

**GENERAL DEPARTMENT OF VIETNAM CUSTOMS
&
FOREIGN TRADE UNIVERSITY**



**GLOBALLY STANDARDIZING THE AEO
PROGRAMME FOR HIGHER UTILIZATION: CASE
OF VIETNAM**

**PICARD CONFERENCE
HAMMAMET, TUNISIA 2017**

CONTENTS



- I. Introduction**
- II. Methodology**
- III. Vietnam's AEO program**
- IV. Overview of Vietnam Logistics Industry**
- V. Survey results**
- VI. Conclusion**

I. Introduction



- International standards: WCO SAFE Framework
- AEO Mutual Recognition Arrangements (MRAs)
- Benefits for business in general and for logistics companies in particular
- Analysis of Vietnam AEO programme
- Identifying the shortcomings of Vietnam AEO Programme
- Its impact on the performance of non-AEO logistics companies

II. Methodology



Objective

Studying the relationship between Vietnam AEO Programme and competitiveness of non-AEO logistics companies

Hypothesis

A trader-focused AEO implementation is a threat to competitiveness of Vietnam logistics companies

Data

Online surveys conducted with AEOs and Logistics Companies in Vietnam

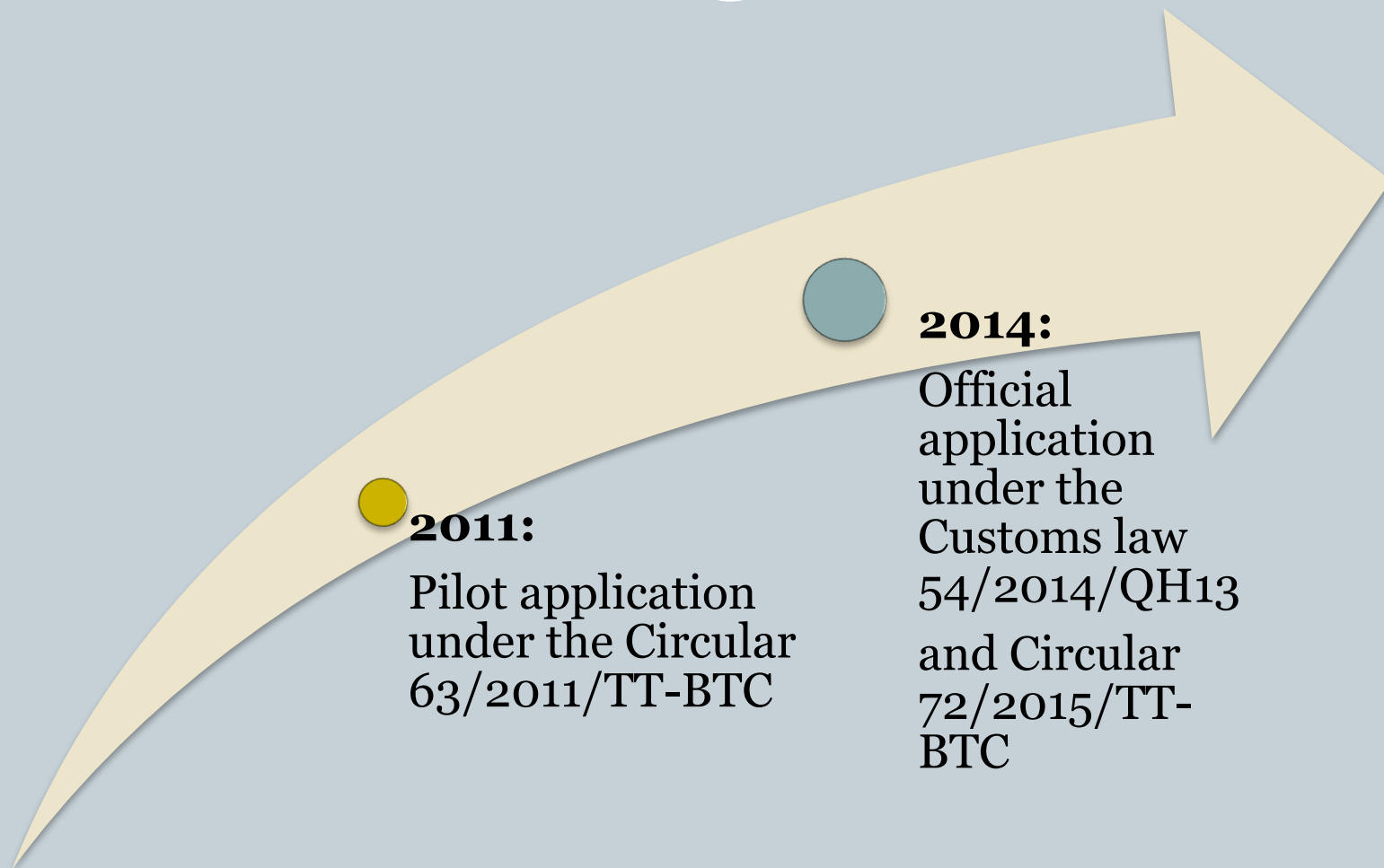
- 60% (26/43) AEOs replied to the survey ; 15 responses from Logistics companies – continued collecting the answers

