounted for about \$133 billion in 2012 while in 2011 the trade tie between United States and Africa stood at only \$123 billion.

According to the Review of Maritime Transport (2013), “the value of world merchandise trade will more than double between 2010 and 2020” and that value of China’s exports to Europe will be at almost as twice as the United States to Europe. Also it is highly potential that the trade value of intraregional Asia will rapidly reach to \$5 trillion and Africa and Western Asia will import from Europe up to 50 percent larger than Europe’s exports to the United States.

Chapter 2: The current situation of the Vietnam's Marine Transport Chains

The Vietnam's Maritime Transportation industry plays an increasingly important role in the circulation of goods between Vietnam and other countries in the world and in the region. The industry is contributing significantly to the economy and is bringing Vietnam to integration trend with the international economy .

With 3,260 km of coastline, the maritime transport sector development is among the most powerful forms of transport in Vietnam, shipping handle the huge amount of goods delivered in and out of Vietnam. From 1995 to present, maritime transport has kept pace with the growth of merchandise trade to increase production speed average. In Vietnam, about 90% of export and import goods are transported by sea, road transport "burden" about 75% of domestic freight.

1. The Process of establishment and development of the Vietnam's Marine Transportation system.

Shortly after the success of the August Revolution on 28th August 1945, the Provisional Government of Vietnam Democratic Republic released the statement on the management of the transport sector, architecture, irrigation and post office.

On 3th November 1945, the Ministry of Transport and Public Works has decided to establish the merchant management committee, was responsible for managing water transport in the country in particular to focus on serving the resistance war against the French. (Vietnam Maritime Administration, 2003)

From 1954 to 1975, the country was divided into two parts. With two political systems - social and economic difference, water transport industry was built and developed accordingly in different economic policy and different production methods. (Vietnam Maritime Administration, 2003)

In the north, to institutionalize the water transport sector, including shipping and river transport, in August, 1956, the Minister of Transportation and Public Works (Ministry of Transportation now) issued Decision No. 70/ND established The Water Transportation Department with its responsibilities were to manage and oversee the functions and management of the river, fairway, and sea transportation. In May 1965, The Ministry of

Transportation decided to establish the Department of Sea Transportation. (Vietnam Maritime Administration, 2003)

To meet with the development of the maritime sector, on 28th November 1978 according to the Government Decision No. 300 of establishment of the Seaway Department under the Ministry of Transport.

In May 1990, The Council of Ministers (the Government now) decided to establish the Vietnam Maritime Union, which was responsible for management, administration of all unit members as well as advising the Ministry of Transport to carry out a number of specialized tasks (Vietnam Maritime Administration, 2003)

By decree June 1992 239/HDBT, the Vietnam Maritime Administration was established, the Administration was focusing the work of specialized state management in the Maritime sector. In 1993, the Vietnam Maritime Corporation was formed. This Corporation is one of the state-owned enterprises. Overall this was an important time in terms of organization and institutionalization of the maritime sector, the start of the escape troubles of the subsidy period, and together with other industries of the country working intensely on innovation and development. (Vietnam Maritime Administration, 2003)

Today, the country's reforms are set for the maritime sector many responsible tasks. The whole industry is moving up with a high determination to continue moving steadily into the twenty-first century.

The International Trade of Vietnam has grown significantly over twenty -five years after the opening of integration with the world economy, especially after Vietnam became a member of the World Trade Organization (WTO) in 2007.

Along with the economic growth steady annually, growth rate of exports and imports, international trade of goods also increased in number and mainly transported by sea is a stepping-stone for further development of the Maritime Transportations in Vietnam. (Huynh, 2010)

2. The Development and challenges Vietnam's fleets

The trend of economic globalization, along with a comprehensive economic reform policy and the opening of Vietnam's economy have a profound impact, significantly altering the entire production and social life in Vietnam, the Vietnam's economy has continuously gained many brilliant achievements, with annual GDP growth of the kind in the region and around the world. People's lives are significantly improved, the index of human development and social development program United Nations Development Program (UNDP) noted and

appreciated. Goods exports of Vietnam were present in most countries of the world. Vietnam Seaports also received hundreds of millions of tons of goods to cater to the needs of socio-economic development of the country during the renovation period. (The Joint Donor Report to the Vietnam Consultative group meeting, 2011).

Along with the development of the country, the shipping fleet of Vietnam has been experiencing significant growth in recent years, especially on the import and export routes. The Vietnam's Sea fleet has constantly been adding new ships and vessels. The shipbuilding industry has been growing quickly, the seaport investment and modernization step by step to meet the transportation needs of the country. However, because investment funds are limited so the fleet of Vietnam is not fully developing with the modest figure in both number and tonnage, this is not matching with the country's potential of growing and reforming. Under the impact of the global integration process, the Vietnam's fleets have to compete in highly competitive competition, in which competitors offer a better quality of service, more affordable prices. This factor is making the market share of the transport fleet Vietnam shrunk and also affecting efficiency transportation and economy of the country (Blancas, Luis C.; El-Hifnawi, M. Baher. 2014)

Current situation and development trend of the Vietnam's fleet are not consistent with the general trend of the world. The engineering of the fleets is not up-to-dated; management level is not high; along with a range of other issues; are making the fleets of Vietnam at risk of lagging far behind the world. The development of the fleets is not sustainable preconditions in all aspects. Studies and analysis are needed in order to enhance the Vietnam's fleet to a certain level of sustainable development to fulfill any requirements of economic development of the country in the international integration trend. (Blancas, Luis C.; El-Hifnawi, M. Baher. 2014)

2.1 The development process of Vietnam fleets

Vietnam Sea fleet was formed from during 1965-1970 due to needs of economic development of socialist construction in the North and needs support for the war of resistance against the American in the South. The process of development of Vietnam fleets could officially counted from the date 01.07.1970 and expressed through the stages:

Period 1970-1975: The establishment of the Vietnam fleets

Knowing the importance of maritime transport sector since the War, the Communist Party and the Government decided to build and develop the country's fleet. In July 1970 the Ministry of Transport decided to establish the shipping company of Vietnam. The team had 217 vehicles,

which the total tonnage was up to 34,000 DWT with many different types, the majority of 50-100 tonnage tankers and barges . The main task of this team was to transport military goods, food, and support for the War in the South.

In the final stages of the Vietnam War, the fleet of the Vietnam maritime industry began to be supplemented with large tonnage vessels - tonnage of 1,000 - 4.000 DWT. In 1974 the fleet was added with 3 more ships, which the tonnage was up 10.000DWT/ship. In 1975, the first two additional tankers were added to the Vietnam Fleet, tonnage of these two were 20,800 DWT/tanker, for the purpose of transporting imported oil from the Southeast Asia back to Vietnam. (Logistic Service Corporation, 2013).

Period 1986-1995: This stage of development was associated with the period of economic reforms of the country from the centrally planned economy to the market economy. The changes in organizational management models of the maritime industry: the development of fleet, ports and other maritime services. The marine industry under the central management could not meet the needs for the economic development as well as the customer requires. This was the period when the sea transport sector as well as other economic sectors began to lag behind the development of the countries within not only the region but also the world because the sector could not find a suitable management model (Logistic service corporation, 2013).

Period 1996 till now: Since the end of 1995, there have been remarkable changes in terms of organization within the maritime sector. This has been an important step forward macroeconomic management not only for the Maritime Transport Sector but also for different sector of the Vietnam's Economy. The Vietnam Maritime Administration and its predecessor organizations have been responsible for the state management tasks in the maritime sector. They also control and oversee other units in terms of: transportation, reparation and marine services. According to a decision of the Government, the Vietnam Maritime Administration split into three independent organizations with more specific responsibilities and tasks:

- The Vietnam Maritime Administration is responsible for the State management function and also in charge of maritime port, pilotage, and maritime security.
- The General Maritime Corporation of Vietnam is responsible for business functions and focus on developing the fleet, the port system and the maritime services.
- The Shipbuilding Corporation of Vietnam with new functions including ship reparation and other related services (Logistic service corporation, 2013).

Working as an economic corporation, the General Maritime Corporation of Vietnam is state-owned corporation. It is managed directly by the government. At that time all import and

export contracts were freely signed; buying and selling goods procedures were not in accordance with a specified standard to ensure national interests. As a consequence, the Corporation has gradually proposed recommendations to the Government to overcome the above-mentioned issues. These were initial steps to implement and improve the import market share in order to compete with other international fleets.

Based on actual capacity, technology, infrastructure and management level of the subordinate units, the Corporation has gradually assigned tasks in domestic and foreign areas to different transport companies. For the domestic market, the Corporation adjust rates of some commodities, which have high transportation needs such as: coal, cement ... To overcome the unfair competition led to price war. For the exported and imported goods the Corporation manage to maintain long-term relationship with traditional customers, suppliers, at the same time looking for new opportunities to expand markets abroad. In addition, the Corporation coordinates transport vehicles, equipment between the unit members to help the weak units to overcome this difficult period (The Vietnam Marine Administration, 2013)

In terms of the fleet development, firstly the Corporation focused on the development of specialized ships such as bulk carriers, tankers in order to meet with markets demand for crude oil and oils.

