



**Asia-Pacific  
Economic Cooperation**

**Advancing** Free Trade  
for Asia-Pacific **Prosperity**

# **APEC Multi-Stakeholder Dialogue on Structural Reform in Logistic Services**

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## TABLE OF CONTENTS

	<b>Page</b>
<b>I Introduction</b>	<b>2</b>
<b>II Background</b>	<b>2</b>
<b>III Discussion</b>	<b>3</b>
<b>IV Conclusions and Recommendations</b>	<b>11</b>

## **I. Introduction**

On 19-20 April 2018, the **APEC Multi-Stakeholder Dialogue on Structural Reform in Logistics Services**, initiated by Viet Nam and co-sponsored by China; Malaysia; New Zealand; Chinese Taipei; Peru was held in Ha Noi, Viet Nam. Speakers and participants came from eight APEC member economies (China; Indonesia; Japan; Peru; Philippines; Chinese Taipei; Thailand; and Viet Nam). Most of the Dialogue participants were from the public sector, academic institutions or the private sector relating to logistics services.

The Dialogue sought to exchange information on structural reforms in logistics services among regulators, policy makers, business, associations, academia etc. It also aimed at discussing on ways to address the barriers in trade and investment in logistics services, to encourage regulatory coherence to enable businesses in the logistics services sector etc. Last but not least, it is expected to provide an opportunity for networking among regional experts with regards to structural reforms and logistics services.

## **II. Background**

This project is in line with APEC Economic Leaders' instructions in 2016 when they endorsed the APEC Services Competitiveness Roadmap (2016-2025) committing APEC to a concerted set of actions and mutually agreed targets to be achieved by 2025. In such Roadmap, APEC Leaders endorsed a number of APEC-wide actions, comprising of "implementation of the Renewed APEC Agenda on Structural Reform, including progressing the 2016 APEC Economic Policy Report on Structural Reform and Services".

In addition, in 2015, APEC Structural Reform Ministers agreed that "APEC, through the Economic Committee and other APEC bodies, should encourage economies to continue undertaking unilateral reforms in their services sectors" and welcomed "the integration of services reform into RAASR". APEC Committees and sub-fora were also instructed to conduct public-private dialogues and dialogues with sectoral regulators, policy makers, and business in this sense. In 2016, APEC also endorsed the SCFAPII, which one goal, among others, is "To reduce trade costs across supply chains and to improve supply chain reliability in supporting the competitiveness of business in the Asia Pacific region"

Themes covered during the two-day event included: (i) *Introduction/ Overview of Structural Reform and Logistics Services*; (ii) *Benefits and Costs of Logistics Services Reforms*; (iii) *Addressing Barriers to Trade and Investment in Logistics Services*; (iv) *Identifying and Implementing Structural Reform in Logistics Services in some APEC Economies*; (v) *Structural Reform in Logistics Services in Viet Nam*; (vi) *The Way Forward*.

### **III. Discussion**

#### **Outcomes**

The Dialogue included two days for presentations and discussions on (i) ways to address the barriers in trade and investment in logistics services; (ii) ways to encourage regulatory coherence to enable businesses in the logistics services sector. In addition, the Dialogue included a greater focus on logistics services (identifying the state-of-play of logistics services' performance in Viet Nam and other APEC economies; identifying and recommending ways to remove obstacles; targeting regulatory issues etc.) The last session (recommendations for future activities) provided an opportunity to share what participants can take away from the Dialogue as well as to suggest potential APEC capacity-building activities to most benefit APEC member economies. Overall, the Dialogue achieved its main objectives as described in the project proposal. Moreover, all participants considered that it afforded many chances for valuable networking among representatives from the policy community, academics and private-sector actors in logistics services from within and outside the APEC region.

#### **Key Issues Discussed**

##### *Opening remarks*

In his opening remarks, Mr Luong Hoang Thai (Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam) reiterated that the services sector was a major contributor to productivity growth in many APEC member economies. In 2015, APEC Structural Reform Ministers recognized “*the challenges to unleashing the potential of the services sector to contribute further to growth and employment generation*”. Some challenges were named, such as (i) to address services and investment restrictions, which limit market access and discriminate against foreign suppliers, (ii) to prioritize services in their development agenda, (iii) to balance competing objectives without prejudice to the right to regulate, etc. Therefore, Mr Luong emphasized that Ministers had encouraged economies to undertake unilateral reforms in their services sectors. The APEC Services Competitiveness Roadmap, which was endorsed by APEC Leaders in 2016, also included the implementation of the Renewed APEC Agenda on Structural Reform, including progressing the 2016 APEC Economic Policy Report on Structural Reform and Services.

Mr Luong observed that logistics services played a vital role in reducing costs of doing business, as well as in promoting smooth performance of the supply chains. He provided information that logistics services was a key sector in Viet Nam's socio-economic development in the 2016-2020 period with around 1,300 operational businesses, accounting for 2-3 per cent of our GDP. Viet Nam targeted to increase the

contribution of this sector in the GDP to 8-10 per cent by 2025, with the aimed average annual growth rate of 15-20 per cent.

