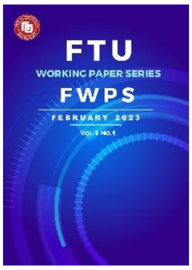

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VẬN TẢI HÀNG KHÔNG VIỆT NAM DƯỚI "BẦU TRỜI MỞ ASEAN"

Nguyễn Ngọc Hữu Phước[1], Nguyễn Hoàng Nam,
Đặng Lam Bình, Cao Lê Bảo Ngọc, Vũ Quang Hiếu
Sinh viên K59 CLC Kinh tế đối ngoại - Viện Kinh tế và Kinh doanh quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Thị Yến
Giảng viên Viện Kinh tế và Kinh doanh quốc tế
Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Các thành viên Hiệp hội các quốc gia Đông Nam Á (ASEAN) đã thông qua việc tạo ra bầu trời mở trên toàn khu vực. Quy mô, chính sách hàng không, quy mô và sức mạnh của ngành hàng không của các quốc gia thành viên đều khác nhau đáng kể. Với những khác biệt này, các phương án để làm cho quá trình tra o đổi hàng hóa dễ dàng hơn đã được xem xét, bao gồm việc sử dụng cách tiếp cận về tài chính đối với các cuộc đàm phán về hàng không, tự do hóa ở cấp độ nhóm tiểu khu vực, khuôn khổ tự do hóa theo cấp bậc và tăng cường khả năng cạnh tranh của các hãng hàng không giá rẻ, và thông qua việc tạo ra các thị trường thứ cấp. Ý tưởng về chính sách bầu trời rộng mở đề cập đến thị trường tự do của ngành hàng không. Chính sách này chấm dứt ảnh hưởng của một chính phủ duy nhất trong việc quản lý và điều tiết lĩnh vực hàng không. Chính sách bầu trời rộng mở, có hiệu lực từ Thị trường hàng không chung ASEAN (ASEAN-SAM) vào năm 2015, nhằm mục đích thúc đẩy kết nối khu vực và tăng trưởng kinh tế bằng cách cho phép các ngành hàng không từ tất cả các quốc gia thành viên ASEAN bay qua Đông Nam Á mà không gặp bất kỳ trở ngại hoặc hạn chế nào . Mỗi quốc gia thành viên ASEAN đã bày tỏ cả lợi ích và hạn chế đối với cách tiếp cận này. Sau đó, nghiên cứu này đề xuất một bản tóm tắt về năng lực vận tải hàng không khu vực của ASEAN và chính sách bầu trời mở trong khu vực nói chung và cơ hội của chính Việt Nam trong thách thức nói riêng.

Từ khóa: ASEAN, Bầu trời mở, ASEAN-SAM, vận tải hàng không, ngành hàng không.

VIETNAM'S AIR FREIGHT UNDER "ASEAN OPEN SKY POLICY"

Abstract

The Association of South-East Asian Nations (ASEAN) members have approved the creation of open skies throughout the area. The member nations' sizes, aviation policies, and the size and strength of their aviation sectors all vary significantly. Given these variations, a number of options for making the transition easier are looked at. These include using a financially prudent approach

[1] Tác giả liên hệ, Email: phuocnnh2002@gmail.com

to aviation talks, sub-regional grouping-level liberalization, a tiered framework of liberalization, and enhancing low-cost airlines' ability to compete, perhaps through the creation of secondary markets. The idea of open skies policy refers to the airline industry's free market. It ends the influence of a single government in managing and regulating the aviation sector. The open skies policy, as put into effect by the ASEAN Single Aviation Market (ASEAN-SAM) in 2015, aims to boost regional connectivity and economic growth by allowing airline industries from all ASEAN member states to fly above Southeast Asia without any obstacles or limitations. Each ASEAN member state has expressed both benefits and drawbacks to this approach. This study, then, proposed a summary of ASEAN's regional air freight capabilities and regional open skies policy in general and Vietnam's own opportunities in challenges in particular.

Keywords: ASEAN, Open Skies, ASEAN-SAM, air freight, airline industry.

Introduction

Aviation has always been known as the fastest and safest mode of transport thanks to its outstanding features. The policy of "ASEAN Open Skies" seems to be a major turning point for the development of Vietnam's aviation network as it brings many opportunities to expand routes and markets for cargo.