The online questionnaires

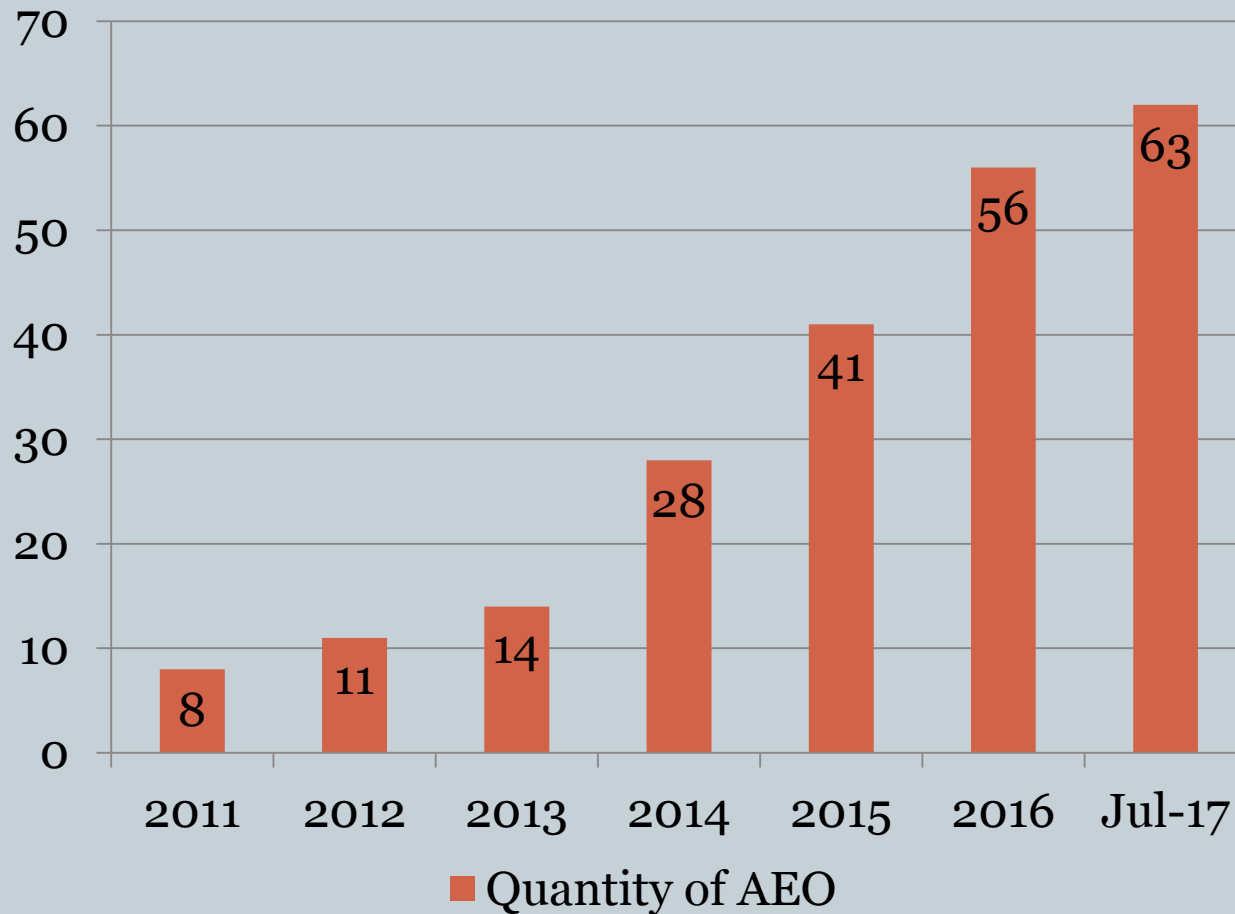


- For Vietnam AEOs:
<http://goo.gl/forms/AUw87KFNxC>
- For Vietnam Logistics Companies:
<http://goo.gl/forms/S5ADQqYuRr>

III. AEO PROGRAM IN VIETNAM



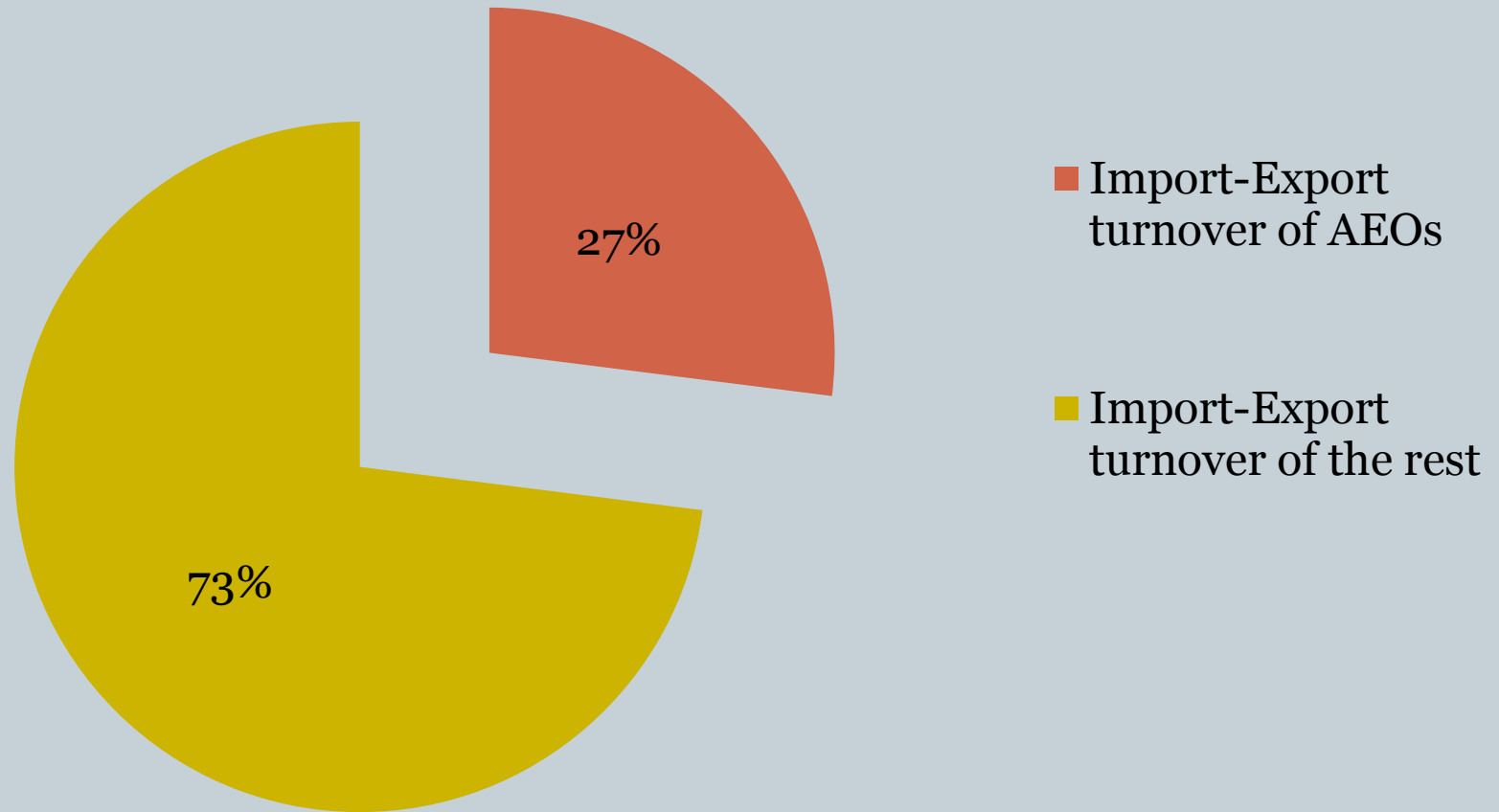
QUANTITY OF AEOs



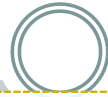
Among of 63 AEOs :

