

## International freight of Vietnamese fleets: Opportunity and challenge

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**Abstract:** As of June 2013, Vietnam's maritime fleet has 1,788 ships of all kinds, with a total capacity of 4.3 million GT and a total tonnage of about 6.9 million DWT, ranking fifth among the 10 ASEAN countries. In addition, Vietnam also owns 80 foreign-flagged ships with a total tonnage of 1.1 million DWT, accounting for about 15% of the total fleet tonnage. The average tonnage of Vietnamese ships is relatively low, only 3,960 DWT / ship ranks 9th of 10 Asean countries, ships with a tonnage of less than 50,000 DWT account for nearly 80%, ships of 5-15 thousand occupy about 17%, ships over 15 lakhs, there are 2 ships accounting for only 3.3%. About shipowners, there are about 600 shipowners of all economic sectors, of which only 33 large ship owners own fleets with a tonnage of over 10,000 DWT, the rest are small fleets of private economic sectors, small vessels in localities of Hai Phong, Thanh Hoa, Thai Binh, Can Tho ... Among 33 big ship owners, there are 25 ship owners belonging to 4 big economic groups: Vietnam National Shipping Lines (Vinalines), Vietnam Oil and Gas Group (Petro-Vietnam), Vietnam National Petroleum Group (Petrolimex).

**Keywords:** fleets, goods, market, international freight

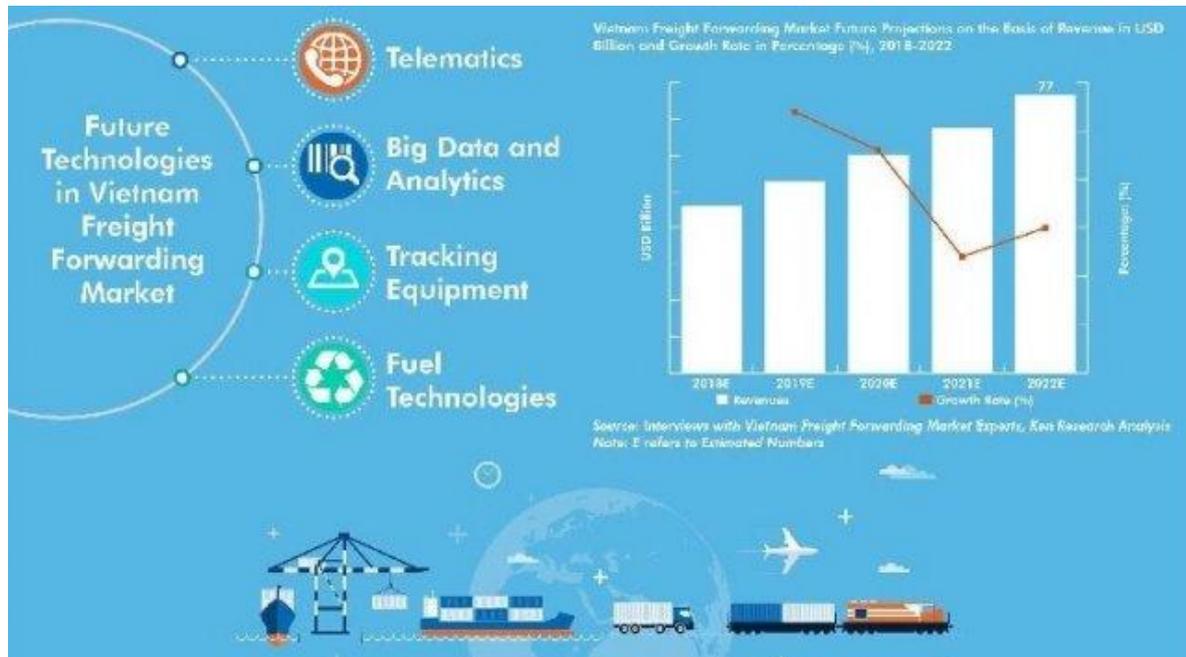
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### I. INTRODUCTION

