Working Paper 2023.1.4.7

- Vol 1, No 4

SỰ PHÁT TRIỂN CỦA NGÀNH LOGISTICS VIỆT NAM TRONG BỐI CẢNH HIỆP ĐỊNH ĐỐI TÁC TOÀN DIỆN VÀ TIẾN BỘ XUYÊN THÁI BÌNH DƯƠNG (CPTPP) GIAI ĐOẠN 2019-2022

Nguyễn Ngọc Hùng[1]

Sinh viên K60 CLC Kinh tế đối ngoại - Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Trần Tiến Dũng, Nguyễn Hằng Giang, Nguyễn Thị Hồng Ngọc

Sinh viên K60 Logistics và Quản lý chuỗi cung ứng – Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Vũ Huyền Phương

Giảng viên Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Bài nghiên cứu này nhằm xem xét Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương (hay còn gọi là CPTPP) về ngành logistics Việt Nam và cung cấp những thông tin chi tiết về việc hoạt động logistics của Việt Nam đã thay đổi như thế nào sau khi áp dụng CPTPP. Dữ liệu thứ cấp về dịch vụ hậu cần, hoạt động xuất nhập khẩu đã được thu thập từ nhiều nguồn và được phân tích toàn diện từ 2019 đến 2022. Bài phân tích chỉ ra rằng do nhiều cam kết khác nhau của các thành viên CPTPP trong việc mở cửa thị trường và giảm thuế đối với hàng xuất khẩu của Việt Nam, lĩnh vực logistics tại Việt Nam đã phát triển đáng kể để đáp ứng nhu cầu của một thị trường rộng hơn và dịch vụ đa dạng hơn, dẫn đến sự tăng trưởng đáng kinh ngạc của ngành logistics Việt Nam ngay cả trong bối cảnh đại dịch Covid-19. Bài báo này cũng cho thấy các cam kết hạn chế hoặc không cam kết mở cửa của chính phủ Việt Nam trong CPTPP và các FTA khác đã giúp các doanh nghiệp vận tải trong nước giữ được thị phần chi phối. Ngoài ra, chúng tôi cũng đề xuất một số chiến lược

[1] Tác giả liên hệ, Email: k60.2112150072@ftu.edu.vn

và biện pháp cho chính phủ và doanh nghiệp để nâng cao khả năng thích ứng và tính linh hoạt của ngành hậu cần.

Từ khóa: CPTPP, hậu cần, vận tải, dịch vụ vận tải

THE DEVELOPMENT OF VIETNAM'S LOGISTICS INDUSTRY IN THE CONTEXT OF THE COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP) FOR THE PERIOD 2019-2022

Abstract

This paper aims to review the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on the logistics industry of Vietnam and to provide insights into how Vietnam’s logistics activities changed after the CPTPP application. For this purpose, secondary data on logistic services, import, and export activities were collected from multiple sources and critically analyzed from 2019 to 2022. This paper indicates that due to various commitments of CPTPP’s members to opening markets and reducing tariffs for Vietnam's exports, the logistics sector in Vietnam has developed significantly to meet both the needs of a broader customer base and a more diverse market, thus resulting in the staggering growth of Vietnam’s logistics industry even in the context of the Covid-19 pandemic. Besides clarifying the role of CPTPP in attracting foreign investment into Vietnam’s logistics sectors, this paper also suggests that the lack of or very limited commitments from the Vietnamese government to open the transport and support transport market for external businesses in the CPTPP and other FTAs has assisted domestic transport companies to retain their dominant market share. In addition, the paper also analyzes the opportunities and challenges for the Vietnam logistics industry in the context of CPTPP. Finally, our team proposes some strategies and measures to both the authorities and firms with the intent to facilitate the adaptability and flexibility of the national logistics industry.

Keywords: CPTPP, logistics, transport, transport services

Research Overview

Although there are many research papers regarding CPTPP and its effects on different Vietnam’s exports, there are very few research papers that specifically evaluate how Vietnam’s logistics industry has been developing under the implementation of CPTPP, and almost none recently. On the government side, this new-generation FTA is expected to have a positive effect on the development prospect of the logistics industry from two angles: opening the transport sector and expanding the capacity of the logistics services market due to increasing service demand and investment. The Chamber of Commerce and Industry of Vietnam (VCCI) published the CPTPP and Vietnam Logistics Industry business handbook which focuses mainly on Vietnam's commitments to open the logistics services market in the CPTPP. However, no studies have been conducted that have specifically shown how the prospects of the agreement affect the development of the logistics industry. For this particular reason, our research paper aims to provide a thorough insight into the effects of CPTPP on the development of Vietnam’s logistics industry, analyze its current and potential growth, and provide specific recommendations to foster the competitiveness of domestic businesses.

1. Overview of the CPTPP

1.1. Introduction of CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a new-generation free trade agreement (FTA) with 11 members, including Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam, (Ministry of Industry and Trade, n.d.).

The Agreement was signed on 8 March 2018 in Santiago, Chile. It became effective on 30 December 2018 for the 6 countries that first finished the ratification process, including Mexico, Japan, Singapore, New Zealand, Canada, and Australia. In Viet Nam, CPTPP came into effect on 14 January 2019, (Ministry of Industry and Trade, n.d.).

With key markets such as Japan, Canada, and Australia included, and an overall population of 514 million people (World Bank, 2021a), the CPTPP countries represent 12.1% of global GDP (World Bank, 2021b) and have an annual trade turnover of more than 10,000 billion USD. Many opportunities will be opened up when a new supply chain takes shape. This trend will grow even stronger when being a part of CPTPP, and it is a significant condition to enhance economic growth, increase labor productivity, reduce assembly workload, and participate in production stages with higher added value. Accordingly, the electronics, high-tech, and green agriculture sectors will reach a new development stage. For these reasons, this is a great opportunity to enhance the Vietnamese economy in the next 5-10 years.

1.2. Main content of CPTPP regarding logistic services

1.2.1. Overview of logistic services

Logistics management is a part of supply chain management that plans, implements, and controls the efficient and effective forward and reverse flow, and storage of goods, services, and related information between the point of origin and the point of consumption to meet customers' requirements (Advanced Solutions International, n.d.).

Logistics services are mainly divided into 3 groups:

- Group of main logistics services: loading and unloading services; warehouse and storage services; transport agency services; and other auxiliary services.