At the end of 1996, the bulk carrier group of the fleet implemented with 3 more from 21000-25000 DWT Handy size for coal export and imported fertilizers in bulk.

From 1997-2000, the Corporation invested to develop the container vessels team, which was consist of 9 vessels with a total tonnage of 6,106 TEU partially meet demand of transporting between ports and inland from Vietnam and other Southeast Asian countries (The Vietnam Marine Administration, 2013).

End of 1998, for the first time the Vietnam fleet had a crude oil tanker with tonnage up to 60.960 DWT, which has been managed by the Petro Vietnam Transportation Corporation (FALCON) to export crude oil from Vietnam to other countries.

In addition, the corporation has also focused on promoting the development, transformation of existing vessels to build up and maintain reputation with domestic customers (The Vietnam Marine Administration, 2013).

From 1995 to 2000, the total number of vessels of all kinds were being developed with strong state-investment including 34 vessels with a total tonnage of 490 004 DWT, mainly tanker ships, dry cargo, bulk cargo and container. This was initial result in order to enhance and develop the structure of the fleet of Vietnam. This not only significantly increased the total tonnage of the fleet but also boost up competitiveness and economic efficiency of the fleet

According to the Vietnam Marine Administration (2013), in 2012 the fleet of Vietnam had 1756 ships with a total tonnage of over 8.600 million DWT, average age 11.8 years old. The Vietnam Sea fleet has increased its shipping contributions as well as revenue and profit for the transport business and marine services. Also the Vietnam Sea Fleet helped to increase the competitiveness of the Vietnams Maritime Transport System in the international and regional maritime market.

2.2 Assessment of the development status of the Vietnam fleets

The General Maritime Corporation of Vietnam and the Vinashin Corporation largely manage the Vietnam fleet. (The Vinashin was the biggest state-owned shipbuilding firm in Vietnam. It was into a partnership with Damm, Kongsberg and Hyundai. However, Vinashin was heavily in debt and to declared bankrupt in 2010 (Pham, 2011)). Thus, the subject focuses on the analytical assessment of Vinalines and Vinashin, including overall evaluation of the advantages and disadvantages of the fleet; evaluation of structural and technical condition of the fleet. (Vinalines is the Vietnam National Shipping Lines, which is another key state-owned company. This is responsible for reorganization of shipping, ports, ship repair, marine services, logistics companies) (Vietnam National Shipping Lines, 2014).

2.2.1 Internal factors

The technical condition of the fleet of Vietnam is reluctant compared to the fleet in the region and the world. Especially in the composition of the fleet is lack of the specialized ships such as tankers for liquid gas (Liquid Petroleum Natural - LNP), liquefied natural gas (Liquid Petroleum Gas - LPG), chemical ship, cement bulk, container ships ... while demand for transportation in practices is increasing. In particular, the container ships, the bulk carriers, tanker fleet for crude oil and oil products are also small numbers and tonnage of the fleet is small in comparison with the same kind in the world.

The labor force in the maritime transport sector do not meet the requirements, the possibility of re-training is weak. These result in low efficiency of the Vietnam fleet in terms of business operation.

The reality of international trade activities shows that the importers and exporters still operate purchases under method of FOB and CIF, less attention devoted to Vietnamese side. The main reason is that the exporters do not know much about shipping charter business, so they become also risk-averse. And also they are not fully aware of their own interests and common interests of the economy.

In addition, the State doesn't have a strong imperative policy encouraging using the national

carrier fleet in the purchase of imported goods. This helps to reduce the foreign currency paying the freight to foreign carriers by foreign vessels.

The State does not have really effective measures to protect its fleet, no ability to invest or support the national fleet to be competitive in the region.

The port system in general also has some deficiencies, for example it is still characterized as authoritarian, not operating for the common interests of shippers and ship owners. In addition, the port cost is relatively high compared to the region, although there have been many times reduction in port charges. The local port uses low- skilled workers for handling. As a result this causes damages to goods and prolong the ship's cargo at the port. The maritime services such as pilotage, towage are also almost exclusively managed by the government and authoritarian causing congestion and inconvenience to boat owners. (Norwegian Agency for Development Cooperation, 2010)

2.2.2 External factors

The massive penetration of the fleet of the region and the world shipping into the import and export market of Vietnam has created a fierce competitive disadvantage for the Vietnamese ship-owners in recent years, especially in container shipping sector, crude oil and oil products. Vietnam participated in the International Maritime Conventions, signing the international maritime agreements with other countries as well as its commitment to the WTO in recent years have been the great challenges for the Vietnamese ship-owners, who have ships within the application. The fact is that so many ships of those owners have poor technical condition, age over 20 years old, crew's qualifications are not sufficient to meet the requirements plus the ability to have financial investment very limited. These conditions are not met the strict requirements of the Safety Management Codes. Only the large fleet of the Vietnam Maritime Corporation and the Vinashin can maintain their operations overseas routes. They aim at those markets of those countries that do not have very strict requirements. In addition, the majority of vessels operating overseas routes do not fully meet the stringent requirements of the international safety management systems, mainly deficiencies in the safety equipment, rescuing, fire and anti-pollution devices.

The requirements of the integration with the region and the world urge the Vietnamese government making some mandatory steps, for instance removing or reducing tariff barriers, gradually removing the protectionist policies for domestic consumption and export and import policies. These cause a big challenge for the Vietnam maritime transport sector in the near future without much support from the government. (Norwegian Agency for Development Cooperation, 2010)

2.3 The evaluation based on types ship

2.3.1 The bulk carriers

Vietnam exports every year millions of tons of coal, hundreds of thousands of tons of ore and bulk import of fertilizers, clinker with a few hundred thousand tons, however the bulk carrier fleet of Vietnam so far has approximately 30 ships with a total tonnage of approximately 580,000 DWT and an average 14 years of age. These ships are managed and operated by Vinalines and Vinashin. The vessels sized from 18,000 DWT or larger were bought by the Vietnam shipping companies since 1996. Before 1996, most of transporting was done by a one-deck ship, so transporting efficiency wasn't as high as expected due to technical features. With transportation needs increasing, so the bulk carrier team needed about 960 943 DWT by 2010, from 2008 the team had a shortage of 400,000 DWT. Thus if there is not enough capacity to meet the ongoing demand, in the future foreign fleets will have the opportunity to penetrate into the Vietnamese market. As a result, this will greatly affect competitiveness and development of the bulk carrier of Vietnam in terms of its sustainability (Ministry of Transport of Vietnam, (n.d)).

2.3.2 The Oil tankers, specialized liquid cargo ship

Transportation of oil and oil products, liquefied gas, etc... requires very high security level, which would otherwise lead to huge losses affecting people, property and ecological environment, especially the marine environment.

Vietnam's tanker fleet is 96 units with a total tonnage of 1,083,473 DWT and an average age of vessels is 15 years old. A number of large vessels such as the Đại Hùng, Đại Long ... is capable of transporting imports and exports, the rest is mainly for inland transportation from depots to domestic gasoline consumption. Currently, Vietnam's tanker fleet only meets about 20 % of the total volume of fuel oil imports and exports of Vietnam (Ministry of Transport of Vietnam, (n.d)).

These tankers always require good conditions in terms of technical condition, large safety factor. Except for the new tanker was added to the oil tanker fleet a few years ago, the remaining ones are too old, over 25 years old (built in 1975), out-of-dated features, technical conditions and unsafe for operators. In order to operate in international routes, which always require very strict requirements on the technical status, qualifications and operating system. As a result, some Vietnamese companies have to hire foreigners to manage and operate the oil tanker fleet.

In short, in order to upgrade, develop but also integrate into the regions and the world, the oil

tanker and specialized liquid cargo ship teams have to be provided with appropriate organizational plans with financial investment. So that the fleet will be able to compete with foreign fleet domestically and abroad (Ministry of Transport of Vietnam, (n.d)).

2.3.3 The dedicated container ships

Container fleet now has 26 vessels managed by 7 owners directly with the total tonnage of 248 374 DWT (equivalent to 17,000 TEUs), representing approximately 4.45 % of the total DWT of fleet Vietnam. Currently the main activities of this fleet is focusing on the feeder services to Singapore, Hong Kong and Kaoshung to collect and draw goods onto mother ships to major routes, but inland transport between the ports in Vietnam is still dominant.

Although the amount of goods transported by container fleet has increased, but with close to 17,000 TEU capacity of the current fleet, which is accounts for about 18 % market share in Vietnam, is small compared with the actual transportation needs (Ministry of Transport of Vietnam, (n.d)).