ASEAN officially known as the Association of Southeast Asian Nations, is a political and economic union of 10 member states in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration between its members and countries in the Asia-Pacific. The ASEAN Open Sky Agreement implemented in 2015 was expected to fully liberalize air travel between member states in the ASEAN region, allowing ASEAN countries and airlines operating in the region to directly benefit from the growth in air travel around the world, and also freeing up tourism, trade, investment, and service flows between member states. The plan was for all carriers from ASEAN to enjoy unlimited third, fourth and fifth freedom operations within the region. However, after the deadline was passed in early 2016, three ASEAN members (Philippines, Indonesia and Laos) were reluctant to ratify the full agreement. The consequence is current aviation policies amongst the ASEAN countries differ (liberal policies, restrictive policies, some of which versions are not clearly written). In this context, it is crucial to understand the impact of the "Open Sky Agreement" and whether it has made improvement or caused harm to ASEAN's members.

In particular, Vietnam's air freight market has made remarkable progress, contributing to connecting the domestic economy with the global economy, helping Vietnamese enterprises to have the opportunity to have faster access to international markets. However, when it comes to the air transport industry, there are many issues that need to be considered. Specifically, the policy has substantial impact on forwarders, charterers and airlines themselves.

This research analyzes the current situation of Vietnam's air cargo transport industry since the implementation of ASEAN Open Sky policy and will make some recommendations for future development. The paper is divided into three parts: Theoretical basis of air freight, Vietnam and ASEAN Air Freight Market; The current situation of Vietnam's aviation under the impact of ASEAN's Open Sky Policy and Recommendations for Vietnam future development under "Open Sky Policy".

Literature review

At the microeconomic level, the essence of open skies agreements is to improve cooperative aviation marketing agreements such as codeshare, franchising and leasing and the creation of joint committees to improve deregulation in subsequent years and facilitate air flow of goods (Contreras, 2017). Since little research has been made about the policy impact on Vietnam, we instead examine previous research on the "Open Sky Agreement" which was previously implemented in parts of the world and assess the condition of the countries involved, whether changes made were beneficial.

Studies on Open Sky Agreement outside South East Asia

One notable example of this was the Single European Sky Agreement. The industry was in crisis before 2007 (airline mergers, bankruptcies, and job cuts). Additionally, the Air Traffic Management sector was over capacity and five times less cost-efficient than others were. In addition, air traffic management in Europe was fragmented and dominated by National entities (Heriyanto, 2019). However, the signing of Open Sky Agreements did wonders to handle the crisis and it is probably why other countries also want to start new Open Sky Agreements. Specifically, SES helped increase in flight frequency, lower fare levels in complementary alliances (Pittsfield, 2008).

Another example of a country with their aviation industry in crisis was Mexico in 2009 and it was eventually partly resolved with the US intervening in 2014. The Air Transport Agreement Between the Government of the United States of America and the Government of the United Mexican States have increased international trade in goods and services but they also cause multiple Mexican airlines to go bankrupt which further make Mexico more dependent on US airlines to carry cargo and passengers (Contreras, 2017).

Studies on ASEAN Open Sky Agreement impacts

Similarly, there has been several research about ASEAN Open Sky Agreement impacts conducted and each of them have proven that in theory the policy would have been a success in improving aviation as a whole but the reality is competition policy, subsidy, and ownership issues of its own member countries hinder them.

Permana, Hoen, and Holzhacker (2020) conducted a study about how ASEAN Open Sky Agreement impacts Indonesian domestic airlines and the result of the study suggests there has been little benefit for domestic airlines since it causes them to make more complicated route patterns, point stop and foreign airlines gain more power.

If more extensive investment in the aviation sectors of the ASEAN countries is to occur, the sub-regional agreements as well as the continuing bilateral agreements should be varied from the traditional 'ownership and control' model, to a 'principal place of business' model (Forsyth & Rodolfo 2006).

Previous researches came to the conclusion that all carriers enjoyed increased revenues and traffic gained at competitors expense and there was little to none industry growth.

1. Theoretical basis of air freight and Vietnam air freight market

1.1. Overview of air freight

1.1.1. Definition

Air Freight, also known as air cargo, is the mode of transport used to transport cargo swiftly by air. Airfreight is the most valuable form of transport when shipping or transporting goods in the fastest time around the globe. Air cargo is shipped through the same gateway as the passenger or commercial airlines.

1.1.2. Characteristics of air freight

Advantages

The supreme advantage of air transport is its high speed. It is the fastest mode of transport and thus it is the most suitable mean where time is an important factor. The route in air freight follows almost a straight line without regard to the terrain of the ground or water surface, and there is no investment in the construction of track. Since air freight is mainly used to transport people and high-value goods at high speed, it requires the use of high-technology for all aspects of its operation. As a result of its destructive nature once an accident occurs, air freight demands absolute safety during transportation.

Due to the above characteristics, air transport is considered to be the safest mode of transportation, with a much lower accident and damage rate than other modes of transportation. In comparison with other modes of transport, air freight provides much higher quality services with simplified procedures and documents.