In his view, due to the diversity in economic development levels, as well as differences in legal system, each APEC economy would pursue her own objectives and strategies regarding structural reform and accordingly, had the legitimate right to choose the sector she wished to reform and the way to reform it. However, Mr Luong affirmed that experiences and best practices sharing on how to address barriers in trade and investment in logistics services, especially regulatory issues, would be of importance.

In his conclusion, the speaker expressed the hope that Dialogue attendants would develop and propose several helpful, practical and feasible cooperation initiatives for further develop logistics services across the region.

### *Dialogue's sessions*

Experts provided presentations on the following topics:

1/ During Session 1 on “Introduction/ Overview of Structural Reform and Logistics Services”, there were 2 speakers: **Mr Nguyen Anh Duong (Representative of Viet Nam at APEC Economic Committee, Director at Central Institute of Economic Management) and Ms Fatimah Alsagoff (Public Affairs Lead for Southeast Asia, Australia & New Zealand at UPS Asia Pacific).**

- To begin the presentation, **Mr Anh Duong** emphasized on the importance of structural reform (SR) which helped to increase competition/contestability of markets and increase services trade to 20 or 25% of total trade for most economies. The speaker listed out 6 factors that characterized the road cargo and logistics sector including: (1) Market structure varieties significantly along each segment of the chain, road cargo transport being the most atomized; (2) Where infrastructure is congested, it is a bottle neck to multimodal transport: the case of ports; (3) Logistics operators have high incentives to establish vertical relationships: ownership integration and long term contracts; (4) Associations play a role in road cargo transport and maritime services; (5) Government is directly involve in certain market activities; (6) Demand characteristics and contracting practices vary with company's size. At the end of the presentation, Mr Anh Duong recommended to have rooms for coordinated measures in APEC, including sharing experiences and capacity building for SR.
- **Ms Fatimah Alsagoff** started her presentation by defining SR and its importance, for example, incentives innovation and competition, lowering prices and wider variety for consumers, ensuring level playing field and protects welfare of smaller players etc. She emphasized that logistics performance is vital to the performance of any economy and it impacts ability

to integrate into global and regional supply chains. She also shared a case for SR in logistics - Deep-Dive on Express Delivery Services (EDS). There were three main areas needed to focus on behind the border barriers for EDS: Non-discriminatory treatment, competition policy, market access/ foreign equity ownership. According to the speaker, the benefits of a competitive and efficient EDS sector were: logistics is a horizontal enabler of economic development, promotes effective integration of businesses into regional and global supply chains.

During discussions, speakers shared that Viet Nam worked hard on structural reform but data was insufficient to support regulatory impact assessment. It is commonly accepted that the logistics market of Viet Nam was quite open. In the experience of Singapore, it is important to tackle cross subsidization and have independent regulators. The floor also commented that WTO's Trade Facilitation Agreement would have positive impacts and help reducing logistics costs.

2/ During Session 2 on “Benefit and Cost of Logistics Services Reforms”, there were 2 speakers: **Ms Rizky Eka Putri (Trade Analyst, Ministry of Trade, Indonesia) and Professor Yang Yi-Chih (Kaohsiung University of Science and Technology, Chinese Taipei).**

- **Ms Rizky Eka Putri** gave an overview of APEC economies which has total export and import, both goods and services, showing a declining trend in the past years and total investment reached its highest point on 2014. The Fed tapering off policy might alter investment outflow in APEC economies from 2015 onward. After that, she talked about the role of services in sector in the economy. According to the speaker, logistics referred to activities related to acquisition of procurement, security, material handling, transport, storage, packaging distribution, replacement, and disposal of goods. For the case of Indonesia, Ms Rizky Eka Putri said that the cost of logistics in Indonesia is high, especially in Eastern part. Until today, President Jokowi implemented 16 Policy De-Regulation Packages, some of which targeted to improve logistics sector. At the end the presentation, the speaker highlighted that the cost and benefit analysis on logistics sector should aim for reaching improvement and improving social welfare, it should involve assessing all cost of limited public budget whilst aiming for maximizing monetary value and benefit and evaluating the aggregate impact on welfare, including important principles.
- **Professor Yang Yi-Chih's** presentation was titled “The Impact of Customer Requirements on the Service Quality Improvement for International Logistics Business in Shipping Company”. Firstly, he provided an overview about the current maritime transportation literatures, which have less of the paper applying Fuzzy QFD to identify service quality of international logistics operated by shipping company. Professor Yang shared that in the global top 20 container shipping companies had invested and owned logistics companies

which its proportion approximately up to 80%. Through an in-depth research on international logistics, the speaker observed that there were three important service items recognized by the customer for international logistics business in shipping company are: (1) properly and quickly respond to customer's inquiry. (2) Cargo safety transport capability (3) Employees used expertise to solve the problem for customer. There were three most dissatisfied service items considered by the customer on the international logistics business operated by shipping company are as follows: (1) Instant conversion service of EDI file in the internet; (2) Provide Free Trade Zone service; (3) Provide comprehensive transportation and logistics consultant service. In order to improve the quality of the company's business, Professor Yang suggested that a company should strengthen education and training of sales man, using special case studying shared by business representatives, and formulating a set of standard operating procedures.