According to a report from a shipping consulting firm, by the end of 2007, the container shipping market in Vietnam has 134 vessels with an average size of 950 TEUs, total transport capacity of about 124,800 TEUs, participating in 59 routes to and from the main ports of Vietnam as follows:

- Feeder Line (feeder Services): includes 27 different routes, vessels stop at a port of Vietnam or connect with international transshipment ports such as Singapore, Hong Kong and Kaohsiung;
- Within the Asia: comprises 32 different routes, vessels stop at a port of Vietnam or connect with so many different mid-range ports in the local area (Ministry of Transport of Vietnam, (n.d)).

Meanwhile, Vietnam has a fleet of 26 vehicles, 17 000 TEUs capacity, mainly exploit in domestic routes and a few close local feeder routes. According to the Ministry of Transport of Vietnam (n.d), the demand for containerized freight on the main routes of Vietnam reached nearly 4 million TEUs in 2010 and over 8 million TEU by 2020. Therefore, in the future, there will be a need to develop the container fleet to meet the demand of container transportation in Vietnam.

The demand for container fleet in 2010 was under two scenarios as follows:

Scenario 1: the transport market share of 25% for exports, 24% for imports and 100% for domestic goods;

Scenario 2: 30% market share of transport for imports and exports; 100% for domestic goods.

As of early 2007, the team of the dedicated container vessels with a total carrying capacity

reached 15,000 TEU, while demand for vessels in the domestic routes always need 7,969 TEU. Demand for ships in the routes based on the above - scenarios for the transport market share is shown in the following table 2.1:

Table 2.1: The demand of the dedicated container fleet in 2010

<i>Routes</i>	<i>Transporting capacity (TEU)</i>	<i>Demand (TEU)</i>		<i>Additional fleet needed (TEU)</i>	
		<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 1</i>	<i>Scenario 2</i>
<i>Domestic</i>	255.000	7.969	7.969	0	0
<i>Exports</i>	650.000	21.298	25.558	31.172	39.657
<i>Imports</i>	480.000	16.905	21.130		
<i>Total</i>	1.385.000	46.172	54.657	31.172	39.657

Source: Government Decision, 2010 retrieved on 11th May 14 from <http://www.vinamarine.gov.vn>

The sheet above shows that from 2007 to 2010, the container fleet should be added a minimum number of vessels with a total capacity of up to 31 172 TEU (equivalent to over 10 vessels of 3,000 TEU). Thus, the demand for containership fleet development is an urgent matter to take over 100% of inland freight and volume at least 25% on overseas routes. This problem should be viewed strictly from the perspective of sustainable development in the Vietnam marine transportation future (Ministry of Transport of Vietnam, (n.d).

2.3.4 The dry-cargo ships

In recent years, Vietnam has developed strong the dry cargo fleet to transport aggregate export and import goods and in order to comply with domestic goods is rising fast.

At the end of 2008, the dry bulk fleet of Vietnam had about 918 units sized from 200 DWT and above, with a total tonnage of 2,969,989 DWT. Average age of the dry-cargo fleet of is 22 years old.

With this situation in the coming years, the fleet is almost no longer meeting the requirements of transport if the ship owners age requirement of 20 years old. This is a tough situation affecting directly to the Vietnam's fleet in the integration process. As a result, the competitiveness of the fleet will stall and possibly won't be able to attract or prolong contracts with long-term customers (Ministry of Transport of Vietnam, (n.d).

Table 2.2: The structure of the fleet of Vietnam in 2008

<i>Types of Ship</i>	<i>Units</i>	<i>Total tonnage (DWT)</i>	<i>DWT (%)</i>
The entire fleet	1.445	5.579.524	100
The Container Carrier	26	248.374	4,45
The Dry-cargo Ships	943	3.549.989	63,62
The Bulk Carriers	25	580.000	10,40
The General Cargo Ships	918	2.969.989	53,21
Oil & Oil Productions, gas	96	1.083.473	19,43
Other types	380	697.668	12,50

Source: The Vietnam Maritime Administration retrieved 18th April, 14 from <http://www.vinamarine.gov.vn/Index.aspx>

2.4 The evaluation based on age of ships

The average age of Vietnam's fleet is transforming and upgrading fast, reaching 13 years old, which is nearly with the average age of the world fleet - 11.8 years old. However, the 20 - year-old ships are too many, so the ship will not naturally fit with the modern forms of transportation today. According to the strategic planning and development of the Corporation's Maritime and Shipbuilding Industry Corporation of Vietnam, the regeneration of the fleet should reach an average age of 15 years old during 2005-2015 (figure 2.3).

In recent years, there have been big changes in the Shipbuilding market in the world. From 2004 to 2007 price of the ship building rapidly increased, partly due to rising of the world steel prices and partly due to the growing demand. Therefore the Vietnamese ship-owners couldn't afford to invest capital, so the shipping business had to buy old ships to implement into their capacity despite of knowing that efficiency would decrease. This greatly affected abilities of the whole sector in order to exploit, compete and develop.

Table 2.3: Average age of the Vietnam's fleet from 2005 -2008

		<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Total ships	Unit	1.084	1.107	1.199	1.445
Total tonnage	DWT	3.115.489	3.447.474	4.384.880	5.579.524
Compared with previous years	%	108,03	110,66	127,19	127,24
Average age	Age	16	15	14	13

Source: The Vietnam Maritime Administration, 2013 retrieved on 18th April, 14
from <http://www.vinamarine.gov.vn/Index.aspx>

3. Current Development of the Vietnam's seaport system

3.1 Overview of Vietnam's seaport system

Vietnam is a coastal country with more than 3200 km of coastline; there are many advantages to develop the marine economy. The Communist Party and the State's priority for economic development, which was delivered in an official document in The Ninth National Congress. In terms of economic development of the maritime market economy, the document pointed out : " ... To improve the quality, increase the volume and safety for transporting passengers and goods on all types transport modes ... Improving market share of international transport by air, sea ... goal of increasing 9-10 % / year for goods; for passengers increased from 5-6 % / year ... " . Regarding infrastructure development: " ... Completing renovation, upgrading, expanding or new construction as planned Cai Lan Port , Hai Phong , Nghi Son , Cua Lo , Tien Sa , Dung Quat , Lien Chieu , Chan , Quy Nhon , Nha Trang, Thi Vai , Can Tho ... "

On 12/10/1999 the Prime Minister's decision structure that 114 ports in the country are divided into 7 groups (Figure 2.1):

Figure 2.1: The main ports of Vietnam



Source: Jica, 2013 retrieved on 12th Feb, 14
from <http://www.jica.go.jp/project/english/vietnam/0271144E0/01/index.html>

1. The Northern ports,
2. The Northern Central ports,
3. The Central ports,
4. The Southern Central ports,
5. The ports of Ho Chi Minh City - Dong Nai - Vung Tau,
6. The Southwest ports and
7. The western ports.

The port master plan includes 10 national general ports, 35 integrated local ports and 69 industrial, specialized ports.

The Government's decision: 885/QD-TTg on 12.8.2004, 2619/QD/BGTVT on 08.09.2003, 1022/QD-TTg on 09.26.2005, 861/QD-TTg on 6/4/2004, 791/QD-TTg on 12.08.2005, 1024/QD-TTg on 27.09.2005, 306/QD/BGTVT on 16.02.2004 approving the detailed planning of the port group to concretize until 2010 accordance with the Decision 202 of the Prime Minister (Ministry of Transport of Vietnam, (n.d).

The master plans for the Vietnam's port are not only for the system strategic purposes, but also for the country's economic development and the maritime industry in order to regulate the directive development. Through planning and strategy to serve the economic development according to what the Communist Party, the State pointed out - there are three key areas of the economy (figure 2.2):

1. The first Key areas of economic concentration in the North focused on Hanoi - Hai Phong - Quang Ninh.
2. The second Key economic region in the South focused of Ho Chi Minh City, Dong Nai and Ba Ria - Vung Tau and
3. The third Key economic region in the Central region focused primarily on Da Nang and the Dung Quat industrial zone.

To meet the economic development of each region as the government has proposed, the port system is planned on the basis of serving the economic development strategy of each region. On each region, focusing on the overall planning, developing of the ports to fit into economic characteristics as well as natural conditions in each region.

Figure 2.2 Vietnam's regions and key economic zones



Source: Vietnam-briefing, 2012 retrieved on 10th May 14 from <http://www.vietnam-briefing.com/news/vietnams-regions-key-economic-zones.html/>

3.2 The flow of goods through the port of Vietnam

In recent years, the volume of goods through ports of Vietnam has made significant progress, especially after the open policies of the Communist Party and the State came into effect. In addition to the main cause is due to the strong economic development and the rapid in Vietnam as well as the integration of maritime transport especially the container shipping, liquid and others.

The volume of goods through ports in different regions increased constantly. Statistics of cargo traffic through the main ports of Vietnam in the Appendix 1.

Average growth rate of the country period 2001-2007 was almost 25000 tons and rapid growth in recent years (2007 compared to 2006 increased by 32000 tons). This growth rate was relatively high compared to other countries in the region and the world.