Disadvantages

Air freight charges are quite high due to equipment costs, aircraft costs, and service costs. In fact, if compared to air freight for 1kg of goods on the same route, the air freight is 5-6 times higher than sea freight. Due to the high freight rates, air transport is limited to the transportation of low-value and large-volume items because transportation costs account for a large proportion of the selling price of the goods so the competitiveness of such goods will be reduced compared to goods of the same type or substitutes.

Air freight is also limited in the carriage of large and bulky goods due to the small load and capacity of the aircraft, the largest aircraft in the world today with a maximum carrying capacity is 110 tons of cargo, if combined passenger and cargo, it is only about 15-20 tons. While by sea there are ships that can carry up to tens of thousands of tons.

Air freight requires a large investment in technical facilities for aircraft, airports, equipment, stations, service systems, etc. Therefore, developing countries such as Vietnam, and poor countries face many difficulties in developing air freight due to lack of capital and modern technological equipment. Although air transport is the safest form of transport at present, when an accident occurs, it often causes great losses, affecting the economic and social life of an area.

Position of air freight in logistics

1.1.3. Position of air freight in logistics

Air freight ranks first in the transportation of goods requiring immediate delivery to meet market demand, perishable goods, emergency relief goods, rare and valuable items. In addition, air freight plays an important role in economic and cultural exchanges between peoples and countries in the world. Air freight is an important link in the connection of different modes of transport in a multi-modal transport system, which is essential for global businesses and tourism. It also plays a significant role in the promotion of economic growth, especially for developing countries.

1.2. **Overview of Vietnam air freight market**

1.2.1. The recent development progress

Although air freight is the youngest transportation industry, this type of transport has gradually proven its important role in the transport industry in Vietnam. In the past 15 years, air freight in Vietnam has experienced remarkable growth compared to other transport industries in the country and in the world.

According to data from the Civil Aviation Authority of Vietnam: Vietnam is currently attracting 50 international airlines from 25 countries and territories. In the first 6 months of 2022, the total commodity market reached 651 thousand tons, up 6.8% over the same period in 2021 and 7% over the same period in 2019, of which the domestic market reached 146.9 thousand tons, up 3.6% over the same period in 2021 and down 29% over the same period in 2019. According to the Ministry of Transport, as of March 2022, Vietnam's domestic market has six airlines currently operating an average of 55 -60 domestic routes connecting Hanoi, Da Nang and Ho Chi Minh City, and the whole country has 19 airports connecting inter-regional and intra-regional routes. The domestic market started to recover from April 2022, grew again in May 2022 and had a strong growth in June 2022. This shows that, up to now, the domestic aviation market has completely recovered and has strong growth in the second quarter of 2022. In the first quarter of 2022, domestic cargo volume reached approximately 98,000 tons (down 5% y/y) and international cargo volume reached about 292,000 tons (up 21.1% y/y). Currently, up to 88% of air freight in Vietnam is controlled by large foreign companies such as DHL, FedEx and Cathay Pacific Cargo. As Vietnam asserts its position as a manufacturing powerhouse, its exports are increasing especially to the United States, which has further boosted the demand for air freight in recent years.

Technical facilities

Currently, Vietnam has 157 aircraft and 28 helicopters. In the period 2017-2020, Vietnam's fleet added 93 aircraft, bringing the number of aircraft to 242 by 2020. Vietnam currently has 21 civil airports, including 9 international airports. Air transport development planning for the period to 2020 and orientation to 2030, the Vietnamese government has approved that there will be 26 airports with a total investment of 10.5 billion USD. Vietnam is currently implementing 11 projects, of which seven will be completed in the next three years. Especially the expansion projects of Tan Son Nhat, Cat Bi, Noi Bai, Phu Quoc stations in the 2016-2018 period, the Van Don international airport project started in 2015, and the Phan Thiet airport project in Binh Thuan province, the project to upgrade Cam Ranh international airport and the super project of Long Thanh international airport. These projects are expected to expand and improve the service quality of Vietnamese airlines in general and cargo transportation by Vietnam Airlines in particular. In addition, the completion and put into use of new highways such as the Hanoi - Hai Phong and Noi Bai - Lao Cai highways have helped to reduce time and save travel costs for support vehicles for air transport, contributing to promoting the development of air freight in Vietnam.