- Group of logistics services related to transport: maritime transport services; inland waterway transport services; air freight services; rail transport services; road transport services (trucks, containers, etc.).

- Group of other logistics services: product inspection and transportation technical analysis services; postal services; wholesale trade services; retailing auxiliary services (inventory management, redistribution, and delivery).

1.2.2. Regarding policies from CPTPP for logistic services

The word **"logistics services"** is not used in any relevant commitments or defined in the CPTPP. Only specified services, such as transportation and transportation support, are guaranteed by this agreement. In terms of the scope of each service, CPTPP uses the CPC code of the United Nations Provisional Central Product Classification (if the CPC code is available), (VCCI, 2019).

According to the VCCI business handbook, in the CPTPP, commitments specifically relevant to logistics services are primarily stated in

- **Chapter 9 (Investment)**: This Chapter outlines the obligations/principles of conduct that CPTPP members must follow when dealing with investors from other CPTPP members, including investors in the field of logistics
- **Chapter 10 (Cross-border trade in services)**: This Chapter outlines the obligations/principles of conduct that CPTPP members must follow when dealing with service providers from other CPTPP members when they provide cross-border services, including logistics
- **Chapter 12 (Temporary entry for business persons)**: This Chapter outlines the obligations/principles of conduct that CPTPP members must follow when dealing with individuals (managers, experts, contract service providers, service providers, etc.) representing service providers from CPTPP members when they enter and remain in Vietnam to conduct related activities

1.3. Vietnam's commitments to opening the logistics service market in CPTPP

Vietnam's commitment to open the logistics service market in the CPTPP is executed according to specific service delivery methods, divided into the following 2 groups (VCCI, 2019):

The “cross-border services” group

The following three service delivery modes are included in this group:

- Cross-border supply: Foreign service providers provide services from abroad across borders to customers in Vietnam
- Consumption abroad: Vietnamese customers travel overseas and use the services of foreign service providers there.
- Presence of natural persons: Individuals representing foreign service providers travel to Vietnam (entry and temporarily reside) to provide services in Vietnam.

The “investment” group

Foreign investors can establish a commercial presence in Vietnam to provide services to customers in Vietnam. Commercial presence can take the following forms:

- Representative office
- Branch

- Joint venture enterprise
- 100% FDI enterprise

2. The development of Vietnam's Logistics Industry in the context of CPTPP

2.1. The overview of Vietnam's Logistics Industry before and after CPTPP

In recent years, the growth rate of Vietnam's logistics industry has reached a growth rate of 14 to 16% per year, ranking in the top 8 of the Agility Emerging Markets Logistics Index in 2021 (Agility, 2021).

Regarding revenue, Vietnam's logistics sales revenue witnessed an upward trend from 2017 to 2021. As can be seen in **Figure 1**, the sales revenue of Vietnam's Logistics Industry increased gradually over the first 3 years of the period under study (305,825 million VND in 2017 to VND 332,634 million in 2019). It is apparent that after joining CPTPP in early 2019, the sales revenue of the logistics industry rose dramatically by roughly 10 percent, reaching 362,978 million VND. The growth of Vietnam's logistics sales revenue from 2019 to 2021 has doubled that of the period from 2017 to 2019, representing a significant increase of 50,857 million VND (Publishing House for Industry and Trade, 2017-2021).

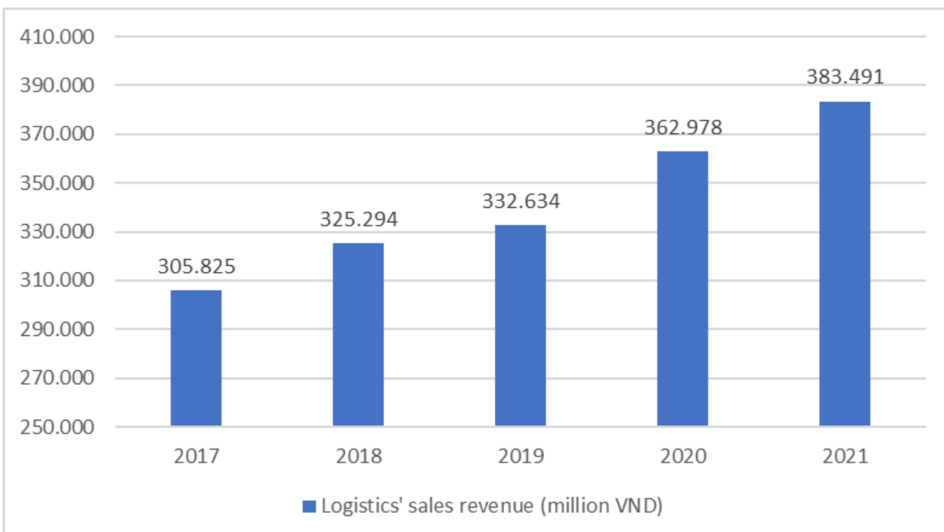

Figure 1. Sales revenue of Vietnam's Logistics Industry from 2017 to 2021 (million VND)

Source: Author's compilation from Vietnam's Logistics Report 2017-2021

The growth of Vietnam's Logistics industry can also be seen in the increase in Logistics Performance (LPI) which is assessed based on Infrastructure, Competence Logistics, International Shipments, Tracking & Tracing, Customs, and Timeliness (lpi.worldbank.org, n.d.). According to the collected data from the World Bank, Vietnam's LPI in 2021 was 3.34 out of 5, having climbed from 64th in the global ranking in 2016 (before CPTPP) to 39th in 2021. Furthermore, Vietnam also ranked third in the logistics performance index among ASEAN countries (VNA, 2021).

2.2. The effect of CPTPP on the development of Vietnam's Logistics Industry

2.2.1. The effect of import and export tariff reduction of CPTPP on the development of Vietnam's logistics Industry

The interdependent relationship between import-export and logistics activities

Lai et al. (2019) indicate that a country's transport logistics development will bolster both its regional and global trade development. Import-export and logistics are interdependent activities, with logistics being an essential component for the transportation and delivery of products from sellers to buyers. In turn, import and export activities drive the demand for logistics services. The implementation of the CPTPP has highlighted the interrelationship between import-export and logistics, as the promotion of trade between Vietnam and partner countries increases the demand for logistics services.

The commitments of CPTPP's partners to reduce tariffs on Viet Nam

To promote import and export in the region, the CPTPP has set many commitments, of which the commitment to reduce tariffs is one of the most potent. Specifically, CPTPP countries commit to eliminating 77% to 100% of import tariff lines for goods originating from Vietnam, (**Figure 2**).