Vietnam's fleet is in surplus of small tonnage ships, general cargo ships while lacking large tonnage vessels on international routes and specialized ships carrying bulk cement, chemicals and gas. liquefied. With such a fleet structure, the domestic fleet only accounts for about 10-12% of the market share of freight transport of imports and exports, of which the market share of dry bulk transport accounts for 12%, container cargo accounts for 8%. %, liquid goods account for 8%. The import and export markets of Vietnamese fleets are mainly from China, Southeast Asia and Asia, some ships have exported to Eastern European countries but in very small quantities. Some Vietnamese shipowners have large vessels such as VTB Container Company Vinalines, East Sea Shipping Company, Gemadept Joint Stock Company, Vietnam Ocean Shipping Joint Stock Company, already have ships to Europe and North America routes but mainly dry cargo ships, container ships mainly transport feeder for mother ships in Singapore, Hong Kong, and other major markets such as America are handled by foreign shipping lines. Goods exported and imported by sea are goods of international nature, which cross the border of two or more countries and are goods suitable for transportation by sea, mainly gong goods bulky, value is usually not large, there is no urgent requirement in terms of time by sea transport takes much time. Means of sea transport are mainly ships, ships have two types: merchant ships and military ships. Merchant ships are ships used for economic purposes in cargo ships, which are the highest proportion of merchant ships. Worldwide shipping by sea accounts for over 80% of the total volume of goods in international trade. In Vietnam, exports by sea are mainly agricultural products, raw materials, handicrafts, processed goods, textiles, etc. Imports are mainly machinery, equipment, manufactured goods, and auxiliary materials. materials for industry. In general, imports and exports by sea are related to many factors such as market, international trade balance, international law, and specific risks such as weather, environment, piracy, crisis. claims risks when changing the policies of international conventions on environmental safety, protection of life at sea ... Up and down freight rates by periodic shipping are common, but reducing the "free fall" type as today is unprecedented. Small cargo ships are also able to handle regular shipments. Meanwhile, dry cargo ships with large tonnage have almost no cargo. Container ships also dropped sharply, only less horribly than large vessels. Currently, only tankers have kept their prices as a series of single bottom tankers have been removed by IMO's International Convention (World Maritime Organization). Therefore, the newly built double bottom oil tanker is not much, so the supply-demand is still in the balance. This has been heralded for two years. The impact of the global economic crisis, which caused a sharp decline in the circulation of goods in a short time, is only one of the causes. The direct cause was that the single-bottomed tankers - when they did not meet the IMO convention were converted to large cargo ships - creating a surge in excess load. The above causes have caused terrible freight rates [1].

In recent years, along with the increase in the volume of domestic goods, import and export goods such as rice, coffee, pepper, cashew nuts, crude oil, gas ... have also increased significantly. Especially, after Vietnam became an official member of the WTO, the trade turnover between Vietnam and other countries in the world has grown significantly. In addition to the two major items of rice and fertilizer, a number of other items such as

coffee, rubber, cashew nuts, seafood ... to Europe and the US, also increased rapidly. The domestic commodity market has prospered, the foreign market has encouraging signs. In the region, Indonesia and the Philippines are still the two major rice importers of Vietnam. The amount of imports and exports of Thailand is also extremely abundant. However, the fleets of these countries have not been able to meet the demand, so Vietnamese shipping fleets, apart from importing and exporting goods, still have many opportunities to share the market with other countries in the region. Besides, neighboring countries such as China, Laos, and Cambodia are also a potential market for Vietnam's shipping industry [2].



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Current situation and development direction of the Thailand Maritime industry because there are quite similarities with Vietnam shipping. In terms of the situation, the Thai fleet is still weak. There are fleets of quite a high age who can only take a small share of the market for transporting import and export goods by sea, the rest is occupied by foreign shipping lines. Therefore, Thailand has to spend a large amount of money on shipping, which leads to a deficit in the balance of payments. Even in Southeast Asia, the Thai transport industry is hard to compete with neighboring countries. From the above situation, the Thai government has made specific policies to increase the proportion of import and export cargo transport and develop the national shipping industry, to increase investment in synchronous development. First of all, the Thai government pays special attention to financial policies (tax and preferential loans). From the beginning of 97, the Thai government has proposed solutions such as Corporate tax exemption for transport enterprises. Sea freight or income tax exemption for shipping industry employees of this country. In terms of human resources, Thailand's government plans to combine the maritime and naval industry in supporting human resource training, bringing naval officers' schools in cooperation with private universities to train engineers. , bringing vocational and naval training schools in coordination with vocational and technical training bureaus to train skilled workers. Thailand's government also promoted shipbuilding and repair technology, facilitated the improvement of production facilities, promoted the use of domestic raw materials and products for the shipbuilding industry and ship repair, reduce dependence on foreign countries. These measures may not completely help Thailand's