Airlines in Vietnam

Up to now, Vietnam has had 3 major domestic airlines, namely Vietnam Airlines (accounting for 52% of the total market share), Jetstar and VietJet Air owning a fleet of over 145 aircraft, 22 domestic airports, 25 domestic flight networks and 34 international routes. In addition, there are more than 43 foreign airlines operating to Vietnam. Human resources serving in Vietnam's airlines, as of December 2017, reached 38,980 people, an increase of about 19.4% compared to 32,640 people in 2012, an average increase of nearly 4.3% per year. The level of human resources serving in the aviation industry is gradually being improved to meet the development needs of the whole industry.

1.2.2. Potentials for development and challenges

Potentials for development

Vietnam has been considered as an ideal destination for the manufacturing and exports of electronics, textiles and garments, and others, with substantial investment from large firms including Samsung, Nike, and Foxconn.

The country is also renowned for exporting agricultural products, which generated a total export turnover of approximately US$25.5 billion in 2019. Although air transport only accounted for 0.2 percent of the total volume exported, it generated up to 25 percent of the export value of agricultural products. Thus, air transport plays a pivotal role in Vietnam’s export of various products.

In the 2022-2023 period, thanks to Vietnam’s socio-economic recovery and development program, aviation enterprises can enjoy a 2 percent interest rate on loans from commercial banks and a 50 percent reduction in environmental protection tax.

Limitations

Experts have identified the biggest challenge in developing Vietnam’s air freight industry is that the infrastructure and logistic service have failed to meet current demand, leading to soaring logistic costs. Apart from the two international airports, Tan Son Nhat and Noi Bai, which possess high-capacity international warehouses and standardized equipment, most other airports have yet to invest in the automation and synchronization of warehouse infrastructure and transportation.

The under-development of the road system also disrupts the connection between localities and local airports, which extends transport times affecting the quality of goods. However, efforts are being made to tackle the challenges facing the air freight industry. According to Mr. Vu The Phiet, General Director of Airports Corporation Vietnam (ACV), ACV is working on the development plans for the infrastructure at various airports, including Cam Ranh, Da Nang, and Can Tho airports, to satisfy the growing demand for goods transportation.

Another factor that hinders the growth of Vietnam’s air freight industry is a lack of well-trained human resources, in parallel with a shortage of staff. According to a report by the Vietnam Logistics Business Association, the logistics industry currently lacks about 2 million employees.

Besides, skilled labor is lacking as over 80 percent of the labor force in logistics is trained through working on the job while only 23.6 percent participate in training courses, according to the National Economics University. This gap in human resources for logistics as a whole, and particularly for the air freight industry also presents an investment opportunity as investors can offer specialized training programs to provide high-quality terminal workers and crew members for cargo transport.

2. The current situation of Vietnam's aviation under the impact of ASEAN's Open Sky Policy

2.1. Overview of ASEAN’s Open Skies Policy

State control over airspace has long been a concept. Early on, there were scholarly and political discussions about whether or not the skies should be exempt from a state's sovereignty. In regard to sovereignty of airspace, as well as to maintain, develop and strengthen friendly relationships and cooperation among states, many states have agreed to establish an open skies agreement. An open skies agreement, which may be bilateral or multilateral in nature, enables air carriers to take off and land at any airport in a state that is a party to the agreement. It includes duties for both parties to restrict the power of a single signatory state to make decisions over commercial aviation policies. It is a symptom of the creation of a free market system in international civil aviation and a less restricted civil aviation regime.

The Association of South-East Asian Nations (ASEAN)'s ten members have decided to implement open skies throughout their region. This transition will effectively be negotiated, with individual nations approving the policy reforms necessary to implement open skies. Negotiated agreements to open airspace are quite uncommon. Europe is the best example of an area implementing open skies, but this was not a negotiated decision. Instead, the European Court of Justice forced open skies on the nations that make up the European Union (EU).

The ASEAN nations are incredibly different. Some are populated, some are not; some have high per capita incomes, some are among the world's poorest; some have developed aviation sectors, while others have, at best, embryonic ones; some have effective, financially sound airlines, while others do not. Some ASEAN nations pursue very liberal policies, while others have restrictive policies (some of which are not even clearly articulated at this time), partially reflecting these differences. In this situation, achieving the policy objectives of open skies will be very difficult. As a region, ASEAN boasts of a population of over 500 million and a combined gross domestic product of over $700 billion. Diversity characterizes the levels of growth and development of its members.

As an association that seeks to advance economic development, ASEAN also works to promote an open skies policy. When ASEAN member states decided to hold talks on the matter in 2009, the effort had reached its pinnacle. An agreement known as the ASEAN Multilateral Agreement on Air Services and the ASEAN Multilateral Agreement on the Full Liberalization of Air Freight Services was reached as a result of these discussions and those that followed. On May 20, 2009, the accords were unanimously accepted in Manila, the Philippines. As part of the larger

ASEAN Air Transport Integration and Liberalization Plan, the ten-member Association of Southeast Asian Nations are parties to the air transport accords, which became effective on January 1, 2010.