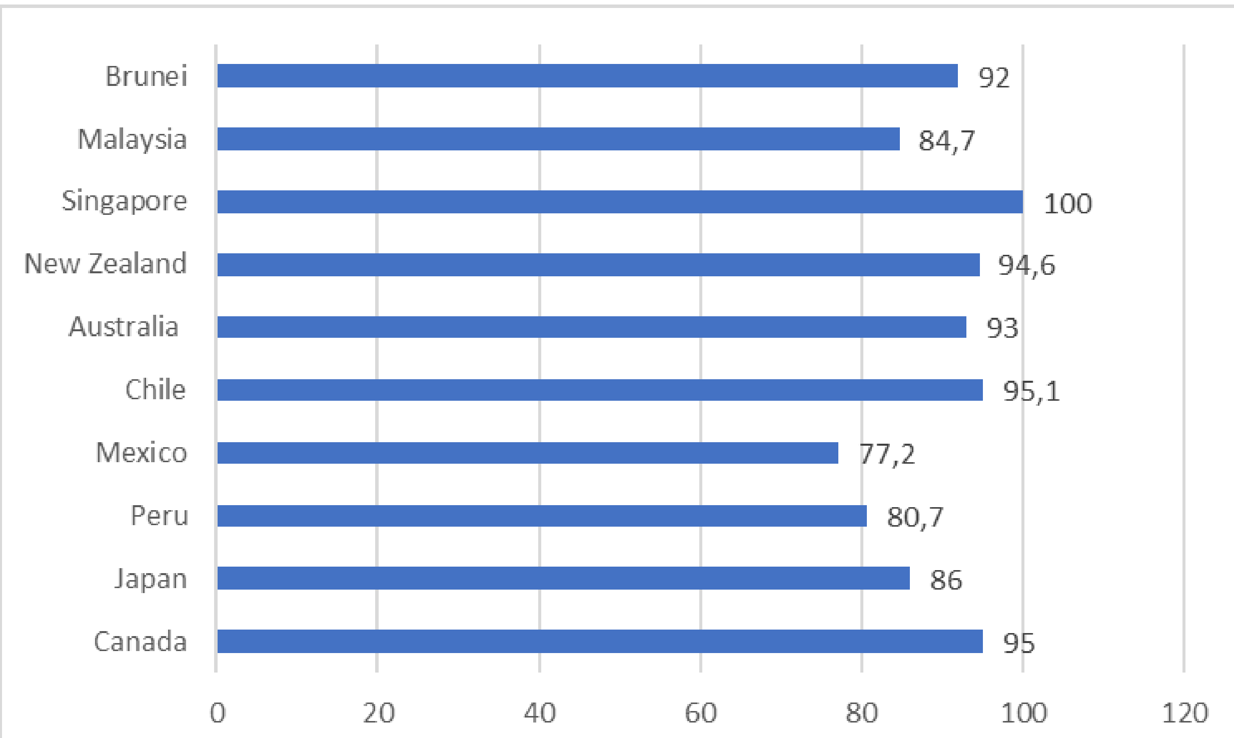

Figure 2. Percentage of import tariff lines reduction from CPTPP members to Vietnam (%)

Source: CPTPP (2019)

The effects of CPTPP's tariffs reduction on Viet Nam's import & export activities and the logistics industry

Since CPTPP, due to many tax incentives, Vietnam's import and export activities with member countries have taken place efficiently. However, in the first three years of implementation, the global economy - trade in general and trade between Vietnam and CPTPP partners in particular - faced many difficulties, such as the US-China trade tensions and the COVID-19 outbreak, leading to the interruption of the global supply chain.

In 2019, Vietnam's exports to this bloc were worth 39.5 billion USD. However, under the influence of the aforementioned situation, the export turnover slightly declined to 38.75 billion USD in the second year (2020). The same trend can also be seen in Viet Nam’s import turnover from the CPTPP bloc. However, by the third year, the import and export turnover of Viet Nam to CPTPP had regained at a developing pace, and the import-export turnover reached a peak of 91.4 billion USD (**Figure 3**).

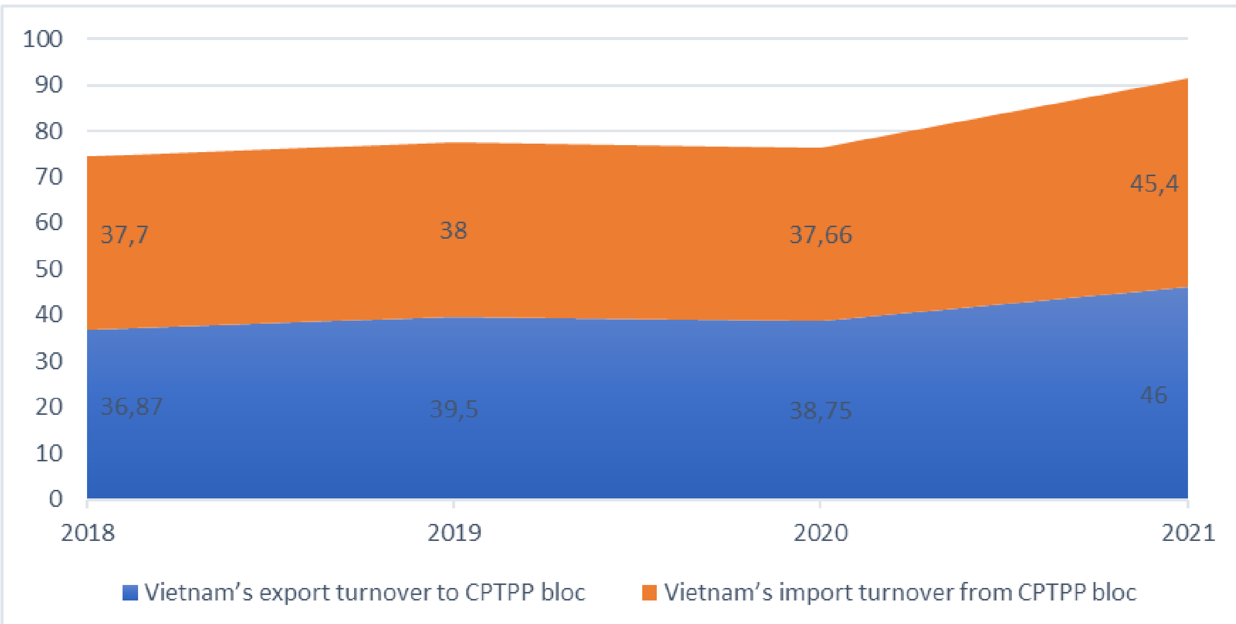

Figure 3. Viet Nam’s import and export turnover to the CPTPP bloc from 2018 to 2021 (billion USD)

Source: Calculated by the author based on Trademap data

As mentioned above, import-export and logistics have a close and inseparable relationship. Export-import development also means that the demand for logistics services increases. Services in logistics for import and export activities include transportation, warehousing, delivery, customs clearance, technical analysis, inspection, consulting, and transportation supporting services.