The commodity flow in two regions – the North (35%) and the South (54%), accounted for a large proportion of the entire port system, while the Central region accounted for a very small proportion (11%).

Some ports have the growth rates increased dramatically, this proves the strong economic development in the region such as the Mekong Delta.

3.3 Situation of handling capacity at container ports in Vietnam

In the Vietnam's seaport system, the container ports have particularly important role. This content covers the assessment of a number of major container ports in Vietnam.

Nowadays, the importance of the containers has rapidly increased and positively affects both exporters and importers. In addition, without having the cost of packaging, freight container is safe, fast delivery, so this method is the fastest growing. The containerization trend in export-import activities in Vietnam, there are some points to note are as follows:

There is a high imbalance between container 40' with container 20'. The 20' containers are used for mainly in heavy loads while the 40' containers are used for light cargos. The proportion of 40' containers is by 30%.

The rate of containerization for exporting and importing has been increasing so much for the last two decades, for example: if the rate of containerization in 1995 only 6%, but now this rate has been risen up to more than 20 % (The Vietnam Maritime Administration, 2014)

However, it is still relatively high for empty containers, accounting for over 20 % of the total number of containers handled in the ports, this implies that a huge waste in the container shipping activities.

Moreover, the formation of the inland clearance depots for containers allows reducing

pressure for congestion at the ports. However, in recent years these customs clearance points tend to grow extensive, causing a huge waste of land, loading and unloading equipment, which makes transportation costs higher. The container freight started to penetrate into Vietnam from the mid-80s of the last century; the container number was almost negligible and only operating in the two main ports - Saigon and Haiphong. With the undeniable benefits of containerization, there is huge opportunity to develop (The Vietnam Maritime Administration, 2014). Currently there are about 15 ports performing the loading and unloading containers. However, only some ports are well equipped so it is understandable to achieve high productivity and efficiency. And most of the remaining ports, which were upgraded to be the container ports, are lack of handling equipment.

According to the Vietnam Seaports Association (2013), output of loading and unloading of the container terminal in Vietnam has increased almost through the years. The proportion of the output through the Saigon port, Chua Ve Port (Hai Phong) and Khanh Hoi (Saigon) and VICT port in the 3 years 2005, 2006, 2007 were accounted for more than half of the total container volume through the ports of Vietnam (table 2.4).

Table 2.4 The output of handling containers at the container ports

No.	Ports	2005		2006		2007	
		<i>Sản lượng</i>	<i>(%)</i>	<i>Sản lượng</i>	<i>(%)</i>	<i>Sản lượng</i>	<i>(%)</i>
1	Cái Lân	108.637	4.4	113.360	3.8	121.305	3.36
2	Chùa Vẽ	323.404	13.1	464.000	15.5	560.955	15.5
3	Đoạn xá	75.264	3.0	88.234	2.9	101.312	2.8
4	Tiên Sa	32.343	1.3	36.897	1.2	42.821	1.19
5	Quy nhơn	34.967	1.4	37.675	1.25	39.674	1.1
6	Tân cảng	1.098.672	44.6	1.409.156	47	1.855.207	51.4
7	Khánh Hội	284.506	11.5	262.159	8.75	281.769	7.8
8	Bến Nghé	163.810	6.6	181.678	6.0	185.364	5.1
9	VICT	341.316	13.8	402.104	13.4	419.021	11.6
	Total	2.462.919	100	2.995.263	100	3.607.428	100

Source: the Vietnam Seaports Association, 2013 retrieved on 12th Feb 2014 from <http://www.vpa.org.vn/index.jsp>

3.4 SWOT of the Vietnam's maritime transportation system¹²

Strengths	Weaknesses
<p>General</p> <ul style="list-style-type: none"> • Huge, young labor force • Port location geographically along routes + can be easily accessed • Long coast line <p>Market</p> <ul style="list-style-type: none"> • Coastal shipping demand as well as domestic and international <p>Industry</p> <ul style="list-style-type: none"> • Variety of ships/vessels/ carriers • New facilities <p>Institution</p> <ul style="list-style-type: none"> • Government support and ambitions <p>Education system</p> <ul style="list-style-type: none"> • Skilled teaching staff available • High interest among students to join the maritime industry studies 	<p>Industry</p> <ul style="list-style-type: none"> • Lack of financial funding and support • Poor management skills in most of sectors • Material management, storage & handling, logistic • Low productivity, capacity for the domestic market, inefficiency of production process, management issue and skill issue • Low flexibility to adapt to market changes <p>Institution</p> <ul style="list-style-type: none"> • Political interference in running operations • Long start-up time for new business • Knowledge gap between institutions and industry <p>Education system</p> <ul style="list-style-type: none"> • Practical skills insufficient developed within education programs • Study programs insufficiently linked to industry needs • Education is also not developing

¹² Source: Norway Agency for Development Cooperation, 2010 retrieved on 8th May 14 from <http://www.norad.no/en/tools-and-publications/publications/publication?key=196524>

	engineers and managers who can think and act independently in sufficient numbers and data
Opportunities	Threats
<p>Market</p> <ul style="list-style-type: none"> • Ship repair, support vessels • Growing demand for domestic shipping as well as regional and international • Make use of available production capacity for supplies • Location, capacity, capability, market need <p>Industry</p> <ul style="list-style-type: none"> • Development of management and technical skills • Development of maritime transport equipment sector • Political wish to enhance the local supply base. • Cooperation with foreign partners 	<p>General</p> <ul style="list-style-type: none"> • Corruption • Financial difficulties of getting financing <p>Market</p> <ul style="list-style-type: none"> • Competitive competition and poor maritime market • Low level of orders due to service quality and capacity in the fleet <p>Industry</p> <ul style="list-style-type: none"> • Reputation due to not/unsatisfactorily completing ongoing operations for instance unpaid suppliers <p>Institution</p> <ul style="list-style-type: none"> • Import & export procedure difficulties • Lack of government support <p>Education system</p> <ul style="list-style-type: none"> • Leakage of knowledge: good students leave to work for foreign companies abroad.

In regards of the strengths of the Vietnam's maritime industry, Vietnam is not only located geographically in one of the most important international shipping routes from Japan, China to Singapore and also has about 3 260 kilometers of coastline, excluding islands. This can be

a good location to deliver repairing services. Also the country has a vast labor force available with a low wage level. In addition, overseeing the growing international trade in recent years, the Vietnamese government ambitiously making commitments to support development the national maritime industry. Last but not least, the maritime institutes have experienced and skilled teaching staff, which will be supported by new facilities, once teaching engaged.

Opportunities for the Vietnam's maritime transportation are found in the repairing and building sector. Since the Vietnamese economy has become more and more integrating regionally and globally, this will be creating an increased demand for the shipping industry. Also there is an institutional support in order to provide equipment for the industry. As a result, this will enable to increase the value added of the industry to the Vietnam's economy growth. Furthermore, with the support from the government, there are cooperation for training provided by foreign partners such as Norwegian Agency for Development Cooperation.

Talking about the threats to the Vietnam's maritime transportation industry, corruption is one of the biggest obstacles, which this industry has to tackle seriously. This is a very systematic problem for not only this industry but also in every single sector, especially the state-owned/controlled. Therefore, the Vietnam's government should also work with the industry to gradually get rid of this problem. Also, the industry has an average level, when talking about their reputation due to unsatisfactory completing orders or quality of services. From the financial perspective, it is getting more complicated and difficult for the maritime business to get funding or financial support due to lack of funds to substantiate the government for this sector.

The poor management skills, supply management, financial management and market strategy are the weaknesses of the industry. This can be resulted from the political interference to not only the maritime sector but also the whole economic system. That's why there was the economic reform initiated in Vietnam in 1986 in order to help the economic system become more transparent, less authoritarian, independent from the government and to create a socialist-oriented market economy. Also due to characteristic of the governmental operation before 1986, which was very bureaucratic, this has long lasting consequences influence on the way how governmental agencies and department run and operate such as long start-up time for new business, wide gap of knowledge and coherence between governmental institution and the industry. From the education and training perspectives, despite of high skilled and experienced teaching staff, the programs used and provided by the Vietnam's maritime transport industry are insufficient compared with practical skills students need. As consequences, the students go through these education and training programs are graduated

with a limit of practical knowledge, which constrain them to react or make decisions independently with sufficient data and figures.

Chapter 3: The development solutions for the Vietnam's Maritime Transport System

1. Key Objectives and Orientations for the Development of the Vietnam's Shipping industry till 2030

Chapter two has given a comprehensive look of the Vietnam's maritime transportation system from the establishing stage till current situation. Also there were evaluations on different factors of the industry such as types of ships and ages of the ship. In addition, the assessment of the development of not only the Vietnam maritime transportation industry but also the level of integration of the industry indicates that there are so much room for development and enhancement for the industry to improve. Since the industry is still dependent strongly on the support, assistance, approval and guidance of the Vietnam's Communist Party and the Government, it is very essential and urgent that these two most important institutions of the country must encourage and urge the industry to accelerate the growth. With a well-prepared status for the Maritime transportation sector, one hand to exploit the geographical advantages of Vietnam and the other hand is to support the Vietnamese economy integrated with the regional countries as well as those all around the globe.