As agreed upon by the ASEAN member nations, it will automatically deregulate bilateral and multilateral aviation services. Sadly, not all of the ASEAN member states are in favor of the ASEAN-SAM. Indonesia has so far resisted opening up its secondary cities. Manila is likewise left out of the deal by the Philippines. Finally, neither Vientiane or Luang Prabang have been released by Laos. The capacity of aviation systems to handle both passenger and cargo transport has grown significantly in ASEAN's aviation sector in recent years. The expansion of the airline network has helped the economy as a whole and the tourism sector in particular to grow.

The successful ASEAN aviation market was created by the profound integration of all facets of the aviation industry, which was aided by the establishment of the ASEAN Open Skies policy. The Open Skies Policies primary goals are to encourage market liberalization, foster a free business environment for air transport companies, and reduce overt government meddling in private sector affairs in favor of open competition. The implementation of ASEAN's policy of liberalizing air transport is crucial for fostering regional integration, connecting ASEAN to the outside world, and fostering trade, investment cooperation, labor mobility, and tourism within ASEAN.

3. Vietnam entering ASEAN's Open Sky Policy

The "Open Skies" policy has been actively being implemented by Vietnam, the country has actively advocated the CLMV Agreement on Air Transport as part of the CLMV sub-regional aviation cooperation. It was signed in 2004 to facilitate air travel within the CLMV sub-region, which is a key area for the establishment of an ASEAN sky liberalization policy.

2.2.1. The preparation process of Vietnam and domestic airlines before the journey to enter the unified ASEAN aviation market

Vietnam concluded the signing of the ASEAN multilateral agreement on the complete liberalization of air freight services with Singapore, Thailand, and Myanmar on December 22, 2009.

Three multilateral agreements on the total liberalization of freight and passenger transport services, along with Protocols on the implementation of free trade rights between each city in ASEAN with an international airport, were inked by 2013 when ASEAN's open skies initiative was put into effect. By 2016, three agreements and their implementing protocols had been fully ratified by Vietnam, Singapore, Thailand, Brunei, Malaysia, and Cambodia. Since the roadmap was formed under the "Open skies ASEAN" policy, Vietnam has been quite engaged in contributing ideas. Vietnam has demonstrated positive steps in the adoption of the policy.

Regarding institutions, Vietnam is among the first nations to finish signing and ratifying all ASEAN Framework Agreements and Implementation Protocols on Transport Facilitation signed in ASEAN, such as air transport cooperation agreements in accordance with the air transport integration roadmap, putting into practice the policy of "ASEAN Open Skies." The restrictions on commercial rights 3,4,5 between Vietnam's international airports and other ASEAN nations have so far been lifted by Vietnam. Additionally, Vietnam has a policy to support and reduce costs at secondary airports including Phu Bai, Lien Khuong, and Phu Quoc in order to encourage ASEAN airlines to increase fly routes to these airports. There are no restrictions on frequency or aircraft type for freight flights between the territories of one Contracting Party and the territories of the other Contracting Parties, or vice versa, operated by the designated airlines of the Contracting Party.

The Prime Minister Nguyen Xuan Phuc approved Vietnam's Air Transport Development Plan for the period up to 2020 and orientation to 2030, which sets forth how Vietnam will carry out its commitments in addition to the intra-ASEAN integration. This Decision's important provisions include the liberalization of air travel (including ASEAN's commercial rights) in order to complete the construction of the Southeast Asian route network by 2020:

(i) The network of routes in the Vietnam, Laos, Cambodia, and Myanmar subregion;

(ii) The expansion of routes leaving from Ho Chi Minh City with a high frequency of operation. Ho Chi Minh/Hanoi to Bangkok, Kuala Lumpur, and Singapore; opening Da Nang flight routes to these locations;

(iii) To promote the launch of direct international flights between Hai Phong, Hue, Nha Trang, Can Tho, and Phu Quoc and other nations in the region.

Vietnamese airlines have demonstrated exceptional agility in seizing chances presented by the opening of the ASEAN skies. Airlines have been preparing plans to participate in this playground for the past two years. The first is that Vietnam Airlines upgraded the general level of ground and air services from 3 stars to 4 stars in accordance with international standards as part of its preparations for this occasion. The airline invested in a current fleet of planes to carry out this strategy. which will see the airline gradually receive 33 aircraft over the course of three years, from mid-2015 to early 2019, including 19 Boeing 787 Dreamliners and 14 Airbus A350-900XWBs (including purchase and lease). This is the difference between Vietnam Airlines' services and other airlines in Vietnam.