- 25 Viet Nam enterprises
- 12 Korea enterprises
- 13 Japan enterprises
- 02 USA enterprises
- 03 Taiwan enterprises
- Italy, Denmark, Viet Nam-Russia
- NO CUSTOMS BROKER

AEO's Export – Import Turnover



Visible benefits



1.1

- **Reducing inspection rates**

1.2

- **Shortening goods clearance time**

1.3

- **Deferring payment of duties and tax**

1.4

- **Reducing administrative costs**

1.5

- **Reducing human resources' costs**

1.6

- **Saving warehouse's costs**

Invisible benefits



Ensuring providing material on time



Goods delivery on time



Increasing prestige for the business



Creating collaboration between AEOs

Scope of Vietnam AEO programme



- Type of operators: Importers, exporters and customs Brokers who have good compliant history and meet the internal and security control condition.
- Criteria: Import-export turnover, at least:
 - + US\$100m of annual Imp&Exp turnover
 - Or:
 - +US\$40m of annual Exp turnover of goods made in VN
 - Or:
 - +US\$30m of annual Exp turnover of VN agricultural or aquatic goods
- Customs Brokers: at least 20K declarations per year

Shortcomings of Vietnam AEO programme



- Not cover all S.C operators
- Focus on large importers and exporters with high trade volumes, no Customs brokers as an AEO
- Unfair competitive conditions for SMEs
- SAFE Framework: *AEO is a party involved in the international movement of goods in whatever function...which may include: manufacturers, importers, exporters, brokers, carriers, consolidators, terminal operators, warehouse, freights forwarders...*
- No MRA has been signed with any partners (except one AEO's MRA is in negotiating with Korea)

IV. Overview of Vietnam Logistics industry



Size

- Total value: US\$60b
- 25% GDP of Vietnam
- 1200 service providers

Enterprises

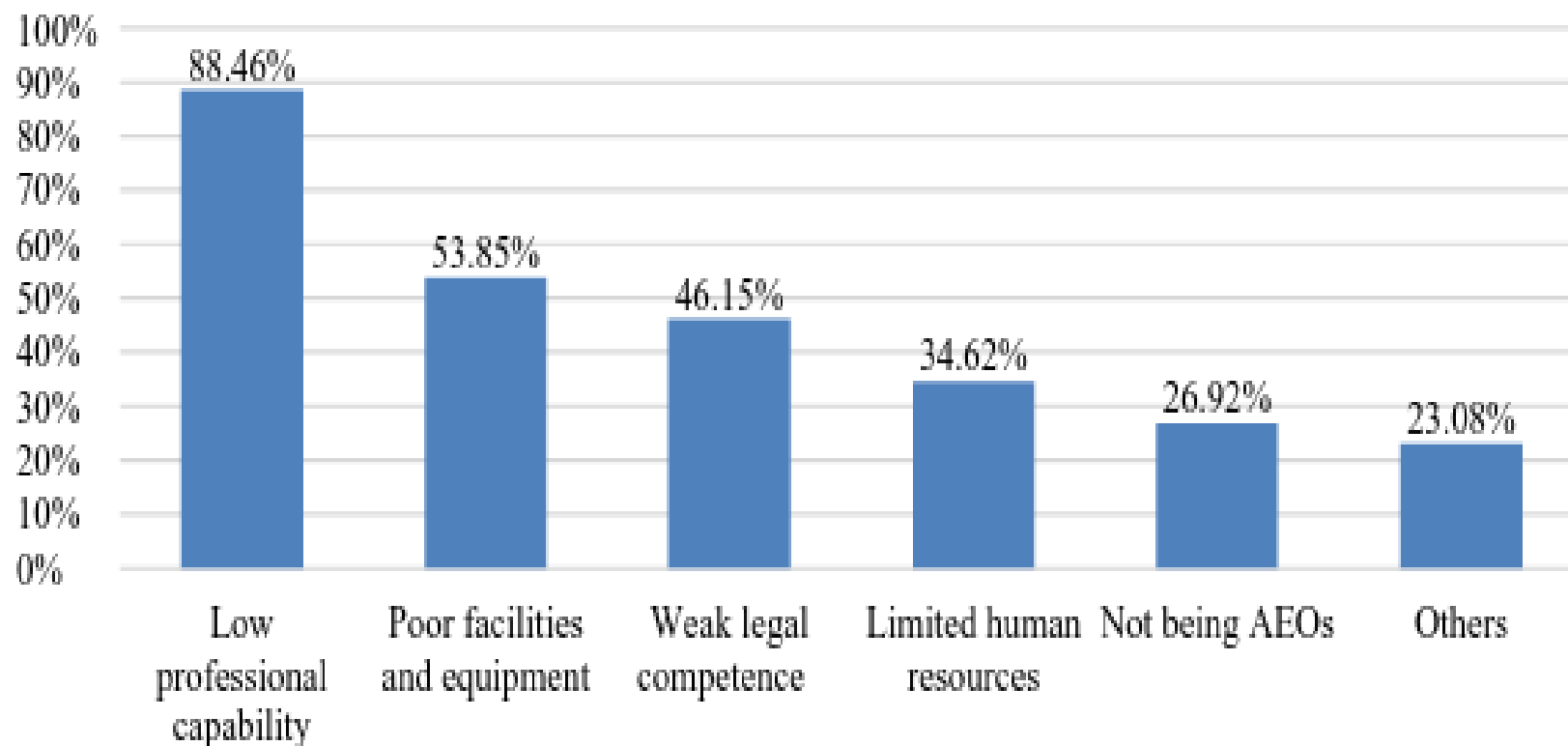
- Domestic companies: 10 state-owned companies +SMEs.
- While 25 multinational logistic corporations: 70%-80% market share