The revenue generated from warehousing and support activities for transportation upon the implementation of CPTPP (2019) was approximately 16,700 million USD. However, in 2020, due to the negative impact of Covid-19, this figure dramatically decreased by 2,000 million USD. Nevertheless, as the economy recovered from the pandemic, Vietnam experienced significant growth in revenue from warehousing and logistics activities. Furthermore, this figure is expected to reach a peak of 18 billion USD in 2023 (**Figure 4**).

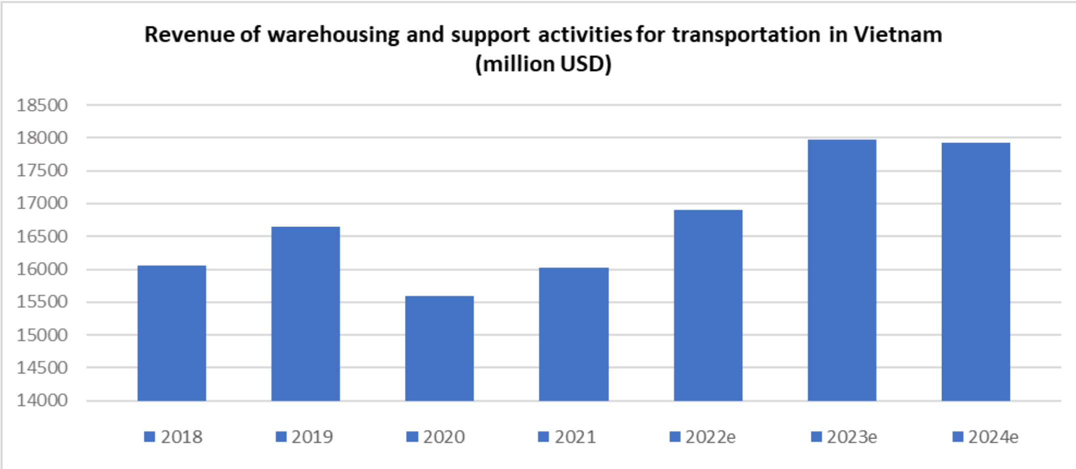

Figure 4. Revenue of warehousing and support activities for transportation in Vietnam (million USD)

Source: Publishing House for Industry and Trade (2021)

Following the COVID-19 pandemic, imports and exports resumed a strong growth trajectory, leading to an increase in sea and inland waterway transportation. Specifically, the volume of goods transported by sea in 2018 was 145 billion ton-km. Under the effects of CPTPP, the figure rose significantly and reached a peak of 172 billion ton-km in 2020 (**Figure 5**).

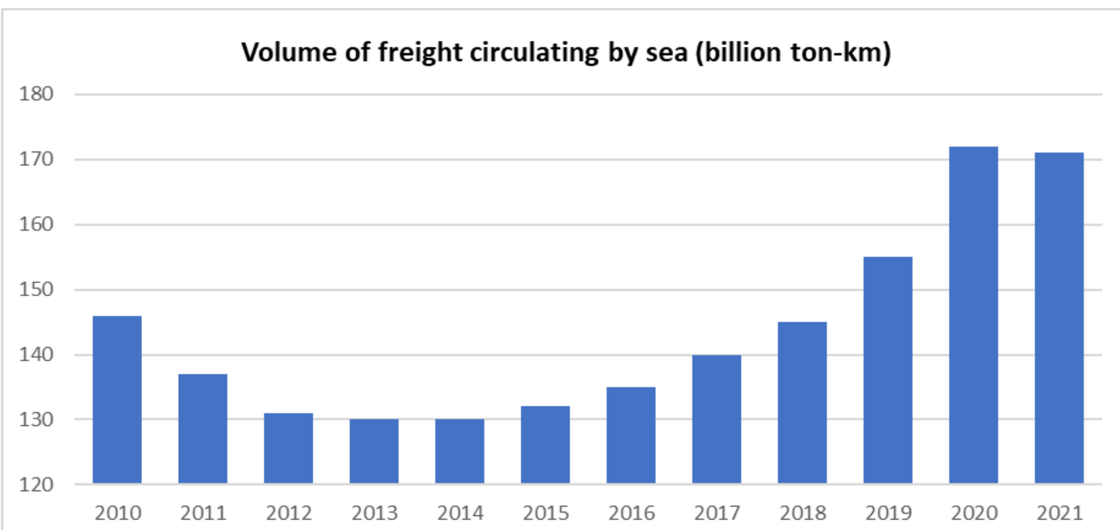

Figure 5. Volume of freight circulating by sea (billion ton-km)

Source: Publishing House for Industry and Trade (2021)

With the aforementioned numbers, it can be argued that Vietnam's logistics sector has been positively affected by the tariff incentives of the CPTPP, resulting in increased import and export activities with member countries. This trend is expected to continue in the future, with the scheduled reduction of tariff lines set to further drive growth in the import-export market, particularly in transportation and warehousing services. As a result, the logistics industry in Vietnam is poised to experience significant expansion, with increased demand for services such as customs clearance, freight forwarding, and last-mile delivery.