When taking part in the ASEAN open sky playground, VietJet Air has also carefully planned strategies to be able to compete with smaller carriers. According to VietJet Air spokesman, the airline has prioritized three critical areas, including human resources, fleet, and building capability in transportation management, in addition to financial viability, in order to compete fairly with other strong airlines in the area. In order to meet the teaching and learning needs of students, VietJet Air has invested in a training facility that meets international standards. In terms of fleet investment, besides the lease contract to buy 100 aircraft with Airbus signed in 2014, VietJet Air recently signed an additional contract to order six more A321 aircraft at the Paris Airshow 2015 International Airshow.

Another important step to welcome the open skies of ASEAN by VietJet Air is to contribute 49% capital with Kan Air of Thailand to establish the joint venture Thai VietJet Air in 2013. This airline operates both domestic and international flights from Suvarnabhumi Airport (Bangkok) and recently opened a route from Bangkok to Can Tho in Vietnam. Jetstar Pacific will also switch to operating exclusively with Airbus A320/A321 aircraft, revitalize its fleet, add aircraft, and open routes in order to keep up with competitors who are preparing for the ASEAN region's open skies training and raising the caliber of human resources in the area to worldwide standards.

3.1.2. The development of Vietnam's air freight since joining and implement the policy of "Open Skies ASEAN"

In recent years, since the implementation of the "open sky" policy, Vietnam's air freight market has seen remarkable developments. Three multilateral agreements on the total liberalization of freight services have been inked since 2013, when ASEAN open skies was put into effect, and they were accompanied by Protocols put into place to liberalize trade rights between the two countries. Vietnam and the airlines themselves have recognized that any ASEAN city with an international airport represents a development potential. In addition to bolstering the fleet and operational management capabilities, Vietnam and airlines have taken action to get ready for personnel work.

As a result, there has been a noticeable advancement in air freight transport between 2013 and 2016. Particularly, the volume of goods transported by the air transport industry increased at a rate from 2015 to 2016 that was 1.6 times faster than the rate from 2014 to 2015. Vietnamese airlines have demonstrated exceptional agility in seizing chances presented by the opening of the ASEAN sky. From 2015 to the present, the number of flights connecting Vietnam and ASEAN has expanded by over ten, with more than 30 routes operated by Vietnamese and ASEAN airlines. According to the evaluation, Vietnam is one of the top nations in the area in terms of implementing international air transport integration in ASEAN rapidly and successfully. In 2021 only, despite the remaining impact of the Covid 19 pandemic, the total volume of freight carried via air transport in Vietnam reached around 283.9 thousand metric tons.

3. Recommendations for Vietnam future development under “Open Sky Policy”

3.1. Opportunity and challenges assessment

3.1.1. Opportunities

Vietnam's air freight transport has achieved significant growth in recent years, after the implementation of the "open sky" policy. According to the Ministry of Transport, Vietnam's participation in 'ASEAN Open Skies' has contributed to the creation of a favourable environment for the expansion of the region's air freight business, especially for Vietnam.

For cargo owners/charterers: Air freight liberalization boosts international commerce growth. The Vietnam market anticipates tremendous growth in trade activity as enhanced air travel services increase people-to-people relations, potentially opening up new trade prospects. The "ASEAN Open Skies" policy will reduce obstacles to the frequency and number of flight sectors, resulting in increased cargo trade in the area. The competitiveness of selected produced items would also be dependent on transportation services' capacity to allow the free movement of commodities. It is expected that the Open Skies Policy will generate extra direct GDP and direct jobs.

This also helps to connect domestic and regional industrial networks. Air transport is a safe and rapid way of transportation that promotes the connection between nations while also being an effective means of production for Vietnam's primary export items like textiles and electronic components.

Since 1991, Vietnam's air freight market has handled over 18,380 tons. After more than 30 years, the volume of cargo handled in 2021 grew to 1.3 million tons, with 1.52 million tons predicted in 2022. From 1991 through 2021, the average annual growth rate was 15.3%.

Customers now have additional options for greater service quality, including full-service and minimum-service shifts both high and low charges, as a result of a competitive and creative freight industry.

For the forwarding agent: Increase in the competitiveness of enterprises. The forwarding service competition will be fiercer in an environment where the state's direct participation in business operations is minimal, establishing a free business environment for air transport firms, and businesses will have numerous motives to reform and improve their competitive advantage.

Doing business in a larger domain provides Vietnam air freight forwarders with more market and customer source options, as well as the ability to collaborate with both national and regional airlines to increase service capacity, utilize economies of scale, and maintain long-standing relationships with the carrier.