Services

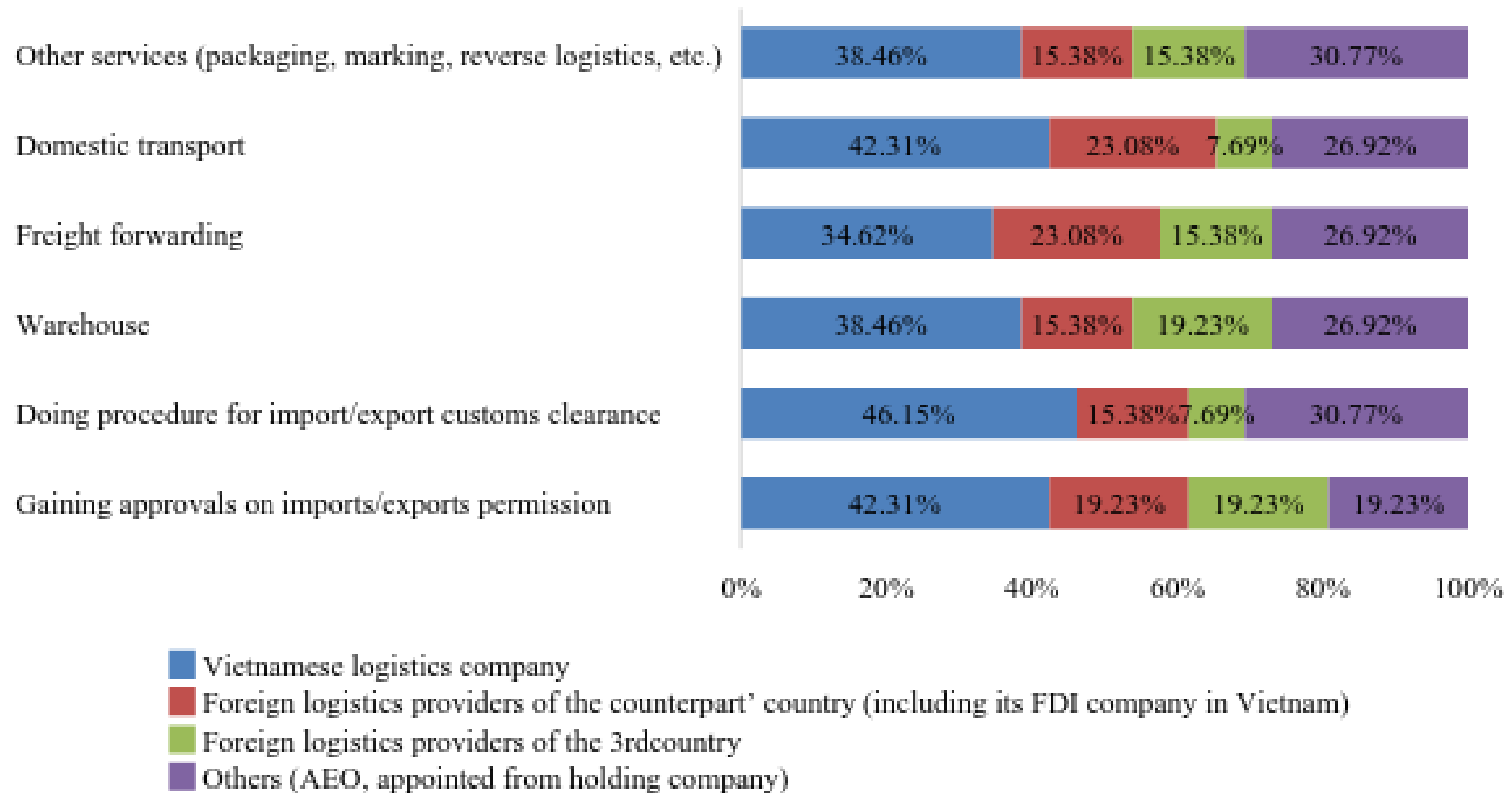
- SMEs: Mostly 1PL or 2PL service providers
- Subcontractors or freight agencies for foreign 3PL and 4PL logistics providers

Key initial survey results:

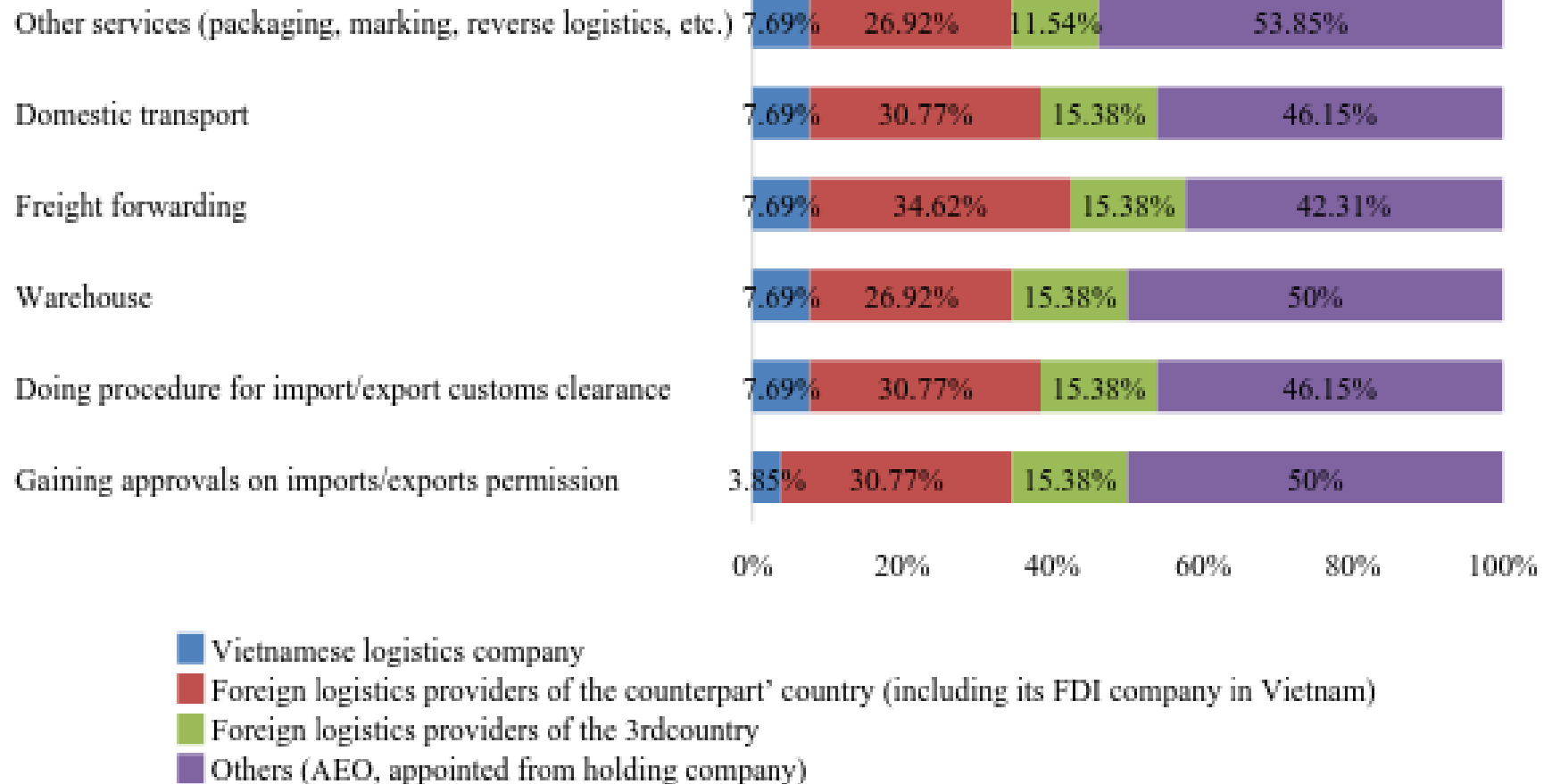
1. *Competency of Vietnam logistics companies*



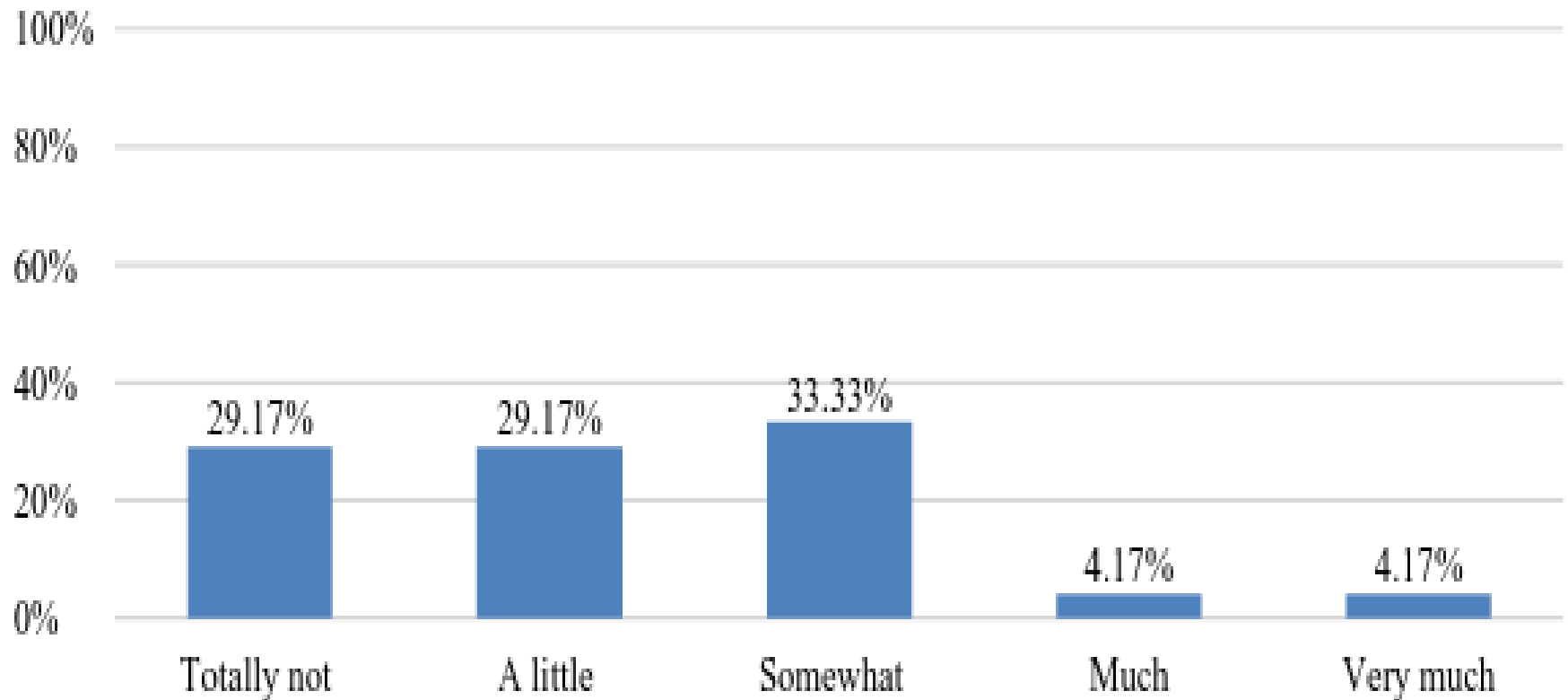
2. AEO's partners providing Vietnam-operated logistics services