In this chapter three, there will be two parts, the first part will mainly state what plans, objectives and orientation of the government for the maritime transportation industry to deal with the industry's weaknesses, to use the strengths in order to tackle the threats and to make the opportunities become positive results. The second part, the author will state some thoughts and suggestions to both the government and businesses operating in the maritime transportation industry.

According to Dr Tran (2004), together with the Vietnamese Government, the Ministry of Transport has set targets for development of the Vietnam's Maritime Transportation are:

- “Building and satisfying modern maritime transport system at the same standard with the advanced countries in the region and in the world.
- Enhancing and equipping the maritime transport demand of the whole with better and better quality
- Ensuring maritime transport safety, preserving environment in the process of building and exploiting maritime transport works”

According to a Prime Minister's decision (2009) proposed by the Ministry of Transportation, the objectives and development plans for the Vietnam's Maritime Transport until 2020 and also as orientation background for the industry to 2030 are:

- To utilize the country's geographical location advantages and natural conditions, particularly the country's marine possibilities, for the full development of the shipping industry with appropriate steps based on its performance.
- To focus on development of sea transport in the direction of modernization with increasingly high quality, affordable expenses, safety, decreased environmental pollution and save energy in order to increase the competitiveness of the maritime transport to actively integrate market entry and expansion of the maritime transport in the region and the world. Planning also stated strategic objectives to 2020 for the Vietnam's Maritime Industry is that the maritime economics will be the 2nd most important sector compared with other sectors of the Vietnamese economy till 2020; and contributing to the maintenance of national security and defense.
- To develop an up-to-date fleet, which will enable the Vietnam's maritime industry becomes competitive for the regional and international competition.
- To accelerate development of deep-water seaports, transshipment ports and international gateway ports in economic provinces.
- To optimize investment in order to develop and enhance the fleet and maritime navigation infrastructure.

In details, in order to comply with the national economy growth, the maritime industry needs to ensure its quality, to offer reasonable prices and update modern technology to reduce environmental pollution.

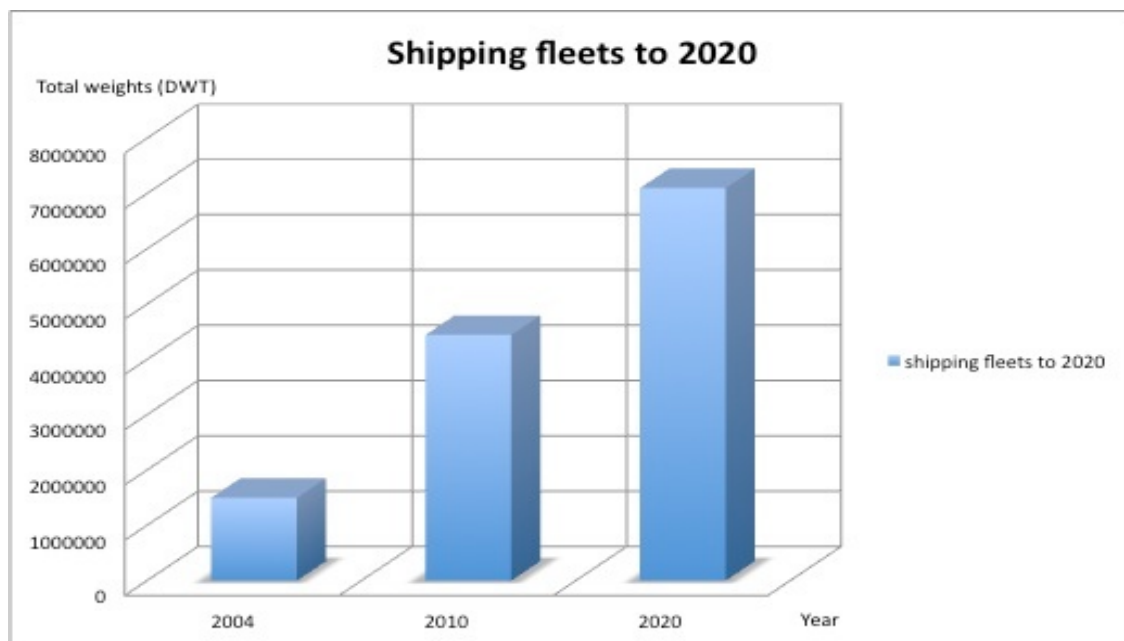
Together with the Government's approval on proposed plan, the Ministry of Transportation required the Vietnam Maritime Administration to set up objectives and orientations for each and every sector in the industry, which are:

For Ocean shipping: This sector of the Vietnam's maritime transportation has to increase standards and quality of current services in order to comply with domestic as well as International Ocean shipping needs. The Ocean shipping should obtain about 27-30% of imports and export market share from 2004 to 2020 while maintaining transporting cargo for both domestic and foreign partners.

Striving till 2020, the total national fleet tonnage will be up to 6-8 million DWT. And also the Sea Fleet will reach an average age of 12 years in 2020. From 2004 to 2015, the Vietnamese

fleet aims to transport 110 -126 million tons and by 2020 the amount will be up to 215 – 260 millions tons. These goals of for the ocean shipping in 2015 and 2020 will be positive orientation for the Vietnamese fleet to increase the amount goods transported 1.5 – 2 times by 2030 compared with 2020. In addition, the Vietnam's fleet includes ships and carriers for transporting passengers, it is very important to take advantage of these ships. Thus, the Vietnam Maritime Administration is required to increase the number of passengers, which will be about 5 million by 2015, approximately 9 – 10 million by 2020 and in 2030 will be about twice as much as 2020.

Figure 3.1: Shipping fleets to 2020



Source: Dr Tran, 2004 retrieved on 28th April 14 from <http://ieeexplore.ieee.org/xpl/mostRecentIssue.jsp?punumber=9636>

In order to achieve the targets, an immediate focus on rejuvenating of the existing ships by purchasing, building new ships and gradually replacing for the too old ships. In addition, focusing on the development of specialized vessels such as container ships, large bulk carriers, oil tankers, liquefied gas ships, LASH vessels.

The general cargo fleet: By the end of 2007 the total tonnage of the fleet reached 1.95 million DWT, accounting for 54 % of total national fleet tonnage; for 2008-2010 total tonnage of 1.5-2.0 million DWT; 2011-2020 further developing the fleet around 2,0 - 2,5 million DWT tonnage; the general cargo fleet tonnage will account for about 35-40 % of the total national fleet tonnage in 2020. Focus on the development of large ships from 10000-20000 DWT to go away from the sea (Dr Tran, 2004)

The bulk fleet: By the end of 2007 total dry bulk fleet tonnage reached 0.62 million DWT,

accounting for 17 % of total national fleet tonnage. For the period 2008-2010, the capacity increased from 0.7 to 1.0 million DWT and the 2011-2020 period will aim to enhance the capacity from 2.0-2.5 million DWT; the bulk tonnage fleet accounts for about 22-25 % of the national fleet in 2010 and expectedly of about 30-35 % 2020 (Dr Tran, 2004)

The container fleet: By the end of 2007 the total container fleet tonnage reached 0.25 million DWT (15,300 TEU), only 7% of the total tonnage of the national fleet, including 7 ships of 1000 TEU and vessels of 18 250 -600 TEUs. For 2008-2010, the total fleet was 30-40 ships with a total carrying capacity of 40,000 TEU; mainly 1000 TEU-ships for purpose of transporting goods and service within the region. For the period 2011-2020, approximately 150,000 TEU will be added to the container fleet, in which increasing a number of 2000-3000 TEU ships to open direct shipping routes to Europe, the Americas and Australia (Dr Tran, 2004).

The crude oil tanker fleet: By the end of 2007, there were only two types of 100,000 DWT with a total tonnage of 0.19 million DWT. For the period 2008-2010, the fleet was implemented 4-5 vessels more with a total tonnage of about 0.45 million DWT. Potentially there will be more further development of adding 15-20 vessels to the team during the period 2011 to 2020 with a total tonnage of vessels of 2.5 million DWT (Dr Tran, 2004)

The product tanker fleet: By the end of 2007 the product tanker fleet consisted of 80 ships with a total tonnage of 0.77 million DWT; including 12 chemical tankers and LPG. However. There were about 30 ships with a tonnage of 80,000 DWT should be replaced. Within the period 2008 – 2010, the capacity of the fleet was added up around 0.3-0.4 million DWT. Expectedly more development during the period 2011-2020 will be from 1.2 to 1.5 million DWT (Dr Tran, 2004).