Participating in the policy provides these forwarding firms with the chance to enlarge their network, not only with the customers and the airlines but also with other forwarders. Engaging actively in a logistics network might be one of the most important ways to grow markets, meet other freight forwarding companies that can exchange new cargo and learn from their way of doing business as well.

For the carriers/ airlines: Increased market size and opportunities to promote services. With engagement in "ASEAN Open Sky," Vietnam Airlines has more options in terms of markets and customer sources, as well as the ability to coordinate with other airlines in the region through methods such as codeshare, shared number, charter flights, and multimodal transport... to increase service capacity and route network.

Policy decisions can have an impact on airline freight profitability. Reduced sales might diminish earnings unless compensated by lower costs. Policy alternatives can also lower costs for airlines, which, all else being equal, would benefit them. Competition tends to impose a cost on enterprises by driving down prices and consequently profits. This will be alleviated to the degree that the company can save expenses through increased efficiency. If efficiency is raised, the benefit to charterers from cheaper freight will be smaller than the loss in earnings for the airline.

More importantly, in the spirit of improving quality, maintaining commitment, and promoting aviation safety, each of ASEAN's aviation industries, including Vietnam, shall commit to an exchange of information and experiences mechanism to identify information and experiences that can be exchanged between them to enhance risk reduction activities in the area of aviation safety.

Other sectors: Vietnam’s joining in the Open Sky policy also bring more customers and gives rise to the container service providers’ revenue as the increased frequency of using containers to carry goods.

Moreover, there are also improvements in some portions of other freight modes as practising multimodal transport. And this, in return, even fosters the effectiveness of the airfreight sector in Vietnam.

3.1.2. Challenges

Joining ASEAN's Open Sky Policy will provide ASEAN member nations with several prospects. However, some nations, such as Cambodia, Laos, Myanmar, and Vietnam (CLMV), may encounter considerable challenges due to cargo carriers' restricted capacity. These nations have a low degree of aviation development and will undoubtedly experience challenges in the process of air transport integration and liberalization. Closing the development gap while assuring the long-term involvement of airlines in countries such as CLMV is a challenging undertaking that air transport planners must do.

In 2015, Vietnamese airlines comprised 11.5% of the international freight market, while foreign cargo volume in Vietnam's air freight industry was 60%. Existing Vietnamese airlines currently account for 11% of international cargo transit in 2020-2021, up from 18% in 2019. Having stated that, our transportation market is a very appealing large piece of cake. When "ASEAN Open Skies" is implemented, international airlines will aggressively enter the market if Vietnamese airlines have not made efforts to increase service capacity from quality to service. The Vietnamese sector's participation will eventually decline, and the share will transfer to international carriers.

The biggest challenge in boosting Vietnam's air freight business is that infrastructure and logistic capabilities have failed to match current demand, resulting in rising logistic costs and this then leads to unattractiveness to the customers. Although there have been several upgrades since participating in the policy, Vietnam has much to be done with the infrastructure to enhance the logistics process. Meanwhile, the underdevelopment of the road infrastructure disturbs connections between settlements and local airports, extending transit times and compromising product quality.

4. Recommendation

ASEAN might think about implementing the SES (Single European Sky), TTSAM (Trans-Tasman Single Aviation Market), and EU-US OAA (Open Aviation Area) open skies agreements in order to provide a thorough understanding of the costs and benefits of the establishment of regional open skies agreements. They reflect the highest level of liberalization among the nine AFRs. The three cooperative open sky practices increase the quality of the regional aviation market and offer higher benefits for each party.

A regional open skies policy will increase mutual benefits for the industry, states, and their populations, according to previous research that identified state sovereignty as the biggest barrier to liberalization in the civil aviation sector. Furthermore, Hedlund (1994) emphasized that a multilateral regime must take the place of the traditional open skies bilateral arrangement since it cannot support the continuous globalization and expansion of the international air transport industry. ASEAN members should think about establishing a legally binding multilateral agreement to encourage more travel and trade, boost productivity, and foster high-quality employment opportunities and regional economic growth. By lowering air transportation costs, regional open skies policies will also provide a more competitive air transportation market. This backs up the single market policy of ASEAN, which promotes the free flow of skilled labor, capital, investment, and services.

Making an ASEAN open skies agreement may be difficult under the ASEAN approach. The difficult agreed ideals and the contemporary calls for liberalizing air travel may coexist, nonetheless. The optimal design for the ASEAN Open Skies Agreement is suggested in this paper. This model must incorporate crucial elements like price determination, free market competition, the creation of a regional oversight and reporting authority, dispute resolution and consultation, safety and security, and courtesy and reciprocity.

