Inadequate logistics affecting Vietnam's textile-garment sector

By Jens Kastner 10 October 2018

Vietnamese textile and garment enterprises suffer from logistics costs being higher in their country than in regional competitors such as China, Malaysia and Thailand, industry observers have warned.

Logistics costs in Vietnam exceed Thailand's, China's and Malaysia's by 6%, 7% and 12% respectively, according to the Vietnam Textile and Apparel Association (VITAS).

Hanoi-based news publication, Vietnam News, cited in September that Nguyen Xuan Duong, chairman of the Hung Yen Garment Joint Stock Company, based in Hưng Yên province, northern Vietnam, saying his company's competitiveness has been undermined because "it has to spend around US$5m on logistics services for exports every year."

The Hanoi-headquartered StoxPlus Corporation, a financial and business information company, estimated that in 2016 Vietnam-based enterprises (of all sectors) shouldered a total of US$186bn in logistics costs, accounting for 20.8% of GDP.

Germany Trade & Invest (GTAI) in Vietnam, a government-affiliated agency assisting German investors in Vietnam, including in the textile-garment sector, says the reasons for high logistics costs are manifold, ranging from sluggish road net expansion and hefty toll fees to exhausted port capacity and inefficient logistics management on the local level.

GTAI also point out that logistics specialists are in short supply.

Indeed, according to the Vietnam Association of Logistics Service Enterprises, the country is short of 200,000 logistics specialists.

"A 2,000 km truck transport from Lang Son in the north to Bac Lieu in the south costs US$210 in toll fees, and a lack of express roads translates into lengthy transport times," says Dr Frauke Schmitz-Bauerdick, director of the GTAI.

She told WTiN that "rail transport is no alternative, given the completely outdated rail network".

Schmitz-Bauerdick adds that export-orientated businesses in Vietnam also suffer from delays in goods handling at the ports, which is partly owing to massive congestion on the ports' feeder roads and cumbersome customs clearance.

"That said, due to improvements in transport quality and the deployment of modern tracing and tracking methods, Vietnam's rank in the World Bank's Logistics Performance Index [LPI] 2018 climbed by 25 spots to 39th from the previous index, and the government has been working to reform the customs clearance processes," says Schmitz-Bauerdick.

The World Bank's biannual LPI allows for comparisons across 167 countries. In the 2018 LPI, Vietnam trails China (26) and Thailand (32) but comes ahead of Indonesia (46), the Philippines (60) and Cambodia (98).

In June this year (2018), the government announced that 47 administrative procedures handled by 11 ministries and sectors had been connected to Hanoi's National Single Window (NSW) one-stop-shop programme by late April, facilitating smoother and more transparent customs clearance for imports and exports.

In January, Vietnam was among five ASEAN (Association of Southeast Asian Nations) to have officially applied for the ASEAN Single Window (ASW) for smoother movement of goods between ASEAN members.

Moreover, Vietnam, together with the Global Alliance for Trade Facilitation, is working to introduce a customs bond system to further facilitate customs clearance and reform import and export procedures.

“The outlook is good, with increasing industrialisation and foreign trade driving demand for logistic services,” says Schmitz-Bauerdick.

“Vietnam wants to position itself as a regional logistics hub… a steadily improving port infrastructure will connect Vietnam better to international shipping routes.”

Quelle: World Textile Information Network (WTiN)