For seaport system: The period to 2020 and orientation to 2030, the Vietnam's maritime transportation system focuses on developing complete and modern port systems as well as access channels into the harbors. The investment in port construction should be accelerated. Increasing focal investments in locations and regions, which have potential conditions for seaport construction, in order to exploit natural advantages and take these advantages to meet economic development needs of Vietnam. "To form transport infrastructure connection centers in regions, especially in key economic regions and large economic zones and industrial parks. To develop large international transshipment ports and gateway ports in appropriate regions in order to affirm the position and advantages of marine economy,

creating important hubs for economic exchange between Vietnam and other countries for the attainment of the marine strategy's objectives"¹³

To meet the objectives and orientations for the seaport system sector, the Vietnam's Maritime Administration needs to focus on building international transshipment and entryway ports in major economic territories, deep-water ports for container, ore coal and oil by providing modern equipment, calling for investment and cooperation with the countries in the South East Asia/ Asia region as well as from all around the world. By preparing and upgrading these seaport systems is to help the Vietnam's fleet exploiting in the domestic market as well as compete with regional and international competitors. In addition, the expectations are that the seaport systems will be providing more coordinated and effective operation with other types of transports such as railways, roads and inland waterway, so it is very essential to renovate navigation channels, buying new cargo handling equipment and enhancing efficiency of operation and cooperation between ports.

In terms of domestic port structure, there will be on 6 groups of port by 2020 with orientation toward 2030, which are:

- Group 1: The group of seaports in Northern Vietnam, including those from Quang Ninh to Ninh Binh. This group expectedly will able to handle about 86 – 90 million tons/year by 2015; 118 – 163 million tons to 2020 and up to 313 million tons by 2030.¹⁴
- Group 2: The group of seaports in northern Central Vietnam, including those from Thanh Hoa to Ha Tinh. Since the master plan for the maritime transport system got approved in 2009, expectedly this group of seaport will enable to handle up to 80 millions tons/year by 2015, by 2020 this capacity will be increased between 132-152 million tons/year and up to about 248 million tons/year in 2030¹⁵.
- Group 3: The group of seaports in central Central Vietnam, including those from Quang Binh to Quang Ngai. The port is expectedly managing between 41-46 million tons/year by 2015, and by 2020 this amount will be almost double to about 104 million tons/year and the capacity will be between 154 – 205 million tons/year by 2030.¹⁶
- Group 4: The group of seaports in southern Central Vietnam, including those from Binh

¹³ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

¹⁴ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

¹⁵ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

¹⁶ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

Dinh to Binh Thuan. The handling capacity for the port in group four approximately between 63 – 100 million tons/year in 2015; between 142-202 million tons/year by 2020 and will be up to between 271 – 384 million tons/year in 2030.¹⁷

- Group 5: The group of seaports in eastern Southern Vietnam (including also Con Dao and along Soai Rap river in Long An and Tien Giang). The southern port group will expectedly handle about 185-200 million tons/year by 2015. This will increase up to 265 to 305 million tons/year by 2020 and will be between 495 – 650 million tons/year by 2030.¹⁸

- Group 6: The group of Mekong River delta seaports (including also Phu Quoc and southwestern islands). This group of port is working to extend their handling capacity up to 54-74 million tons/year by 2015. These numbers will be more than double by 2020 at 132-156 million tons/year and will be between 206 – 300 million tons/year by 2030.¹⁹

There is a change in the seaport system. There were (in chapter 2) officially 7 groups of the seaports, but since 2009 when the Master plan approved by the Prime Minister, group 6 and group 7 are combined together as the group 6 for a better operation and efficiency of the seaport system in general.

For the shipbuilding industry:

The government also approved and agreed with the Ministry of Transportation and the Vietnam Maritime Administration that by 2020 the shipbuilding industry of Vietnam will be in advanced level in the region in terms of capabilities of building ships up to 300,000 DWT and abilities to repair ship shells, engines and electronic systems of ships of up to 400,000 DWT while complying with socio-economic development requirements. The shipbuilding industry will be developed in a manner of balancing of both ship building and repairing with modern technologies, in-depth investment and leveraging the efficiency of current shipbuilding and repair industry.²⁰

For the Maritime services:

In order to exploit all equipment, infrastructure, seaport system and the fleet for the maritime services, it is a must to develop in a cooperative and coordinated manner between different sectors of the industry such as logistic, multimodal transportation system, domestic ports,

¹⁷ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

¹⁸ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

¹⁹ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

²⁰ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

transshipments ports, seaport and cargo distribution centers. Moreover, to provide support and assistance to the maritime services sector, it is also a need to enhance efficiency and cooperation of logistics, maritime security, search and secure as well as keep operation, information-technology systems up-to-date with international conventions and requirements.²¹

For the human resources management

No matter how modern advanced equipment, machines and technology is, without power and intelligence of human, there will be no positive results. This is why from 2009 to 2020 the Vietnam Maritime Administration will ask about 39 000 crew members and officers to join a training and retraining program, which is designed to be complied with regional and international requirements in terms of laws, rules, operation of new and modern equipment and so on. There are about 24 000 officers will be trained for the fleet development, replacement purposes and maritime technical updates. There are about 15 000 current workers in the maritime industry, who will be retrained to upgrade their qualifications. The training and retraining programs are included logistic operation, shipbuilding, multimodal transportation activities, foreign languages and seaport operation. The trainers of these programs, who are from ocean shipping companies and foreign training institutions, are required to update their training methods, standards, particularly for managers, officers and crew members.

According to the Petrotimes (2013), the Director of the Department of Marine also emphasized that, the Maritime industry will expectedly be able to contribute from 53-55% of GDP by 2020. Together with the Ministry of Transportation, the Government is currently stepping up administrative reform in the maritime sector and building legal documents strategy in line with the Vietnam's laws and international conventions.

Based on the basis of the analysis of factors that impact the success of the port as well as port development trends in Asia - Pacific and Vietnam, along with the basis of development planning for the Vietnam's port system to 2020 and for the orientation to 2030, the orientation and development of the Vietnam's maritime ports focuses on: improving the quality of shipping services to meet the transportation needs, enhancing the freight market share of imports and exports. Volume that the Vietnam's fleet will handle approximately 110-126 million tons in 2015; 215-260 million tons in 2020 and 2030 increased by 1.5-2 times

²¹ Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

compared with 2020; numbers of passengers will reach to 5 million in 2015; 9 – 10 million in 2020 and in 2030 increased by 1.5 times compared to 2020.²²

2. Some comments about the policies

2.1 Advantage:

- Many mechanisms and policies related to the shipping industry of Vietnam are specified in the legal documents such as the basis of the Law of Maritime and the legal system of Vietnam. These legal documents have been contributing development of the Vietnam's sea transport industry and facilitating profitability the shipping business in Vietnam. For example, the decision dated 12.23.1992 181/TTG by the Prime Minister about the development of the national fleet to transport oil exports. Resolution No. 13/CP Government dated 02.25.1994 of regulations on management of maritime activities in seaports in Vietnam. The decision of the Prime Minister dated 16/11/1994 6413/DK some tax incentives for the Vietnam's Petroleum Transport (allowing the company tax rate of sales, tax incentives and tax deferred benefits is 5% years from the purchase of the ship to re-invest, duty free import of ships). In addition, the 159/TTg Decision dated 03/15/1996 of the Prime Minister approved the project on the development of shipping companies in Vietnam during 1996-2000, and many other documents.

The decrees, decisions, circulars, notification of authorities, and departments, central agencies have been issued to facilitate the necessary legal environment, financial support, tax incentives and other charges for some specific cases. This is really encouraging diversification of economic to be participated by different sectors, in which the sea transports, plays an important role in the development of the Vietnam's shipping.

2.2 Limitations

Mechanisms and policies related to the Vietnam's maritime industry today remains under-developing, limiting, which directly impact on the further development of the maritime industry in Vietnam in particular the maritime transport sector. Particularly in the current context that Vietnam is increasingly expanding the cultural, economic and trade exchanges with other countries from joining ASEAN, APEC - the trade agreements with the United States, and to become a member of WTO in 2007.

²² Legal normative documents. 2009. *Prime minister decision No: 2190/QĐ-TTg* retrieved on 10th May 14 from http://www.moj.gov.vn/vbpq/en/Lists/Vn%20bn%20php%20lut/View_Detail.aspx?ItemID=10735

In general, there is still a lack of uniformity in the system of legal documents and professional collaboration between the governmental agencies directing state management in the field of the marine industry. As a result, the maritime transport systems are sometimes inconsistent.

3. Maritime policies suggestions to the Government

3.1 Group policies related to enhancing business capacity for the Vietnam's fleets

The government should adopt policies to support investment, which allows the shipping companies to lease and to buy new ships. In particular, since the maritime industry is the state-owned enterprises, the state policies should be guaranteed loans for the shipping companies by both foreign and domestic banks to purchase ships with preferential interest rates. The state priority that part of government loans should be used for lending for the fleet-to-fleet development. There should be tax incentives for shipping enterprises having difficulties or the Vietnam's ships and foreign ships owned or hired by Vietnam under the form of loan amortization.