4.1.1. Proposal for business

Pricing determination: Airlines shall be free to establish their fares without restrictions in order to avoid predatory or exorbitant pricing. Except in cases of violations of the rules governing fair competition, ASEAN member nations are not supposed to interfere with the price decision.

*Establishment of regional monitoring and reporting body:*Additionally, ASEAN shall create a new body or give authority to an existing one to monitor the ASEAN Open Skies Agreement on a regular basis. To guarantee that all airlines operating within the member states satisfy the minimal standard of service and safety, this body may also offer certification for such standards. This body has the authority to suggest strong penalties for non-compliance.

Safety and Security: In addition to safety standards, the ASEAN Open Skies Agreement also should apply the international standards to prevent the act of terrorism, sabotage, hijackings, and other criminal acts that endanger regional air security.

Respect and Courtesy: The ASEAN Open Skies Agreement's operations must adhere to the comity and reciprocity principles in order to be consistent with ASEAN values. The component of the principle of reciprocity that establishes a relationship based on comity is states' willingness to acknowledge the authority of other states in what is a naturally sovereign field in exchange for their partners' willingness to do the same.

4.1.2. Proposal for government

Free market competition: Government intervention in international aviation markets should be minimized in a free market. The open market and customers will decide on the pricing strategy. Free market policies are preferable because they consistently and affordably offer incentives that compel producers to produce goods and services that satisfy consumers. Based on this, ASEAN Open Skies will commit to removing restrictions on price, frequency, routes, and capacity. Additionally, it must ensure the advancement of the nine airborne freedoms listed (Appendix).

Exchange of Information and Experiences: In the spirit of improving the quality, maintaining the commitment, and promoting aviation safety, each of the aviation industries in ASEAN shall commit an exchange of information and experiences mechanism in order to identify information and experience that can be exchanged between them to enhance risk reduction activities in the area of aviation safety.

Settlement of Disputes: This provision provides a passage for arbitration and final resolution should the issue in “consultations” not be resolved with talks between the countries. The establishment of this body must be associated with the values of independence, impartiality, transparency, adversarial principle, effectiveness, legality, liberty, principle of representation and fairness. In order to strengthen the decision, the formulation of National Enforcement Bodies shall take into account. This authority will play a vital role in ensuring that the party has implemented the decision. Subsequently, to draw attention and interest from all stakeholders, airlines, and governments, the model of ASEAN Open Skies policy should guarantee that each ASEAN’s airline is able to show their capacity and best reputation in the aviation industry. The concept of subsidy to the airlines industries can be an ideal breakthrough for this issue. This kind of restructuring aid may give an opportunity to each airline industry in ASEAN to improve their services and quality. The ASEAN Air Transport Working Group as the authority, which has the responsibility to take care of aviation issues in ASEAN, may formulate and promulgate the subsidy. The subsidy may take different forms, either grants, equity infusions, loans, or loan guarantees. To achieve a common standard of quality among the airline industry, this restructuring aid should be evaluated continuously. As an illustration, the subsidy may only be granted once in a ten-year period and at the end of the period, the airlines industry shall create their progressive report. By this report, the authority may read the progress and see the improvement of quality from all of the airlines industry. Therefore, the ASEAN open skies models may be beneficial to all stakeholders, either the consumer, airlines industry or governments and definitely increase the level of competition between airline industries.

5. Conclusion

For higher economic benefits, airspace liberalization is a prerequisite of the globalization period. At the same time, the open skies agreement helps to execute ASEAN's single market policy. Despite the apparent shortage of both capital and human resources since Vietnam is a developing nation with a lower middle income, the state may earn more profits than losses by engaging in the policy. In fact, the Open skies policy has a number of direct and indirect benefits in various areas. Customers and airlines are the primary actors who benefit immediately from the open skies policy. If this strategy is properly implemented, users of air freight in Vietnam, as well as throughout ASEAN, would profit from decreased fees. Sub-regional groups such as VLMC may be able to perform better than ASEAN as a whole, which is one of the most significant advantages that Vietnam may leverage. The process will be aided if the country shifts focus from a legalistic approach to aviation negotiations, emphasizing rigid reciprocity and non-interchangeability of aviation and non-aviation trades, and toward one that evaluates the benefits and costs of liberalization to countries and seeks to promote the nation's overall economic interests. Finally, the institutional and regulatory framework in which the transition occurs will have a considerable influence on its success—open skies will function better if competition policy, subsidy, and ownership concerns are properly addressed. Furthermore, the aviation sector's infrastructure and human resources remain deficient, and the uncontrollable overflow presents serious concerns for enterprises seeking to compete with industrialized nations in the area such as Singapore and Thailand.

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