

# Vietnam and US trade and investment increasing

By Robert L. Wallach, AJOT

Vietnam is attracting more investments from the United States and foreign companies and improving the business environment for partnering with local firms. Their level of economic development is lower than cross-border neighbor China, yet infrastructure investments in ports and roads are contributing to strong and steady growth rates. Vietnam is well positioned to benefit from the new and largest free trade area in the world when the China-Association of Southeast Asia Nations (ASEAN) Free Trade Area (CAFTA) begins in 2010.

The United States is important to Vietnam's trade and investment as a result of several policies since the lifting of the trade embargo in 1992. Namely, the 2001 Bilateral Trade Agreement that normalized U.S.-Vietnam relations as well as the 2007 U.S.-Vietnam Trade and Investment Framework Agreement (TIFA). "Since 2001, Vietnam had most favored nation (MFN) policy with the U.S.A. and cargo increased 40 percent and keeps increasing," said Mark Vu, Director, Marina Logistics, Hanoi in a recent interview with the American Journal of Transportation.

In fact, the U.S. is Vietnam's second largest trading partner after China. In 2008, total bilateral trade was \$15.7 billion for a \$10.1 billion surplus for Vietnam. United States imports were up 21 percent from 2007 of knitted and woven apparel, furniture, footwear and coffee of \$12.9 billion whereas U.S. exports increased 46.6 percent from 2007 of machinery, vehicles, meat and cotton of \$2.8 billion, according to the U.S. Census Bureau. Vietnam is enjoying one of the fastest growth rates in the world of 8 to 6.2 percent since 1990 in a country equivalent in size to Ohio, Kentucky and Tennessee combined and populated by a relatively young and educated 85.7 million people.

Direct investments by U.S. companies are pouring into Vietnam amounting to \$4 billion through August of 2009. These U.S. investments are 37 percent of Vietnam's total foreign direct investments (FDI) which are up from 3 percent last year, according to Vietnam Briefing, Dezan Shira Associates. The U.S. investments are in the context of a slower investment year projected by the Vietnam Ministry of Planning and Investment to be less than one third of 2008 registered FDI of \$71.7 billion.

General Electric (GE) Energy is one United States multinational making a \$60 million investment in the northern city of Haiphong near the seaports. The new manufacturing plant will produce generators for 1.5 MW wind turbines and expects the facility's first output in the first quarter of 2010 for North American and European markets. This is GE's first investment in Vietnam. "To be a long term player there is a need to put something in the ground, hire

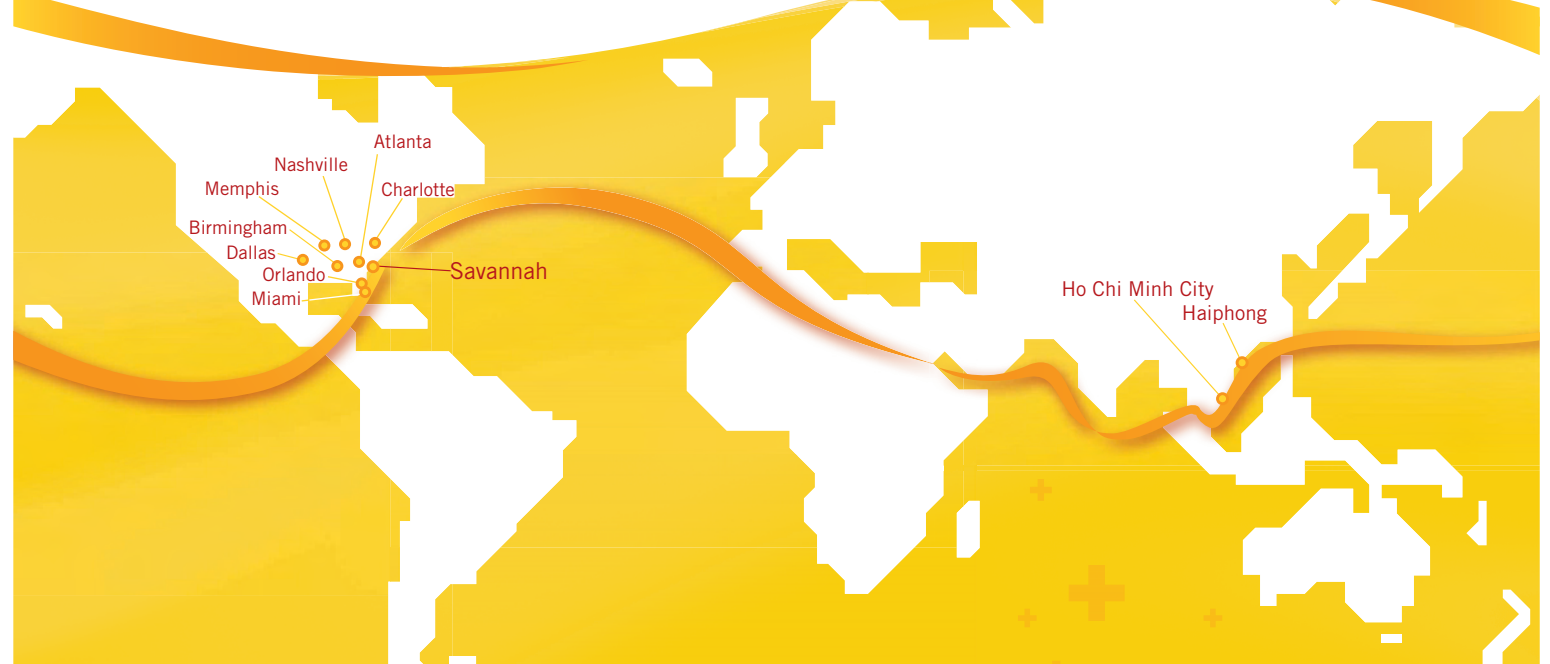
local people and have a presence to be a win-win with Vietnam. It is not a viable long term strategy to just sell stuff to a country," said Stuart Dean, President, ASEAN, General Electric in a Hanoi interview with the American Journal of Transportation.