The government should consider reducing value-added tax rates for the shipping enterprises down to 2-5 %, because the nature of the value-added taxes applied on the maritime transport businesses deducted are negligible due to most of the supplies and accessories parts are purchased overseas.

The government should implement the shipbuilding policies, particularly building the ocean liner, domestically in order to simultaneously improve the capacity and efficiency of the shipbuilding business in Vietnam. The government should support funding for the purchase of boats, ships and so on. However, the government should reconsider the price set by the domestic shipyards to compete with foreign shipyards. For instance, gradually reducing the 5 % to 0% tax rate for the imported sea vessels that domestic institutions do not have conditions to build. In the early years when buying foreign ships, there should be policies to reduce corporate income tax by 15-30 % in order to support the boat/ship/vessel owners increase competitiveness.

The government should increase investment in fleet renewal, buying new ships, improving the quality and reducing the number of old vessels in order to create a new face and new image for the fleet of Vietnam. This is a key issue to improve the fleet's strength, capacity, performance and structure. The thing is that the Vietnam's fleet is not lack ships, boats or vessels, but it is mainly lack of quality, fleet structure is not suitable for goods transport requirements, especially exports. In addition, the main cause leading to the ships detained for

long periods is due to long duration of repairs, maintenance and equipment of ships often not fully implemented and serviced. Therefore, the government should come forward to help with funding and policies necessary to help all businesses in the marine transportation industry. For the sources of funding and investment, the government should seek support from many sources, even from foreign companies, because if the sea transport sector is growing increasingly, somewhat they also benefit from more competitive price competition.

3.2 Group policies related to the transportation market shares reserved for the Vietnam's fleets

The government should implement specific regulations regarding the transportation authority dedicated to only the Vietnam's fleet for some exported goods such as coal, crude oil, food, agricultural products ... particularly those imported goods are purchased by the government's financial resources (goods for the construction of state aid, goods purchased with the loans guaranteed by the government) or the shippers are required to sign a contract with the Vietnam ship carriers.

There should be policies for free or reduced some of taxes, and fees for cargo import and export through the Vietnam ports in a certain period of time until the Vietnam's fleet grows and has the ability to compete on pricing with freight foreign fleets.

There are fiscal policy to encourage the Vietnamese export-import businesses buy under FOB, sell under CIF through specific measures such as the priority of state guarantees for loans at preferential interest rates, reduced import tariffs, reducing some fees and charges for these businesses ... as well as directing regulations to encourage the professional staff of direct import negotiation and signing of the purchase contract.

3.3 Policies related to human resources for the maritime transportation

The government should implement appropriate financial mechanisms to enable training centers and to train crewmembers to effectively operate in different type of ships. Ministry of Transport and the Vietnam Maritime Administration should form close coordination with the Ministry of Education, universities, secondary maritime state management agencies and the shipping companies to educate and train staff officers and crewmembers with international standards for working on the ships.

For officers and crewmembers who are working on international maritime routes, salary and wages should be paid based on the business performance of the vessel, may be higher than the rate specified compared with the domestic team due to responsibility, difficulties and

characteristics of international maritime routes. The Vietnam Maritime Administration should extend the quota of duty-free import of goods for officers and crew separately, depending on the duration of the voyage officers and crewmembers.

Also, it is very necessary to develop mechanisms and policies to attract highly qualified Vietnamese experts abroad to participate in doing research, teaching, consulting, holding management positions in scientific research - marine technology.

The Vietnam Maritime Administration should require maritime university, all training center related to the maritime transportation to standardize and modernize training, to improve the quality and quantity of human resources; to expand capacity and enhance the quality of higher education in the maritime, customs closely towards the demands of the labor market. For example, training programs should associate with job requirements and responsibilities. Furthermore, port management should coordinate together in some training methods with school systems as well as to exchange experience between each other in term of procedures, performance management. We need to take advantage of opportunities abroad for training the Vietnamese crewmembers and officers by forming relationships, joint ventures association, cooperation with foreign partners to enhance human resource development.

3.4 Group policies related to creating a favorable business environment for shipping industries

The government should issue official legal documents, regulations to ensure the promotion of equality and fair play for all economic sectors to participate in shipping business. The Ministry of Transportation and the Vietnam Maritime Administration should advise the Government to supplement, amend the regulations on the advanced shipping method such as container transport, multimodal transport to suit the development of the international maritime and Vietnam. Also it is very necessary to amend certain the provisions of the port, the port authorities, the civil liability of ship owners, the maritime dispute resolutions, the litigation maritime in Vietnam in accordance with the international practice.

Vietnam should refer to the international maritime law, international practices as well as agreements of the relevant countries in the region and around the world to ensure coherence in the legal system of Vietnam and also to overcome the overlap in the provisions of law. Enhance the role of the Vietnam Seaports Association in the uniform of rules and procedures at the Vietnamese seaports. It is important to avoid lowering costs for competing to attract customers, but to find ways to cooperate with another cut costs to improve the quality of services at the ports, because that will attract customers to not only one but to different ports

nation wide. The government should provide mechanisms and policy measures to curb corruption at the ports. This is also an important factor contributing to improving the quality of services at the port.

The Vietnam Maritime Administration should reform administrative procedures at all the ports under one-door service centers trend. By doing this, the Administration will be able to create connections to keep governmental agencies involved in the delivery of goods and services at the ports to reduce unnecessary procedures to shippers. It is very important that all ports should apply information technology to manage operations in order to shorten the time and procedures, create clear mechanisms and favorable working conditions for delivery. To do this, there must be consistency between the provisions relating to procedures, documents and declarations operation inspection, monitoring, and guardian specialized functions. This requires the authorities have a duty to cooperate and consider promulgating consistent regulations.

4. Suggestions to the Vietnam's maritime enterprises.

4.1 Expanding market

So far, the Vietnam's fleet has extended its services to the international market, most of the activities delivered to different continents such as Europe, Asia, Americas and Africa. However, the potential domestic market is left out for the foreign carriers. The Vietnam's export still uses the foreign shipping services. As a result, the hundreds of billions of dollars are going into the pockets of the foreign carriers. The solution in this case:

Self-penetration: this method is that the Vietnamese shipping companies conduct their own research on understanding of customers and the markets situation and to expand its customer base. To do so it requires that management teams have to come up with right entry strategy plans based on the companies' staff professional expertise, knowledge of marketing, customer communication. In addition, the companies must be able to maintain the capital fund because costs to carry these research and development programs are quite expensive. The implementation strategy is that the Vietnamese shipping companies should conduct then launch marketing campaigns.

- Through social media such as radio, newspapers, Internet ... customers with demand will more easily be able to access and get in touch. In addition, by using these tools of marketing communication continuously, image logos, the companies' slogan will appear regularly and impress the customers.

- The Vietnamese shipping companies should be involved in charitable program activities, social activities, or sponsoring sports and culture activities. That would be an effective way to promote their brands and reputation.
- The owners of ships/carriers/vessels should join the VNemart ecommerce portal managed by the Vietnam's Chamber of Commerce and Industry; via this portal the companies will reach to customers in the form of B2B. Also the shipping companies will have the opportunity to increase customers and promote their brands internationally, because this portal links to nearly 150 countries around the world. Thus it will be easier for the companies to find the links to partners, carriers and logistic companies. Another way to maintain the customer relationship is that the shipping companies can proactively seek potential markets for their customers through the companies' partnerships as well as to introduce the partners to the customers. This also means that the shipping companies can be an intermediary for the importers and exporters.
- As mentioned above, the shipping companies need to prioritize the domestic market. The Vietnamese businesses have not yet recognized and used the Vietnamese shipping companies because of their reputation and quality of services. The solution in this case is that the shipping companies may have to contact directly the potential Vietnamese businesses to build relationships with them. This is also an opportunity to advertise the clients what services, deal packages provided. This way will help them to see the actual capacity of the company's professionalism of staff, modern technical equipment, high quality transporting services to meet the customers' needs.

One more important thing is how the Vietnamese shipping companies get loyalty of their customers. Some of suggestions can be that to issue customer loyalty card members according to the number of cooperation or the amount of orders so that the companies will release membership card for their customers. For example, if company A has regularly 3-month shipment with three 20 feet containers. After two times of cooperation, the company A will receive a membership card. And after a year of cooperating with the company A, the shipping company will give discount or reward appropriately the company A.

4.2 Improving the quality of services

These Vietnamese carriers account for only a very small market share in the Vietnamese shipping market, which is partly due to yet providing high quality service. Many customers used services provided by these domestic carriers for shipment but there were too many problems, so they don't want to return again. Therefore, the Vietnamese carriers should focus

on improving quality is essentially. The quality improvement helps the companies reduce burdens not facing a price war with the foreign competitors because the Vietnamese carriers can not win with these foreign companies, which have more potential capital.

To satisfy our customers, first and foremost the Vietnamese carriers should prepare smoothly for procedures of receiving orders with the basic requirements in the Maritime transportation, which are quick, accurate, low cost and safe as possible. To do so, the carriers should build some quantitative indicators such as job completion time and a reasonable qualitative indicators to monitor service performance, customer evaluation.