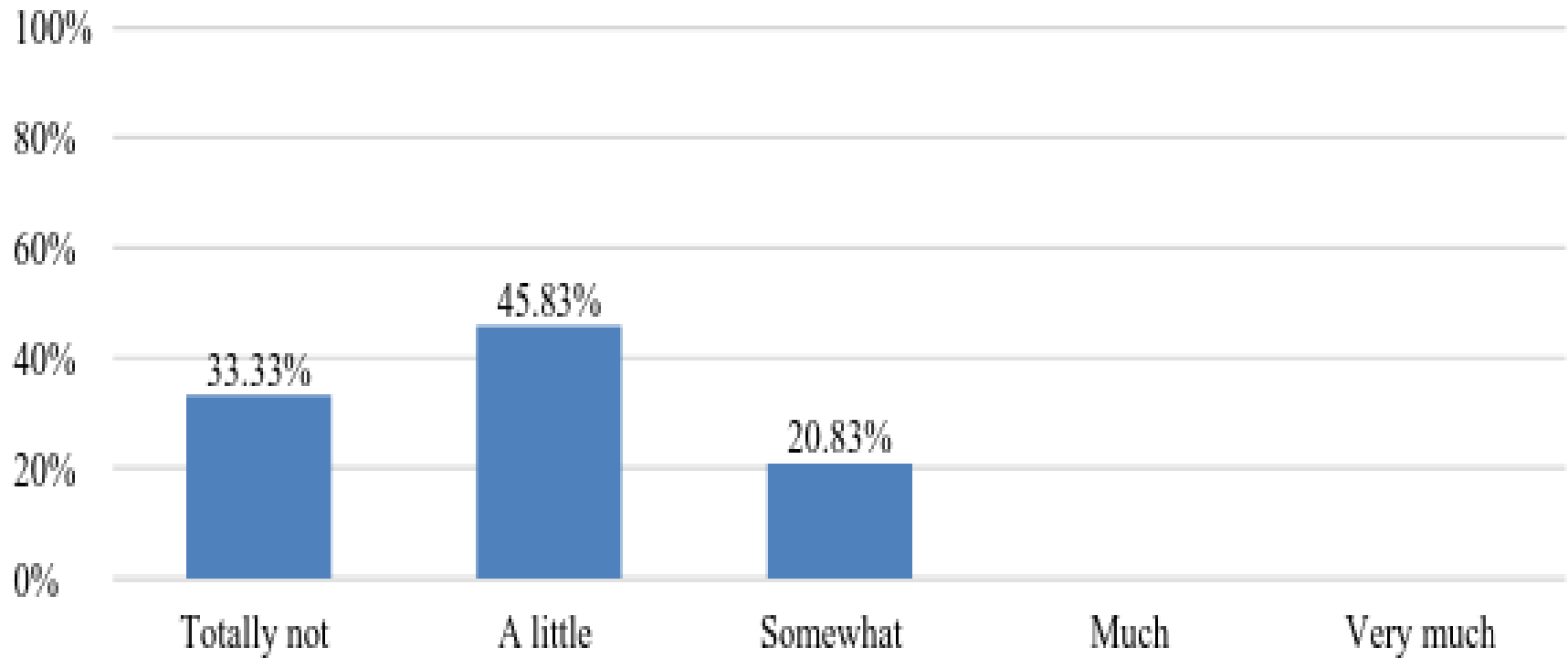
3. AEO's partners providing abroad logistics services