2.2.2. The effect of the government's protectionism policies in defending the domestic logistics market in the context of CPTPP

Logistics services that Vietnam reserves the majority of its obligations to open

Vietnam reserves the right to (a) Take discriminatory measures (between domestic and foreign, between foreign countries); (b) Local presence requirements; (c) Require the use of a manager who is Vietnamese or permanently residing in Vietnam for the following logistics services:

Table 1. Logistics services reserved by Vietnam from opening

(i)	Air transport-related services: special flight services (except commercial flight training), ground handling services, and airport operation services.
(ii)	Operation and management services of river ports, seaports, and airports
(iii)	Coastal maritime transport services
(iv)	Inland waterway transport: coastal transport services, charters with crews (CPC 7223)
(v)	Space transport
(vi)	Pipeline transport
(vii)	Rail transport (some domestic transport services, infrastructure business services)
(viii)	Some inland road transport services
(ix)	Push-pull services

Source: CPTPP and Vietnam Logistics Industry (VCCI, 2019)

Logistics services that Vietnam reserves parts of its opening obligations

For logistics services in this group, Vietnam must open its market to investors, providing CPTPP services at a minimum level as reserved. In services with no reservations, Vietnam must fully comply with basic obligations/principles of opening cross-border investment/services of CPTPP, (VCCI, 2019).

Examples of logistics services that Vietnam partially opened in the CPTPP:

- Transport-by-sea services (flag fleet, other shipping services)
- Some inland water transport services (freight, passenger)
- Some air transport services (freight, passenger, ground services, etc.)

Market share of domestic logistics enterprises

Despite only making up only a minor portion of the global market due to low levels of competitiveness, Vietnamese transportation companies dominate the domestic industry due to very limited or no commitments by the government to open up markets in WTO and other FTAs.

Up to 90% of Vietnam's imported and exported goods are transported by sea. Vietnam's fleet currently holds practically the entire market share for inland transport. Inland waterway transport is still a service mainly provided by Vietnamese enterprises, with the ability to transport goods with large volumes and super-heavy fields, specially developed in the Southern Delta region (which has the advantage of rivers and agricultural markets with high transportation demand). Road and rail transport are also mainly dominated by domestic enterprises, especially those requiring quick transport (e.g. frozen goods, seafood, fruits, high-value goods).

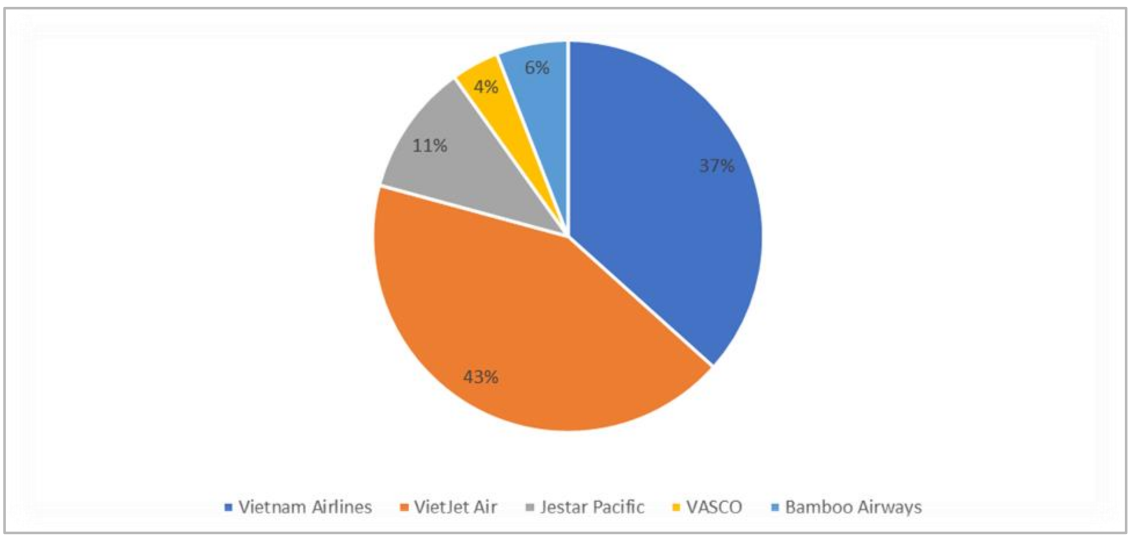

Figure 6. Percentage of domestic aviation market share in 2019 (%)

Source: Civil Aviation Authority of Vietnam

In the aviation industry, there are 55 foreign airlines and 5 domestic airlines operating in Vietnam (2019). To illustrate, in **Figure 6**, 5 Vietnamese airlines accounted for the absolute proportion of domestic routes due to the government's protectionist policy. As for international routes, the advantage belongs to foreign carriers, with 82% of the market share.

Thereby, it can be seen that one of the factors that significantly affect the development of Vietnam's logistics industry is the limitations on market-opening commitments in this field, as well as the strict protection from the government to ensure the dominant market share for domestic businesses.

2.2.3. The effect of CPTPP on attracting foreign investment into Vietnam's logistics sectors

As mentioned above, Vietnam has reserved certain obligations on some logistics services to ensure competitiveness between domestic and foreign enterprises. However, this does not mean that Vietnam completely prohibits domestic logistics services to member countries. Due to the "opt-out" approach in the CPTPP, the remaining logistics services will be considered as enjoying the commitments specified in the CPTPP as usual. Thus, the majority of Vietnam's logistics services are still able to access regional markets, expand their scale, and attract investment capital from CPTPP member countries.

Summary of basic obligations/principles in market opening for investment and cross-border services of CPTPP

According to VCCI (2019), CPTPP encompasses a range of principles and obligations governing market opening for investment and cross-border services (**Table 2**)

Table 2. Obligations/Principles for investment and cross-border services.

Investment	Cross-border services
Principles of Non-Discrimination (NT-MFN)	Principles of Non-Discrimination (NT-MFN)
Performance Requirements	Market Access
Principles related to "Senior Management Personnel and Management Board"	Principles related to "Local Presence"

Source. Authors' compilation from VCCI's handbook

In relation to investment, the agreement includes the *Principles of Non-Discrimination*, which aim to prevent discrimination against investors or their investments based on nationality. *Performance Requirements* also limit the extent to which governments can impose particular requirements on investors or their investments. Additionally, the agreement mandates that governments refrain from requiring or encouraging investors to hire specific individuals as senior management personnel or board members based on nationality or residency.

Regarding cross-border services, the CPTPP includes several obligations and principles, including non-discrimination (NT-MFN), market access, and the principle of local presence. The principle of non-discrimination requires member countries to treat service providers from other member countries no less favorably than their own service providers or those of any third country.

Market Access involves eliminating quantitative restrictions on the provision of services and removing other measures that act as barriers to trade in services. The principle of *Local Presence* states that the host country cannot mandate the service provider to set up a representative office or residence specifically for providing cross-border services.