With providing maritime transporting services for export and import, sometimes the service quality is shown in small details, which normally perceived as unnecessary. For example, for the type of special goods/cargoes, which requires high hygiene requirements, the shipping company should choose clean container and cargo; when handling goods, crewmembers should also be sure to arrange them carefully avoid crumbling or breaking goods a parts. If the shipping companies just pay attention to small details like that, customers will evaluate and recognize services in high quality, and of course they will maintain the partnership with the carriers.

As with the customers require strict technical requirements in shipping, handling, packaging and preserving for their cargoes, the shipping company should invest in tools, delivery personnel who directly prepare the goods must pay special attention to the smallest details.

Furthermore, providing a good service, which is also meant to advise customers on the competitive situation in the market, the situation of foreign trade, domestic and international law regarding maritime services . The company should provide customers with information on import and export partners, giving advice on the contract terms in foreign trade, explaining in detail the complex terms to avoid confusion from both sides. Company to advise on the use of well-known logistic agencies, the routes of shipping clients goods, necessary procedures related such as customs procedures, applications for a certificate of origin and customs clearance .

Currently the shipping companies are developing in Vietnam, so having a team captain and crewmembers, who are skilled, experienced, committed to their career is an important requirement to improve service quality, and also to increase the competitiveness of domestic enterprises with foreign rivals. The enhancement of the quality of the crew does not only increasing the company's reputation from customers evaluation, but also can help companies save other costs, thus helping to reduce transportation costs, improve competitiveness of the company.

Additionally the shipping company can complement and coordinate with associated services such as warehousing, inland transporting after goods arriving at ports of destination, logistics and handling. These services help create trust and good impression with customers by providing broad and comprehensive services.

4.3 Offering service discounts to attract customers

In the area of maritime transportation, quality of services is a prerequisite. But for many customers, price factors are an important feature in the decision-making process. Therefore, the discount is also one of the effective ways to attract customers, to create jobs for crewmembers and to make profit for the shipping company. However, the weakness of this pricing strategy is that the company would probably not be able to make profits, even facing losses. But if this strategy is carried out successfully, the company will have advantages from it, which are to maintain and expand relationships with long-term clients and also to attract potential customers. So when conducting the discount strategy, the shipping companies should conduct a market research to compare pricing policies with other competitors then launch a reasonable discount campaign in order to attract new, potential customers at the same time ensuring profitability.

Conclusion

The study “Analysis of the Maritime Transportation in Vietnam“, which in the first two chapters, the author assessed the statuses of the Maritime Transportation in Vietnam when it newly established till current operation. Also in this chapter, the study found out that the development of the world economy and the countries in the region have posed challenges as well as new prospects to the Vietnamese maritime industry. As a result, Vietnam needs to develop the maritime transport sector quickly according to the global trend, so the country can integrate into the overall development of the world. In order to do this the first thing Vietnam needs to do is to develop the sea transport towards modernization with increasingly high quality, affordable, safe, reduced environmental pollution and save energy volume as well as to increase the competitiveness of the maritime transport to actively integrate and expand the shipping market in the region and to around the world. The shipping industry is an important industry, which is involving a lot of other industries. Therefore, the consolidation and development of the maritime transport sector is essential. This article has analyzed and evaluated the current situation in Vietnam maritime transport sector, on the basis of which offer development solutions.

Furthermore, in the third chapter, the author found out that Vietnam is capable to develop the maritime transportation industry but what the industry has been doing in recent years is not commensurate with its real potential. That means improving the quality of the Vietnam's fleet is a must. To improve the quality of the Vietnam's fleet involves many factors such as the quality of human resources, the numbers of ships, ship maintenance, port construction and so on. Most of these factors are related to macroeconomic policy of the Communist Party and the Vietnamese government. Therefore, to improve and build the Vietnam's fleets with a new image, reliability, professionalism and reputation for the current and potential customers, it is very necessary to stimulate the cooperation of all ministries, governmental departments, and the Vietnam Maritime Administration. As a result, the author proposed some policies solutions to the government as well as some practical plans and strategies to the enterprises in the maritime transportation industry.

Improving the quality of the fleet is an important factor, which helps the Vietnam's fleets improve its competitiveness, wins back confidence in order to regain the trust from the domestic customers, who have been serviced by the foreign carriers. However, it should be stressed that the quality of the fleet is just one part of the story; the other part is the sense of the Vietnamese enterprises in the habit of changing work style.

In a nutshell, the plan is to develop long-term fleet Vietnam should build a brand reputation and credibility to be able to win the contract of carriage domestically and internationally. Thus it can unleash advantages in the marine transport industry in Vietnam, which is an important contribution to the development of foreign trade in particular, as well as the economy of Vietnam in general.

Appendix: The amount of cargo through the ports of Vietnam

Unit: thousand tons

No.	Port	2001	2002	2003	2004	2005	2006	2007
The North		15.276	18.464	21.040	25.580	30.563	38.544	46.877
1	Quảng Ninh	1.526	1.560	1.748	2.476	3.185	3.499	2.805
2	Cẩm Phả	4.171	6.164	7.200	10.167	12.903	15.500	20.349
3	Cảng dầu B12	-	-	-	-	-	2.931	3.224
4	Hải Phòng	8.575	10.350	10.518	10.500	10.511	11.151	12.301
5	Đoạn Xá	-	230	454	1.006	1.428	1.789	2.300
6	Vật Cách	-	-	900	1.150	1.150	1.370	1.650
7	Cửa cấm	56	160	220	281	380	321	463
8	Transvina	-	-	-	-	1.006	1.983	1.804
9	Đình Vũ	-	-	-	-	-	-	1.981

The Central		5.062	7.175	8.700	10.760	10.754	12.435	15.099
1	Thanh Hóa	200	400	780	1.192	1.076	1.155	1.750
2	Nghệ Tĩnh	748	869	872	961	1.250	1.270	1.380
3	Hà Tĩnh	-	-	-	565	425	738	964
4	Quảng Bình	90	94	102	110	59	70	103
5	Vinashin-Cửa Việt	190	66	51	60	45	58	84
6	Thuận An	172	190	220	230	250	240	90
7	Chân Mây	-	-	-	200	402	526	800
8	Đà Nẵng	1.710	2.074	2.179	2.309	2.256	2.371	2.737
9	Sông Hàn	95	90	0	0	-	-	0
10	Hải Sơn	80	86	20	120	80	100	100
11	Nguyễn Văn Trỗi	353	463	330	306	225	245	211
12	Kỳ Hà	2	0	100	-	125	170	210
13	Kỳ Hà-Quảng Nam	-	30	50	70	105	300	530
14	Quy Nhơn	1.306	1.548	2.037	2.416	2.450	2.671	3.209
15	Thị Nại	-	-	270	405	412	501	562
16	Nha Trang	571	548	647	615	671	1.078	1.228
17	Ba Ngòi	493	537	672	1.104	923	942	1.141

The South		28.720	30.599	34.211	38.278	43.997	51.275	71.823
1	Bến Đầm-Côn Đảo VT	-	-	85	156	204	236	224
2	Thương Cảng Vũng Tàu	-	-	85	217	275	415	643
3	Phú Mỹ	970	1.109	1.422	1.451	2.267	2.633	3.002
4	Đồng Nai	985	1.127	1.421	1.620	1.612	1.814	2.922
5	Bình Dương	-	-	-	-	-	312	552
6	Xăng Dầu Cát Lái	1.013	1.232	1.428	1.429	1.208	1.306	1.100
7	Saigon Petro	802	852	857	1.308	1.039	942	810
8	Tân Cảng Sài Gòn	5.097	5.589	7.500	11.409	14.570	20	25.600
9	Sài Gòn	10.022	11.633	10.889	10.534	10.744	11.127	13.618
10	Tân Thuận Đông	253	381	358	388	304	315	531
11	Bến Nghé	3.400	2.700	3.003	3.170	3.384	3.680	4.060
12	VICT	-	-	-	-	-		8.580
13	Rau Quả	827	639	940	922	869	991	485
14	Bông Sen (Lotus)	447	500	520	518	800	865	1.200
15	Xăng Dầu Nhà Bè	3.800	3.781	3.682	3.300	4.012	3.900	3.900
16	Mỹ Tho	86	75	138	143	173	280	322
17	Đồng Tháp	156	161	133	169	129	202	184
18	Vĩnh Long	101	189	169	178	161	207	187
19	Cần Thơ	324	444	638	1.058	1.145	876	1.306
20	Trà Nóc-Cần Thơ	-	-	-	332	389	550	710
21	Cái Cui	-	-	-	-	-	-	534
22	Mỹ Thới	450	419	871	606	712	936	1.353
Total		49.058	56.238	63.879	74.618	85.314	102.566	133.799

Source: Compiled from Web sites of Vietnam Maritime Administration, 2014, retrieved on 16th Feb 2014 from .

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