Vietnam has a 2,144 mile coastline and several container ports in the North and South are under continuous improvements to upgrade from shallow depths so that vessels of at least 7,000 twenty equivalent units (TEU) containers can call at the ports rather than the current feeder services to river ports of 1,000 TEU vessels. In addition to Haiphong port improvements, there are also plans for terminals with 12 meter draft berths to the North at Cai Lan port and  
*(INVESTMENT - continued on page 4)*



## SOUTHEAST ASIA TRADE '09

### Vietnam and the Port of Savannah



Transit Time in Days

	Ho Chi Minh City	Haiphong
Atlanta	27	28
Birmingham	28	29
Charlotte	27	28
Dallas	29	30
Memphis	29	30
Miami	28	29
Nashville	30	31
Orlando	27	28

*Transit times subject to change*

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## THINK EXPANSION.

Able to reach more of the USA's population in the fewest days, the Port of Savannah, located in the southeastern USA, is no longer just an alternative to West Coast entry. Savannah is Vietnam's port of choice. And with more land for future growth than any port coast to coast, Savannah is vital to Vietnam's further expansion into markets throughout the USA.

- More all-water services between Asia and Savannah and a variety of intermodal options offer Vietnam's shippers greater access to the USA hinterland.
- More options for off-site development as well as for increased terminal capacity allows Savannah to keep pace as Vietnam's business grows.
- Savannah has more than 224 distribution centers within 5 minutes to 5 hours of the port and land available to accommodate even more import operations sourcing Vietnam.

## THINK USA. THINK SAVANNAH.





## Whither the South China Sea disputes?

**Editor's note: The following paper is an abbreviated version of a presentation recently made in Hanoi, Vietnam. In this paper Dr. Valencia examines maritime conflicts and potential resolutions in the South China Sea. Dr. Valencia, has been a maritime policy analyst, specializing in Asian affairs for over three decades.**

By Dr. Mark J. Valencia, Maritime Policy Analyst, Kaneohe, Hawaii

The political environment in the South China Sea seems to have improved from the 1980's and 1990's when it was a locus of confrontation and conflict. Indeed, the China-Vietnam clash of 1988 in which about 70 Vietnamese died, and China's 1995 occupation and building of structures on the Philippines claimed Mischief Reef seem like relics of a previous era. Conflict has given way to co-operation in which China, Vietnam and the Philippines have undertaken co-operative seismic surveys in an agreed area. But are these advances fundamental and durable?

In 2002, ASEAN and China signed a Declaration on Conduct in which they promised "to resolve their territorial and jurisdictional disputes by peaceful means without resorting to the threat or use of force" and "to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability". China, Vietnam and the Philippines have agreed on a web of bilateral codes of conduct. All claimants have also agreed to move towards a more formal and legally-binding multilateral Code of Conduct - but the declaration has been violated numerous times.

The "soft" nature of the declaration which enabled its acceptance in the first place - it is not a legally binding document - makes it difficult even to raise the issue. Moreover China has now made a proposal which has deadlocked the process - that there be two prior meetings before an ASEAN-China meeting - one among the four ASEAN claimants (Brunei, Malaysia, the Philippines and Vietnam), and one between all of ASEAN.