maritime industry dominate the market, but also have contributed to improve the situation of Thailand shipping, create momentum for development and show the determination to implement. The renovation process of Thailand's government and businesses [6].

Singapore is rated by the World Bank (WB) as a world leader in sea transport capacity, the evaluation is based on criteria such as transportation services and the ability to fast transport, shipping, quality, quantity of equipment, punctuality ... Before that, Singapore topped the World Bank's ranking of advantages in adjusting enterprises, based on market linkage criteria. Singapore is considered the country with the freest and active maritime policy in ASEAN. To encourage the development of the national fleet, Singapore has adopted many priority measures through bidding with government goods. These are goods that the government itself or the government agency itself purchases directly or indirectly for projects, in which the government participates in whole or in part. Singapore shipping companies that meet the prescribed criteria will be given priority to bid for such goods. When these companies do not meet the requirements, then they come to collect foreign companies. At the same time, the government can lend up to 90% of the value of the contract and repay it slowly within 15 years for shipbuilding or scale repair [7].

In order to create conditions for the national fleet to flourish, Indonesia has stipulated that import and export enterprises must prioritize the use of domestic ships and that of maritime companies may hire foreign ships for business only when domestic ships The country does not qualify under international practices. Foreign fleets wishing to participate in transporting Indonesian export and import goods must have a permit for a limited period of time: 1 year for a specialized ship, 6 months for a wooden transport ship, 3 months for a transport ship. other goods ... Foreign shipping companies when they arrive at Indonesian ports must appoint the Indonesian Shipping Company as an agent. In 1996, the Maritime Industry was decided by the Government of Indonesia to remove 10% of surcharges levied on goods of this industry which are now imported into Indonesia. Through the experience of countries in Southeast Asia, it can be seen that promoting the development of shipping companies needs a lot of Government participation, such as tax cuts or encouragement of training and development, human resource development and cooperation with foreign countries. In general, these countries have measures to protect and develop their own shipping industry. The reality of economic development in each country in each region is correlated with its trade relationship creating transport flows, essentially the flows of goods, characteristics of routes, ports, and information mean loading and unloading ... This is the basic factor determining the type of ship of each country, the transport route, creating the characteristics of the national fleet. Vietnam needs to learn and learn from the experience for the process of development and development of the national fleet [8].

## II. ADVANTAGES AND DISADVANTAGES

The first must mention the geographical position of Vietnam. Vietnam has a very favorable geographical position compared to many other countries. Vietnam is located at the crossroads of international maritime, aviation and road routes, equidistant from the economic centers in the four eastern regions to the west, from north to south. According to Maritime experts, compared to other countries in the region such as Japan, Indonesia, Malaysia ... the conditions for developing Vietnam's shipping industry are much more favorable. For Laos, a landlocked country next to Vietnam or southern China, northeastern Cambodia, northeastern Thailand, the passage through Vietnam is the shortest route to the sea. Moreover, the Vietnamese coast near the International Maritime route to Northeast Asia and Southeast Asia, and when the Kora Canal is completed, opens the sea route from the Indian Ocean to the Pacific Ocean, Vietnam also has more favorable conditions to both develop fleets and develop international transshipment port services. This is extremely favorable for the development of Vietnam's marine economy. Vietnam is located in Southeast Asia, one of the most dynamic economic regions in the world, Asia will continue to be the leading engine of the world economy in the future, more and more road transport companies. Sea of the West came to this market. The abundance of goods in circulation is and will be a "lever" to help Vietnam's shipping industry develop. More significantly, the opportunity for Vietnam's shipping fleet is not only to transport domestic and import goods but also to share the market with other countries in the region and around the world. Although there are many difficulties, with the right orientation in exploiting the potentials favored by nature and the rapidly increasing demand, the shipping and warehousing area in Vietnam is developing strongly. In addition to the support of the government, transport companies, logistics are well prepared to compete with rivals in the near future and contribute to the overall development of the transport industry and the platform. Vietnam's economy in general. Thus, the potential for shipping development in Vietnam and the world market is huge. Taking advantage of these advantages, shipping companies are gradually innovating to develop to better serve domestic shipping needs and reach international markets . With its accession to the WTO, for maritime transport services, Vietnam is committed to not restricting the mode of cross-border service provision to international freight transport (ie, the logistics service providers). foreign shipping lines are entitled to carry out transport of Vietnam's import and export goods