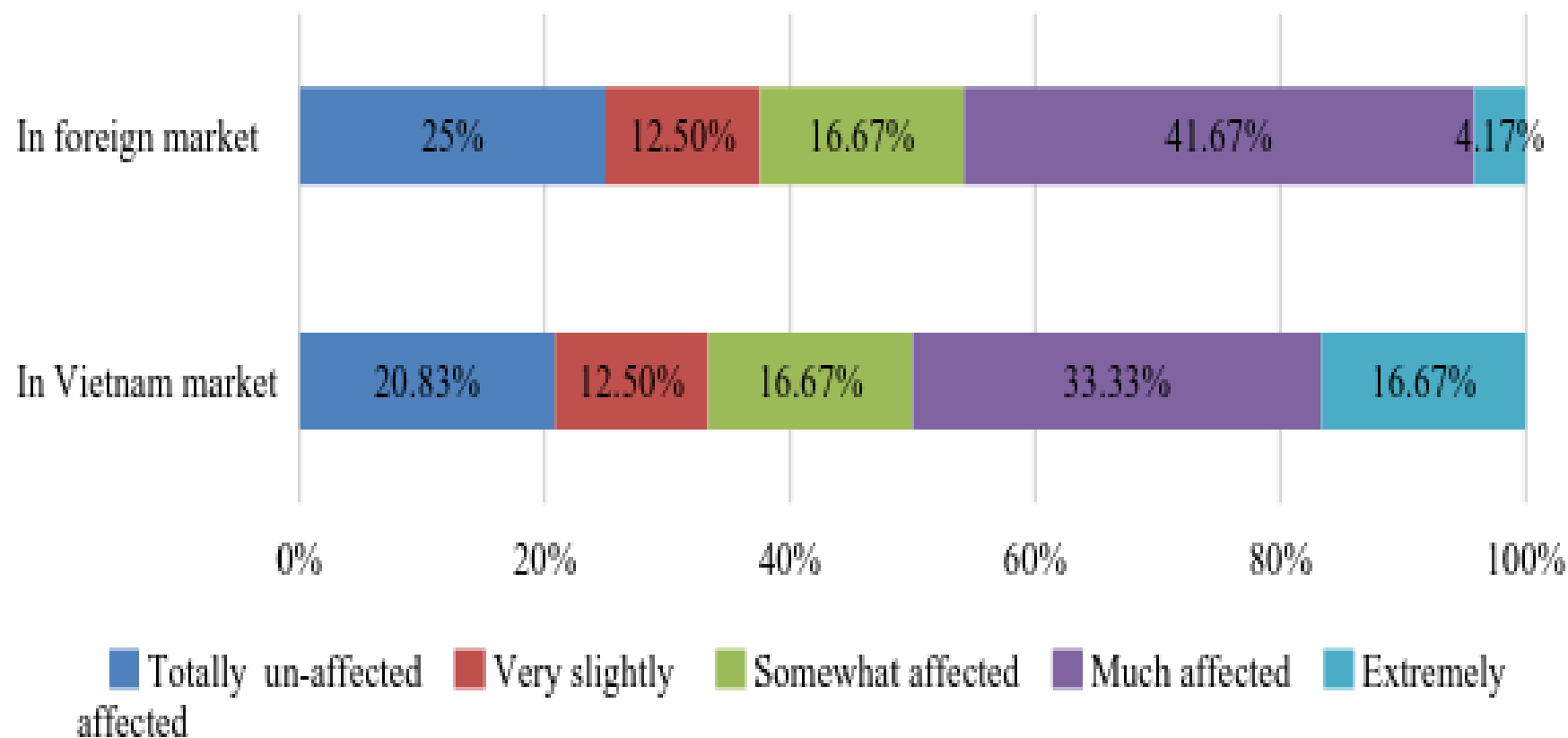
4. Awareness about the AEO programme



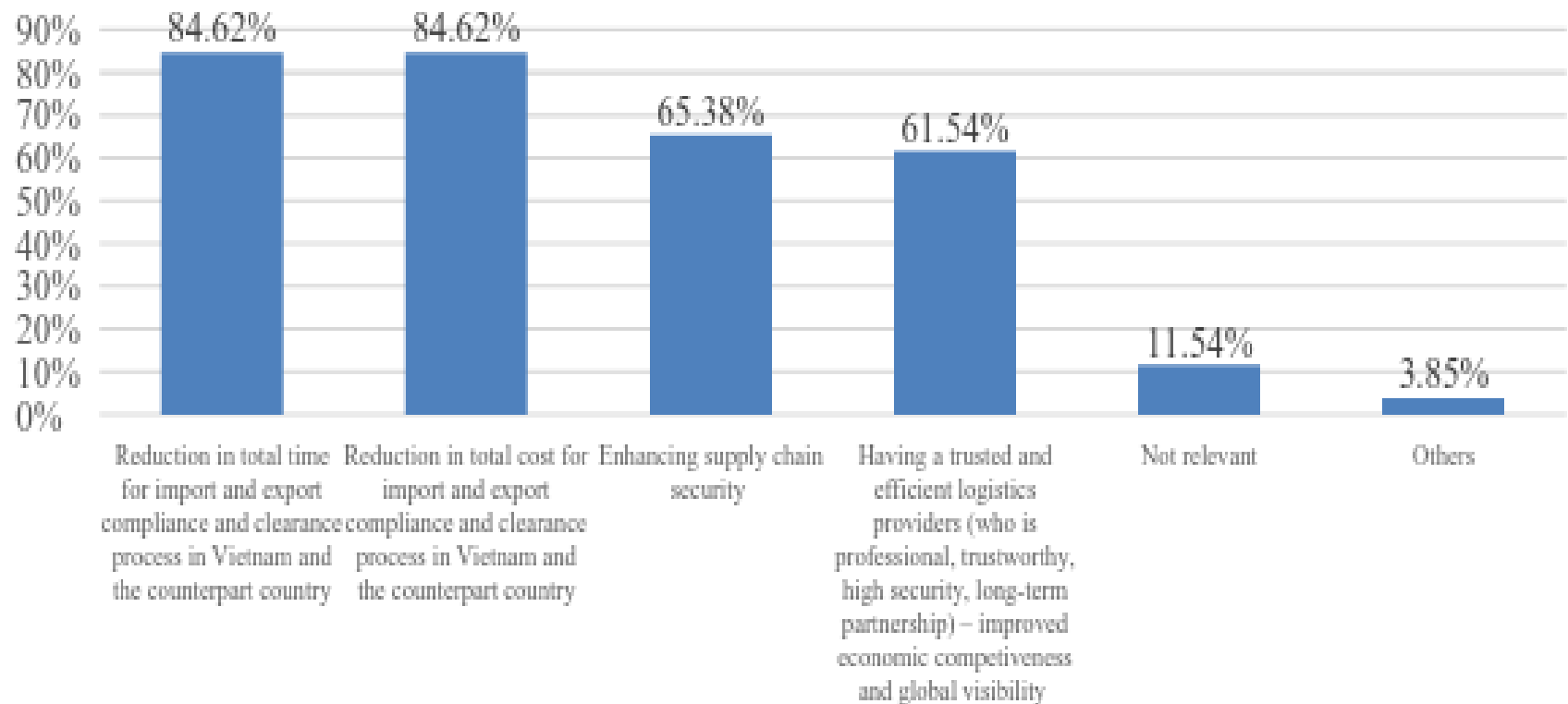
5. Awareness about the AEO MRA



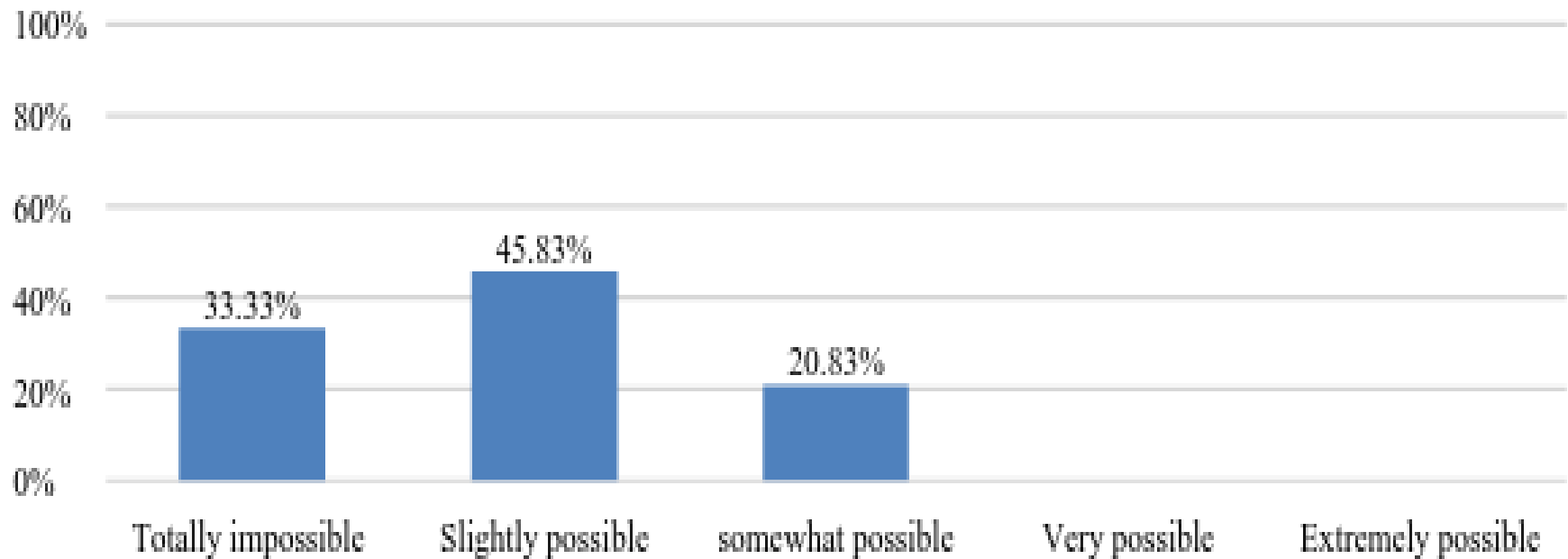
6. Effects of AEO programme



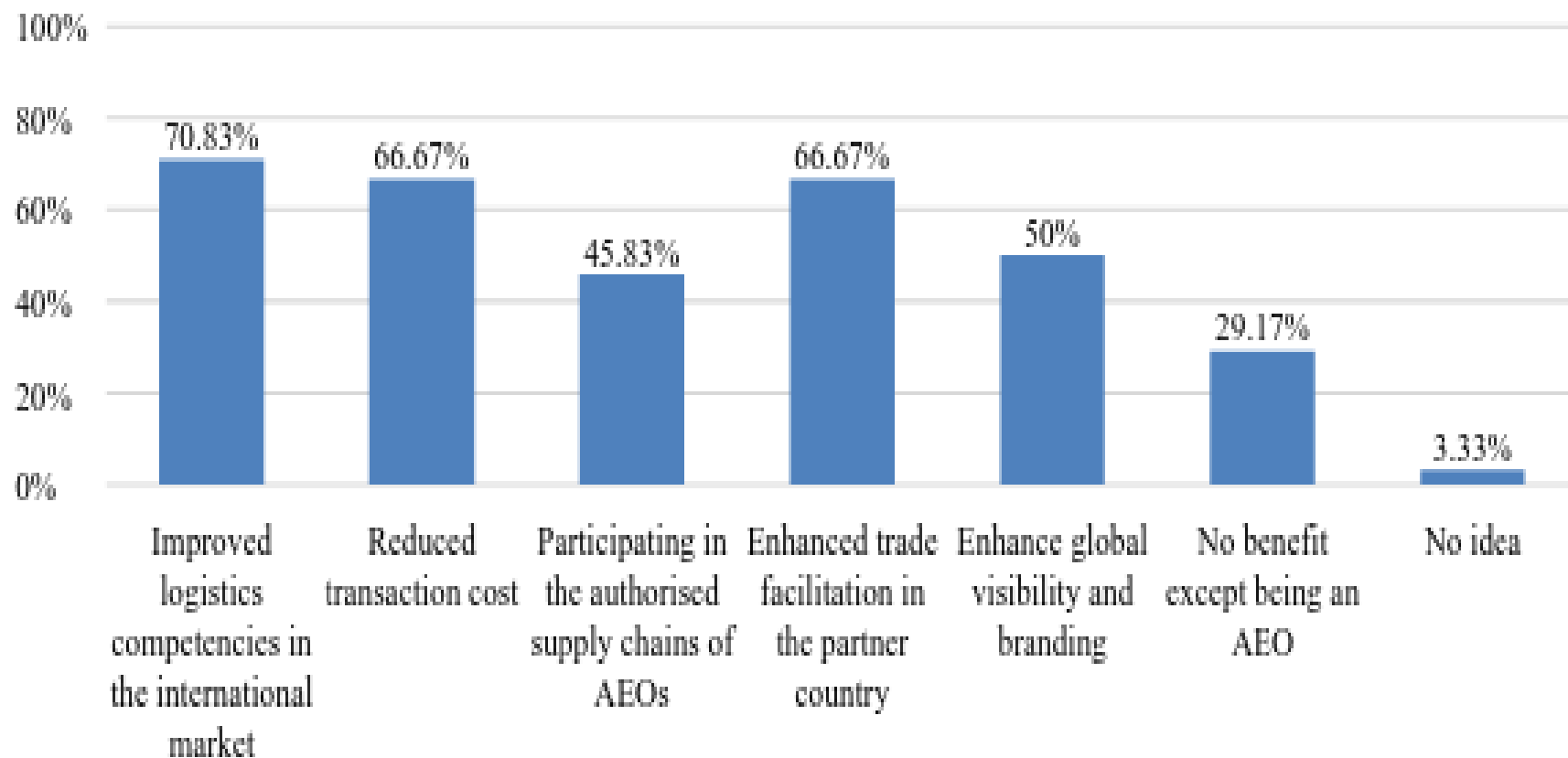
7. AEOs' expected benefits for logistics companies



8. Possibility of Logistics Company in getting an AEO status



9. Expectation of Vietnamese logistics companies



VI. Conclusion



- An existing gap between Vietnam's trader-focused AEO programme and international standards and practices.
- It further weakens connectivity between the Vietnamese AEOs and logistics companies.
- Vietnamese logistics companies need to be included in the national AEO programme
- The Government should foster AEO MRA negotiations with the Vietnam's major trade partners as United States of America, Japan, Korea.

Potential benefits (guided by members)



For Logistical AEOs

- Waiver/reduction of financial guarantee in case of trans-shipment/transit or movement/transport of goods
- Facility of execution of a compressive running bond for various obligations
- Waiver of Customs escorts for movement of goods to another Customs stations or Customs bonded warehouse

Potential benefits (provided by members)



For Carriers/Transporters

- Dedicated fast lanes
- Guaranteed renewal of transit goods license and any other licenses issued by Customs and other agencies
- Priority clearance at the borders – expedited border processes for consignment transported by AEOs

For Ports/Terminal operators

- Waiver/reduction of financial guarantee for operator's license
- Extended validity of operator's license and automatic renewal



THANK YOU!

Author contacts:

Dr. Phan Thi Thu Hien, Foreign Trade University
phanhien@ftu.edu.vn

Mrs. Nguyen Thi Khanh Hong, Vietnam Customs
hongntk73@customs.gov.vn

Mr. Ly Nguyen Ngoc, Foreign Trade University
lynguyenngocftu9999@gmail.com