China remains opposed to internationalization or regionalization of the dispute and would like to prevent or weaken ASEAN solidarity on these issues and continue to address them on a bilateral basis. ASEAN has opposed China's proposal as it wishes to speak as one and all at once. During Thailand's chairmanship of ASEAN, the issue was not a priority. But when Vietnam assumes the chair in January, the disputes and a multilateral approach could be raised. The issues will be on the

agenda for the ASEAN summit meeting of April and October 2010 in Hanoi.

Despite this backsliding, the region - at least at sea - had moved to a lower level of securitization. The reasons included China's 'charm offensive' toward ASEAN, the lack of discovery of significant petroleum deposits, and self-restraint of nationalist tendencies. Perhaps most important was the distraction of the United States with the Middle East and the "war on terror", and thus a damping of China-US competition in Southeast Asia and the South China Sea. One should add the expansion and strengthening of ASEAN and its growing unity in its approach to China.

Some analysts view the recent rash of China-US freedom of navigation incidents as reflecting a more assertive stance by Beijing in keeping with its naval modernization and drive for oil in the South China Sea. The web of electronic and physical infrastructure extending into the Spratlys and its acquisition of naval and air assets would enable its domination of the South China Sea. Others argue that China is simply trying to defend itself by protecting vital sealanes against a US-Japan-India encirclement and containment. The US response to these incidents has been relatively mild. This could embolden China. Rumors are that China intends to build an airport and seaport on Mischief Reef.

The fundamental conflicts over islands, maritime space and resources in the region have not been resolved. In 2007 several international incidents in quick succession re-energized the sovereignty disputes over the Spratly islets and reefs and recast a spotlight on the issues. These incidents included the early March visit by then Malaysian Prime Minister Abdullah Badawi to disputed Swallow Reef and the signing of the Philippines Baseline Bill by President Gloria Arroyo which included the Spratlys in a "regime of islands." The Philippine claim was vehemently protested by Vietnam, China, Taiwan and Malaysia. Earlier, in February 2007, then Taiwan President Chen Shui-bian's visit to Taiping Dao drew protests from China, (DISPUTES - continued on page 20)



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(INVESTMENT - continued from page 3)

a new deep water terminal on Lach Huyen Islands near Haiphong. "One of the main reasons we have chosen Haiphong is because of its close proximity to several ports. The closest seaport to our site is just 7 miles away," said the plant manager, GE Energy.

Well over 50 percent of Vietnam's container traffic is handled in the South near Ho Chi Minh City. The Cai Mep port development is to the South of Ho Chi Minh City and will increase container throughputs for all the nearby economic activities. However, the population density and road congestion are logistics obstacles to be overcome. "Cai Mep is a new port project in South Vietnam with multiple terminals being built. Road congestion as well as port congestion is a major issue. Cai Mep will alleviate both, but there are infrastructure challenges. Due to this, a majority of the volume moving out of Cai Mep is being barged versus trucked," said the Director, Global Ocean Transport of a leading U.S. footwear manufacturer.

Partnering is important to succeeding in Vietnam in order to execute supply chain strategies. GE Energy in Haiphong over time will develop Vietnam suppliers, but at the start will use suppliers from all over the world. "The plant will be an integral part of the supply chain for GE Energy's wind turbine parts," said GE Energy's plant manager and that "we need total control over the supply chain. We own 100 percent of the plant and the government approves of that," said Dean. American companies can find local partners in Vietnam from several sources: Vietnam Chamber of Commerce and Industry, Hanoi; the Investment and Trade Promotion Center, Ho Chi Minh City; local industry associations; and the U.S. Commercial Service, Hanoi or Ho Chi

Minh City, Gold Key Matching Service (www.buyusa.gov/vietnam/en).

The director of the U.S. footwear manufacture finds, "the overall trade and business environment is good for multinational companies" and that businesses, sales and people in Vietnam are treated "fairly." He believes that "there are considerable market opportunities and regulatory constraints are slowly disappearing." In January, 2007, Vietnam joined the World Trade Organization to further liberalize and integrate their economy with global trade. "Compliance with WTO commitments opens the door in January, 2009 for retailers. Vietnam has committed to allow 100 percent foreign ownership of retail and distribution entities from 2009, although there are some uncertainties about the speed at which authorities will be able to clear applications for new businesses," he said.