without any barriers). Previously, Vietnamese enterprises enjoyed a series of preferential mechanisms but still could not beat rivals from foreign companies. The competitiveness of the Vietnamese fleet currently cannot be compared with the strong competitiveness of other developed maritime nations in the international market, even with the fleet. ships of some big shipping companies are and will compete directly with Vietnam right at home like Maersk Line, NYK, ONE, ...The oil price is not stable and still high. In fact, fuel costs account for over 40% of shipping costs. The bigger the ship, the more modern it is, the bigger the fuel consumption. More significantly, fuel prices increased in the context of economic growth slowed down, demand for shipping decreased. This is a great risk that shipowners worldwide, not just Vietnamese ship owners face. In order to develop the Vietnamese shipping fleet and improve the market share of transporting import and export goods, it is necessary to have comprehensive solutions between the State, shipping enterprises, import-export enterprises, and inter-industry sectors. In order to promote the development of Vietnam's shipping, it is closer and closer to that of other countries in the region and the world. With these development orientations, it is hoped that Vietnam's shipping fleet will regain its market share, Vietnam's maritime industry will become a key economic sector to develop the country's economy.

Major port infrastructure projects are being implemented, which also leads to many difficulties for the maritime industry, especially human resources and ship repair and upgrading factories. The source of officers and crew members is both lacking and weak is not a new but hot problem of the shipping industry. It is estimated that Vietnam will lack about 800 crew members. If counting the number of officers participating in the export market, this number will not be less than 1,000 people. This situation has led many Vietnamese enterprises to hire foreign officers and crews with a much higher salary. Crew members are missing, crew members are still very weak in quality. Crew members are mostly weak in their practical and foreign language skills. The Vietnamese fleet is only operating on domestic transport routes with a market share of over 90%. On international routes, the fleet mainly runs short routes around Southeast Asia and Northeast Asia and only accounts for about 12% of the market share on these routes. Despite having a large market share, inland shipping is still facing difficulties in low freight rates, scarce supplies and unbalance between the two North-South transport routes (the direction from the North to the South is only about 60% compared to the direction from South to North).

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### III. SOLUTIONS

Promoting the management role of the Vietnam Maritime Administration in the state management of shipping business activities, creating a favorable environment for Vietnam's shipping to regain its market share