By providing greater certainty and predictability for investors, these provisions help to mitigate risks associated with investing in Vietnam and ensure that foreign investors are not disadvantaged compared to domestic investors. Therefore, foreign investors and service providers are more likely to invest in Vietnam, which can transfer new technologies, knowledge, and management practices that can contribute to the development of the Vietnamese economy. In this way, the CPTPP can encourage foreign investors and service providers to expand their operations in Vietnam, which can lead to increased FDI inflows and promote economic growth and development in the country.

Foreign direct investment (FDI) serves as an essential avenue for transferring technology to developing countries. This represents a significant advantage of FDI, as numerous developing countries, including Vietnam, have limited levels of scientific and technological development, and new technology primarily originates from industrialized nations. Historically, South Korea and Japan were the top two countries investing in Vietnam (Vietnam News, 2019). However, in 2020, Singapore unexpectedly surpassed them, attaining the top spot with a registered capital of almost 9 billion USD (Alpuerto, 2021), of which 1 billion USD was invested through capital contributions and share purchases, representing 31.5% of the total foreign investment capital in Vietnam, double the amount recorded in 2019 (4.5 billion USD).

3. SWOT analysis for the logistics industry in the context of CPTPP integration

The SWOT analysis is a valuable strategic tool to help Vietnam’s logistics industry assess their current position and develop effective strategies for future growth. This approach, as suggested by Helms and Nixon (2010), assists organizations in identifying their internal strengths and weaknesses as well as potential external opportunities and threats. Vietnam’s logistics industry can better understand the challenges and opportunities presented by CPTPP integration, and develop appropriate strategies to enhance the industry's competitiveness and attractiveness to foreign investment.

3.1. Strengths of Vietnam's logistics industry

Vietnam’s logistics industry possesses several strengths that can be leveraged to facilitate its growth and development as follows

Strategic location

Firstly, one of the country's advantages is its strategic location, which positions it as a gateway to Southeast Asia and China. This location allows Vietnam to capitalize on the growth of regional trade and to serve as a hub for international supply chains. In addition to its favorable location, Vietnam has been investing significantly in infrastructure, including ports, highways, and airports.

This investment in infrastructure has been instrumental in supporting the growth of the logistics industry and has helped to increase the efficiency and capacity of logistics services in the country.

Growing e-commerce market

The growing e-commerce market in Vietnam is also driving demand for logistics services. As consumers increasingly turn to online shopping, the need for efficient and reliable logistics services has become increasingly important (Nguyen, 2022). Vietnam is also home to several established logistics companies with strong networks and expertise such as Vinafco, Gemadept, and Transimex. These companies are well-positioned to capitalize on the growth of the logistics industry in Vietnam and to provide high-quality logistics services to domestic and international customers.

CPTPP membership

Lastly, the CPTPP provides preferential tariff treatment, boosting the competitiveness of Vietnam’s logistics industry. This agreement opens up new markets for Vietnamese goods and services and reduces trade barriers, providing further opportunities for growth in the logistics industry.

Overall, these strengths provide a solid foundation for the logistics industry in Vietnam to build upon. By leveraging these strengths and developing effective strategic plans, the industry can grow and develop in the coming years.

3.2. Weaknesses of Vietnam's logistics industry

Despite its strengths, the logistics industry in Vietnam also faces several weaknesses that could hinder its growth and development.

Inadequate logistics infrastructure

Vietnam's logistics industry faces significant challenges due to inadequate logistics infrastructure. This issue is particularly prominent in rural areas, where the lack of modern and efficient infrastructure limits the ability of logistics companies to transport goods quickly and efficiently. Moreover, the absence of logistics infrastructure and insufficient linking infrastructure at the national, municipal, and regional levels exacerbates the inefficiencies in supply chain management and transportation. This results in high logistics costs, which ultimately affect the industry's competitiveness. The insufficient rail connections to logistics industrial zones and logistics centers at Vietnam's deep-water seaports, and the resulting issues with congestion, further highlight the need for improvements in logistics infrastructure in Vietnam.

The lack of skilled logistics personnel

The logistics industry requires a skilled workforce to manage and operate its logistics networks effectively, but the shortage of skilled personnel may pose a significant challenge to the industry's growth (VIRAC, 2020). In 2017, the Vietnam Logistics Research and Development Institute conducted a survey of more than 3,000 businesses operating in Vietnam (excluding shipping companies, road, sea, and air transport companies, as well as express and port operating companies). However, through survey results of enterprises providing and using logistics services in Vietnam, it was found that there are 54.3% of enterprises with a low grasp of logistics; 35.3% of enterprises with average understanding, and only 10.3% of enterprises with a good understanding of logistics (Prof.PHD.Dang Dinh Dao- PHD.Nguyen Phuong Lan, 2022).

In addition, only around 6000 skilled employees and 1 million workers are taking part in the industry, meeting only 40% of the actual demand for the workforce. Additionally, 53% of logistics enterprises in Vietnam face a shortage of labor with logistics skills and expertise. Only 6.7% of companies were satisfied with their employees' expertise, and 30% had to retrain their staff (Thuy, 2019).

In summary, these weaknesses must be addressed through strategic measures and investments in infrastructure, technology, and education to strengthen the industry's competitiveness and sustain its growth.

3.3. Opportunities from CPTPP for Vietnam's logistics industry

Joint ventures, cooperation, and investment

CPTPP has a variety of commitments. Market opening for both investment and services in some logistics sectors is at a higher level compared to that of WTO. Moreover, with the opt-out commitment, many unnamed logistics services will also be opened at a significant level. This is a great opportunity to attract investment, especially foreign investment in this industry, which will then create strong development steps for the industry (especially in aspects that require capital, technology, etc.).

Market expansion due to increasing demand for logistics activities

According to World Bank Group (2018), by 2030, CPTPP is expected to increase Vietnam's GDP by 1.1 to 3.5%, helping to increase Vietnam's total export turnover by 4.2 to 6.9%, increasing Vietnam's total imports by 5.3 to 7.6%. The busier the production and import and export activities, the larger the market for logistics services expands, especially international logistics services.

Improving business efficiency regarding administrative procedures

Commitments and non-tariff barriers in the CPTPP will create great pressure on the Government of Vietnam to reform many areas related to logistics activities, especially customs and specialized examinations. The implementation of these commitments will significantly improve the import and export procedures of goods – which have a direct impact on the efficiency of many logistics activities, including transport and transport support.