Logistics service providers are critical to overcoming the obstacles in Vietnam of road and port congestions which limits throughputs and increases the transit times, especially for time sensitive products to global markets such as U.S. wind turbines, footwear and apparel. TNT-Vietrans Express Worldwide (VN) Ltd., based in the Netherlands, is making great strides since 1995 to serve customers in the fast moving consumer goods, components, automotive and industrial sectors. TNT has 20 offices and branches in Vietnam for their express air and for their pioneering Asia Road Network services to connect Asia to Europe.

"In July, 2009, we opened a new TNT International and Domestic Operations Center in Ho Chi Minh City located next to the Tan Son Nhat International Airport and in August, 2008 the TNT Hanoi International and Domestic Operations Center," said Onno Boots, Regional Managing Director, TNT SEA & India. Customers (INVESTMENT - continued on page 23)

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# CALENDAR OF EVENTS

- 12/09** The Foreign Commerce Club of New York will hold its *Holiday Celebration* at Captain's Ketch Restaurant in NYC starting at 12:00PM. Free for members; \$85.00 for non-members. For more information go to [www.fccnewyork.com](http://www.fccnewyork.com).
- 12/10** The Foreign Commerce Club of Boston will hold its *76th Annual Christmas Party & 8th Annual Toys for Tots Drive* at the Park Plaza Hotel in Boston, MA starting at 5:30PM. The cost is \$80.00 per person. For more information contact John O'Brien at (617) 733-5326.
- 12/10** The Traffic Club of Newark and the Raritan Traffic Club will hold its holiday meeting at the Galloping Hill Inn in Union, NJ starting at 6:00PM. For more information contact Donna Lyons at (908) 941-7135 or Marsha Todras at (201) 217-0015 ext. 22. or go to [www.newarktrafficclub.org](http://www.newarktrafficclub.org).
- 01/13, 01/14** The Midwest Association of Rail Shippers will host a two day meeting at the Oak Brook Marriott in Oak Brook, IL. The speakers will include Joe Szabo of the Federal Railroad Administration and Charles Moorman CEO of Norfolk Southern. For more information go to [www.railshippers.com](http://www.railshippers.com).
- 01/24** The New York/New Jersey Foreign Freight Forwarders & Brokers Association will host its *93rd Annual Dinner & Person of the Year Award* at the New York Marriott Marquis Hotel. For more information call (732) 741-1936 or go to [www.nynjforwarders-brokers.org](http://www.nynjforwarders-brokers.org).

• (INVESTMENT – continued from  
 • page 4)  
 • will have modern technologies to track  
 • and trace road shipments over the Asia  
 • Road Network by bar-code tracing and for  
 • added security, “we have a 24/7 real-time  
 • GPS tracking system to track every deliv-  
 • ery truck along the journey and a Remote  
 • Demobilization System where TNT Asia  
 • Road Network Control Center in Kuala  
 • Lumpur can demobilize a vehicle remotely  
 • should the delivery vehicle encounter any  
 • emergencies along the way, said Michael  
 • Drake, Regional Managing Director, TNT  
 • North Asia. The value added services will  
 • be important to customers in Vietnam since  
 • transporting by road is 3 times faster than  
 • sea and 30 percent cheaper than air trans-  
 • port, according to Boots, especially with  
 • the new CAFTA to begin in January, 2010.  
 • Next year, Vietnam’s \$243.36 billion  
 • economy and \$2, 800 per capita income  
 • will continue to grow when tariffs on most  
 • agriculture and manufactured goods will  
 • be reduced to zero in the China-ASEAN  
 • Free Trade Area. Vietnam will integrate  
 • into a market with 1.9 billion people and  
 • gross economic activity of \$3 trillion along  
 • with China, Brunei, Cambodia, Indonesia,

Laos, Malaysia, Myanmar, the Philippines, Singapore and Thailand. Vietnam has an 807.7 mile border with the neighboring Chinese Guangxi Zhuang Autonomous Region and Yunnan province. The Guangxi Beibu Gulf Economic Zone formed in 2006 is already contributing to growing trade with Vietnam from Guangxi seaports of Fanchenggang, Qinzhou and Beihai as well as from border trade across several dry ports which all serve as a gateway along the Nanning (capital city), Guangxi to Singapore Economic Corridor.

U.S. multinationals’ investments will be well served in Vietnam based on the steady growth rates, improving road, port and cross border infrastructures and from capable logistics service providers. Vietnam’s opening and adherence to market liberalization and integration policies creates a stable business environment for businesses to grow. “The overall business situation in Vietnam is growing at 7-8 percent per year long term and with a population of 85 million which is very optimistic. When a country is growing that fast and continues to attract foreign investment and for an infrastructure company like G.E. it is a huge opportunity,” said Dean.