and increase revenues. reduce foreign currency spending, accelerate administrative reform, well implement administrative procedures at seaports. Eliminate unregistered businesses that sell, lease or lease their names for the commission, devalue services that cause confusion in the market of shipping services, and damage the State's revenue, thereby making a good strong market. To consolidate and renovate organizations and enterprises engaged in the shipping business, creating conditions for all economic sectors to participate. Strengthening the linkage among organizations, improving the operational efficiency of organizations such as seaport associations, shipowners' associations, clubs as well as specialized organizations in maritime services. The troublesome procedures and some outdated regulations in the documents governing the operation of Vietnamese fleets have caused great obstacles for Vietnamese ship owners. Therefore, it is necessary to implement the policy of improving, simplifying administrative procedures, increasing the efficiency of state management, and easily identifying specific responsibilities of a single competent focal point in the consideration. approve of the project. Moreover, helping Vietnamese business owners save time and money. Develop a new regulation in the form of "Government Decree" and have specific regulations on procedures, procedures for approving and bidding the current ship purchase and sale project to make it less troublesome and additional. new rules. It is necessary to respect the financial autonomy and business autonomy of state-run independent accounting enterprises and take into account the specific characteristics of the international shipping market. Vietnam also needs to actively participate in international conventions, agreements, and associations on maritime conditions to facilitate the development of Vietnam's maritime industry, and strengthen the signing of bilateral agreements with many special relations countries. trading to gain the right to transport for Vietnam's fleet. In order to implement the "Vietnam Sea Strategy to 2020", Vietnam's shipping industry requires a large amount of investment capital. Therefore, the State should have policies to support capital for shipping businesses. The state can support in many ways: it can lend from the state budget with preferential interest rates and long-term loans. This method can help businesses borrow a large amount to buy modern ships, in line with the set goals. The State can also guarantee businesses or apply for aid from international financial institutions such as the World Bank (WTO), Asian Development Bank (ADB), also with interest rates and preferential loan period. The State can also seek loans through the signing of treaties and bilateral treaties with other countries through government guarantees. Of course, it is necessary for businesses to submit to the state appropriate economic and technical feasibility studies and ensure effective promotion of loan capital. International shipping activities are developing very strongly, the trend of containerization of the fleet and the joint venture of large shipping companies are making the transport market flourish. Vietnam has a favorable geographical position for the development of shipping along with the current economic development, which has created a great potential for the development of Vietnam's shipping. Vietnam's shipping plays an important role in import and export activities and the national economy, stimulating the development of import and export activities, increasing state budget revenues, increasing foreign currency earnings, improving the balance of payments. international math and contribute to the development of the national economy.

On the side of the Vietnam Maritime Administration, agreed on a number of measures to limit a large number of Vietnamese ships being kept overseas. The Vietnam Maritime Administration requires the port authorities to intensify inspection of ships and fleets of shipowners who have been detained at foreign seaports immediately after the ships arrive at Vietnamese seaports and are operating. At Vietnamese ports, it is imperative that ships are required to overcome existing deficiencies. Guaranteed that 100% of Vietnamese ships before their voyages operate on international routes must be inspected at the appropriate time before receiving export goods or before ships leave ports for departure from foreign ports (for ballast ships). Inspection contents such as PSC inspection and only permit the departure of ports for ships when the discovered defects have been overcome. If the ship has been detained many times, it is determined that such ship will not continue to be operated on foreign routes.

#### IV. CONCLUSION

The Vietnam Maritime Administration is also working closely with the registry to propose strong measures against ships and shipowners who are regularly detained abroad, without excluding the possibility of not carrying out procedures. for those ships to leave. In addition, Vietnamese Maritime Authorities have strengthened the inspection, handling, and storage of ships of countries with maritime authorities that strictly keep Vietnamese ships when their fleets have committed similar violations. The renovation of Vietnam's fleet needs to be carried out in a comprehensive and comprehensive manner, Vietnam needs to implement a comprehensive but not overly comprehensive renovation, but to carry out a key focus, determining the urgency of each. thesolution to make it easier and more convenient. Not only to increase the number of ships but also to increase the quality of ships, towards the direction of specialization and modernization. Insight is also understood that the measures taken are not perfunctory but must be done to the final destination to solve the goal of innovation. Due to the limited capital and self-renewal ability of Vietnam, each step needs to be calculated

carefully to bring the highest efficiency. Assessing the effectiveness of the development of non-profit fleet needs to take into account other efficiencies such as: improving the transport capacity of the vehicle, improving the volume of goods transported, improving the safety and reliability of the vehicle, quick working capital turnover, increase fleet utilization, mitigate losses ... Effective innovation needs to be calculated on both sides: the fleet development efficiency and vehicle use efficiency. with respect to customers. Vietnam needs to calculate all the factors from the outside to the internal factors, in order to both improve fleet operations and ensure the use of vehicles for customers. The construction of innovations in terms of quality, scale, structure, and organization ... is based on the weak situation of Vietnamese sea fleets, in order to bring the Vietnamese fleet more developed in all aspects.

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