Outsourcing and reducing business costs

CPTPP’s commitment to eliminate tariffs on transport vehicles, machinery, equipment, and technology for logistics activities is the opportunity for logistics enterprises to buy goods at a more reasonable price, thereby reducing operating costs. Being able to control equipment sources and reduce operating costs will also contribute to improving the competitiveness of businesses.

In conclusion, the CPTPP provides favorable conditions for the industry's growth and development, such as reduced tariffs, streamlined customs procedures, and increased access to international markets. This presents a unique opportunity for logistics companies in Vietnam to capitalize on and increase their competitiveness on a global scale.

3.4. Threats from CPTPP for Vietnam's logistics industry

Vietnam has access to the market for logistics services in CPTPP countries. The capacity of logistics companies to enter the markets of these countries, however, is not particularly favorable due to

Fierce competitors

Singapore, one of Viet Nam's CPTPP partners, ranks seventh on the World Bank's Logistics Competency Index (LPI) (The World Bank, 2018). The involvement of renowned and experienced logistics companies like APL Logistics, Kaplan Logistics, and Whitebox is which grants Singapore its "authority" in the sector. These businesses control a sizable portion of the logistics market in Singapore. Therefore, entering and thriving in such a competitive industry would be a substantial obstacle for Vietnamese logistics companies.

High standards for the quality of services from clients

For instance, the Japanese are widely acknowledged as highly discerning consumers. Products seeking to penetrate the Japanese market must conform to exacting standards. Additionally, just-in-time (JIT) delivery represents the foremost criterion for Japanese logistics service providers. In the event that the delivery is slightly delayed or the delivery personnel exhibits suboptimal conduct, the delivered products can be rejected. To meet client expectations in foreign markets, Vietnamese logistics firms must exercise scrupulous attention to detail throughout each phase of the logistics process, meticulously scrutinizing even the minutest products and services.

Higher logistics costs compared to other CPTPP members

Vietnam's logistics industry is considered relatively uncompetitive due to its high logistics-related costs. The limited capability of Vietnamese logistics service providers, who primarily act as agents or subcontractors for foreign logistics providers, along with the prevalence of small and medium-sized businesses, results in suboptimal logistics operations and higher costs. The Vietnam Logistics Association estimated logistics expenditures as 14.5%-19.2% of GDP in 2017, and roughly 16.8% or 42 billion USD in 2020, higher than many other countries (Publishing House for Industry and Trade, 2020). While logistics costs for production and commercial firms have fallen in 2020, Vietnam's logistics industry still lags behind other CPTPP members.

4. Recommendations and proposals

4.1. For policymakers

Policymakers should invest in education for future *human resources* to support the development of the logistics industry, and the government should fund this effort. The network of institutions for higher education and vocational training in logistics should be examined and reorganized to meet the demands of the Vietnamese logistics market. The government is advised to promote linkages and training cooperation between Vietnam and other countries to enhance the quality of Vietnamese instructors.

To improve *technology* in logistics, the government should issue policies to apply information technology in logistics activities, enforce electronic procedures at seaports, and consult modern technologies from developed countries to improve port security and efficiency while ensuring traceability.

Regarding *infrastructure*, the government should review planning and synchronize transport services, adjust local construction planning associated with infrastructure development and logistics services, and ensure that transport planning aligns with strategies for industrial production, agriculture, import and export, and socio-economic development.

4.2. For domestic businesses

Vietnam's logistics industry has received many opportunities from CPTPP, including market and business cooperation opportunities. This is a favorable condition to promote the development of Vietnam's logistics industry and increase its competitiveness. Therefore, striving to overcome limitations and developing strengths is essential for Vietnamese logistics enterprises to take advantage of opportunities from CPTPP.

Regarding *the workforce*, logistics enterprises need to invest more in the education of human resources to ensure logistics skills and qualifications by collaborating with training institutions to organize practical training programs, in-depth training, and thematic events.

Regarding *planning and business capacity*, Vietnamese logistics enterprises need to thoroughly understand the commitments for the logistics services of CPTPP to identify opportunities for cooperation with CPTPP partners. Subsequently, they can make specific plans to improve quality and services. One of the weaknesses that Vietnamese enterprises need to overcome is the weak application of information technology and connection to increase links with different logistics service providers.

Regarding *infrastructure*, logistics enterprises need to cooperate with the state to develop infrastructure, creating favorable conditions for the transportation and circulation of goods.

Conclusion

After analyzing and revising the topic thoroughly, our team came to several conclusions as follows:

First, CPTPP’s commitments to reduce tariffs on imported goods among member countries have facilitated trade in goods, resulting in a greater demand for goods transportation in general and logistics services in particular. Consequently, the increased demand for freight and transportation has laid the foundation for the remarkable development of the logistics industry. The government's protectionism measures have also been shown to be effective in protecting the market share of Vietnamese transport enterprises when the competitiveness of domestic logistics enterprises in the international market is still insignificant. CPTPP also helps increase foreign investment in multiple Vietnam industries, including the logistics sector.

Second, CPTPP offers Vietnam’s logistics industry various opportunities, but also certain challenges. Expanding markets, attracting foreign investors, and receiving new science and technology in operation and management are among the most important advantages Vietnamese enterprises will be benefited from. However, fierce competition from international competitors, high service standards, as well as weakness in experience, will be difficult problems for Vietnamese enterprises to address.

Third, our team proposes a few practical ideas to aid in developing the government's strategy and the direction of corporate growth. The key to our approach is to concentrate on improving the caliber of human resources, learning new technologies from countries with strengths in the logistics sector, and enhancing infrastructure. All aspects of these solutions should be implemented simultaneously to ensure the sustainable development of the domestic logistics industry.

References

Advanced Solutions International, I. (n. d.), “CSCMP supply chain management definitions and glossary”, *SCM Definitions and Glossary of Terms*, Available at: https://cscmp.org/CSCMP/Educate/SCM_Definitions_and_Glossary_of_Terms.aspx#:~:text=Logistics%20management%20is%20that%20part,order%20to%20meet%20customers%27%20requirements (Accessed: April 14, 2023).

Agility. (2021), “The Agility Emerging Markets Logistics Index”, *AEMLI Report*, p. 12, Available at: https://www.agility.com/en/emerging-markets-logistics-index/downloads/ (Accessed: November 24, 2022).

Alpuerto, A. (2021), “Singapore retains top rank as Vietnam's largest foreign investor in 2021”, *Vietcetera*, Available at: https://vietcetera.com/en/singapore-retains-top-rank-as-vietnams-largest-foreign-investor-in-2021 (Accessed: November 23, 2022).

Civil Aviation Authority of Vietnam. (2019), Available at: https://caa.gov.vn/bao-cao-thong-ke.htm (Accessed: November 24, 2022)

CPTPP. (2019), “Commitments on import duties from CPTPP members for Viet Nam”, *Ministry of Industry and Trade*, Available at: http://cptpp.moit.gov.vn/?page=overview&category_id=949337b7-18f7-463d-8016-7c56827c143a.

Dang Dinh Dao, Nguyen Phuong Lan (2022), “Developing Vietnam's logistics infrastructure and legisating”, *Vietnam Logistics Review*, Available at: https://vlr.vn/developing-vietnam-s-logistics-infrastructure-and-legisating-8262.html (Accessed: November 29, 2022).

Helms, M.M. and Nixon, J. (2010), "Exploring SWOT analysis – where are we now?: A review of academic research from the last decade", *Journal of Strategy and Management*, Vol. 3 No. 3, pp. 215–251, Available at: https://doi.org/10.1108/17554251011064837.

Lai, K. et al. (2019), "Are trade and transport logistics activities mutually reinforcing? Some empirical evidences from ASEAN countries", *Journal of Shipping and Trade*, Vol. 4 No. 1, p. 2, Available at: https://doi.org/10.1186/s41072-019-0041-x.

Ministry of Industry and Trade. (n.d.), "CPTPP là gì?", *Hiệp định đối Tác Toàn Diện và Tiến Bộ Xuyên Thái Bình dương*, Available at: http://cptpp.moit.gov.vn/?page=overview&category_id=9040e56c-c3f5-4592-9fe7-baa47f75a7c0 (Accessed: November 24, 2022).

Nguyen, M.-N. (2022), "*Topic: Logistics industry in Vietnam - statistics & facts*", Statista. Available at: https://www.statista.com/topics/8698/logistics-industry-in-vietnam/#topicOverview (Accessed: November 27, 2022).

Publishing House for Industry and Trade. (2017), "Báo cáo Logistics Việt Nam 2017: Từ kế hoạch đến hành động.", Available at: https://logistics.gov.vn/upload/bao%20cao%20logistics%20viet%20nam%202017.pdf (Accessed: November 25, 2022).

Publishing House for Industry and Trade. (2018), "Báo cáo Logistics Việt Nam 2018: Logistics và Thương Mại Điện Tử.", Available at: https://valoma.vn/tai-lieu/bao-cao-logistics-viet-nam-2018-logistics-va-thuong-mai-dien-tu/ (Accessed: November 25, 2022).

Publishing House for Industry and Trade. (2019), "Báo cáo Logistics Việt Nam 2019 – Nâng cao giá trị nông sản.", Available at: https://valoma.vn/tai-lieu/bao-cao-logistics-viet-nam-2019-nang-cao-gia-tri-nong-san/ (Accessed: November 25, 2022).

Publishing House for Industry and Trade. (2020), "Báo cáo logistics Việt Nam 2020: Cắt giảm chi phí logistics.", Available at: https://valoma.vn/tai-lieu/tai-lieu-tieng-viet/bao-cao-logistics-viet-nam-2020-cat-giam-chi-phi-logistics/ (Accessed: November 25, 2022).

Publishing House for Industry and Trade. (2021), "Báo cáo logistics Việt Nam 2021: Phát triển nhân lực logistics.", Available at: https://valoma.vn/tai-lieu/tai-lieu-tieng-viet/cong-bo-bao-cao-logistics-viet-nam-2021/ (Accessed: November 25, 2022).

The World Bank. (2018), "Global Rankings 2018 | Logistics Performance Index", *Worldbank.org*, Available at: https://lpi.worldbank.org/international/global/2018.

Thuy, N. (2019), "Vietnam's logistics sector faces labor shortage of 2 million people", *Hanoi Times*, Available at: https://m.hanoitimes.vn/vietnams-logistics-sector-faces-labor-shortage-of-2-million-people-300252.html (Accessed: November 24, 2022).

VCCI. (2019), "Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương (CPTPP) và ngành logistic Việt Nam", *Sổ tay doanh nghiệp*, p. 12, Available at: https://wtocenter.vn/chuyen-de/15457-cptpp-and-vietnams-logistics-sector.

Vietnam News. (2019), "Việt Nam ranked in top countries for investment", Available at: https://vietnamnews.vn/economy/535610/viet-nam-ranked-in-top-countries-for-investment.html (Accessed: November 26, 2022).

VIRAC. (2020), "The current status of human resources in Logistics industry: Lack of high quality manpower, human capital on course to decline post Covid-19", Available at: https://viracresearch.com/the-current-status-of-human-resources-in-logistics-industry-lack-of-high-quality-manpower-human-capital-on-course-to-decline-post-covid-19/.

VNA. (2021), "Vietnam ranks third in logistics performance index in ASEAN", *VietnamPlus*, Available at: https://en.vietnamplus.vn/vietnam-ranks-third-in-logistics-performance-index-in-asean/205588.vnp (Accessed: November 26, 2022).

World Bank Group. (2018), "CPTPP brings Vietnam direct economic benefits and stimulate domestic reforms, WB report says", *World Bank Group*, Available at: https://www.worldbank.org/en/news/press-release/2018/03/09/cptpp-brings-vietnam-direct-economic-benefits-and-stimulate-domestic-reforms-wb-report-says#:~:text=%E2%80%9CEven%20under%20conservative%20assumptions%2C%20the,Bank%20Country%20Director%20for%20Vietnam. (Accessed: November 20, 2022).

World Bank. (2021a), "Population, total - Singapore, Brunei Darussalam, New Zealand, Australia, Canada, Chile, Japan, Malaysia, Mexico, Vietnam, Peru", *World Bank Open Data*, Available at: https://data.worldbank.org/indicator/SP.POP.TOTL?locations=SG-BN-NZ-AU-CA-CL-JP-MY-MX-VN-PE (Accessed: November 24, 2022).

World Bank. (2021b), "GDP (current US$) - Vietnam, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore", *The World Bank Data*, Available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=VN-AU-BN-CA-CL-JP-MY-MX-NZ-PE-SG (Accessed: November 24, 2022).