During discussions, speakers shared differences among data shipper and forwarder (mainly on customs requirements). Professor Yang highlighted that Chinese Taipei learned logistics policies from economies such as Korea, Japan and had policies to help reducing costs (electricity, water). Ms Putri shared that Indonesia has domestic logistics strategy with the aim at reducing obstacles, building infrastructure (ports, airports) and facilitating business; the Ministry of Economics was in charge of developing logistics services. A participant provided information that Peru's geographical conditions were complicated with mountains, forests so logistics costs accounted to 5 to 10 per cent of product costs.

3/ During Session 3 on "Addressing barriers to Trade and Investment in Logistics Services", there were 2 speakers: **Ms Corazon C. Curay (formal President of Supply Chain Management Association of the Philippines) and Ms Fatimah Alsagoff (Public Affairs Lead for Southeast Asia, Australia & New Zealand at UPS Asia Pacific).**

- Firstly, **Ms Corazon C. Curay** introduced about the Supply Chain Management Association of Philippines. She emphasized on the important of understanding the importance of supply chain and logistics management. After that, Ms Curay shared about the Logistics Master Plan of Philippines (2017-2022) with the development framework "Towards Inclusive Growth". The Master Plan is to advance Philippines competitiveness through the establishment of an efficient transport and logistics sector. The speaker mentioned about some solution to improve the quality of logistics which included smart city of the future with an example of Clark City, infrastructure development for roads, rails, airports. Ms Curay also listed out some challenges such as: lack of awareness and understanding of supply chain integration benefits, inconsistent and unpredictable regulations, too many regulations and business licenses, more complicated and lengthened import process, lack of



effective enforcement and political will, inadequate logistics capacity. To conclude, the speaker noted that logistics service is emerging as new driver of global trade providing tremendous opportunities for developing economies but barriers to trade and investment stifled economic expansion. Ms Curay reiterated that addressing the gaps and improving the investment climate is the key.

- **Ms Fatimah Alsagoff** started her presentation by introducing about the UPS, the world's largest package delivery company and a global leader in supply chain services. The speaker then listed out some challenges and barriers to logistics services such as policy and regulatory incoherence, market barriers, sustainability and urban congestion, talent and workforce gaps and supply chain security and compliance. According to Ms Alsagoff, technology and innovation was a big challenge but also an opportunity for logistics to develop. At the end of the presentation, she had some recommendations to APEC to keep investment environment open and competitive in the region: APEC should apply services principle promoting an open logistics market eliminating equity, quantitative and other restriction in all modes of supply; need to promote fair competition in the logistics sector; and need to consider how other services support logistics competitiveness and future readiness.

During discussions, Ms Curay shared that to implement the WTO's Trade Facilitation Agreement, the Government of Philippines passed Customs Modernization Act in 2016, resolving a lot of issues and ensuring simplified entry requirements. Philippines also focused on resolving the congested situation in ports. Speakers also emphasized the importance of electronic application and submission of documents to assure a smooth functioning of supply chain.

4/ During Session 4 on "Identifying and Implementing Structural Reform in Logistics Services in some APEC Economies", there were 3 speakers: *Dr Zhou Mi (Deputy Director of Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce, China); Mr Katsuya Iino (Senior Trade Policy Analyst, Trade in Services Division, Directorate for Trade and Agriculture, OECD); Mr Poltak Ambarita (Directorate General of Domestic Trade, Ministry of Trade, Indonesia).*

- **Dr Zhou Mi** presented about the Improvement and Innovation to Meet the Demand of Market. To begin the presentation, he shared some background on the management and development of logistics. According to the speaker, there were some conditions to develop logistics such as: size of the economy, infrastructure and technology. Dr Zhou noted that structural barriers for the competition exist while small logistic companies are difficult to apply technology while standards are weak. To reform the logistics from supply side, it was essential to focus on some of following issues: improve infrastructure networks, improve the platforms, increase the efficiency of the organization of

logistic chain, establish the corresponded standard systems and improve the market circumstance for investors and operators. At the end of the presentation, Dr Zhou gave some examples of companies that had very good experience in innovate their logistics firms such as Cainiao logistics network and SF Express.

- To begin the presentation, **Mr Katsuya Iino** mentioned about the role of logistics services in a digital era which is the core elements for efficient GVCs and just-in-time inventory management and promoting cross-border e-commerce for SMEs. He said that core logistics relate to the management of supply chains. The process of planning, implementing, managing and controlling the flow and storage of goods, services and related information from the point of origin to the point of consumption and the role of third-party logistics suppliers has been on the rise: lean inventory management, focus on reducing stock-related costs. After that Mr Iino presented about some case studies about logistics reform of some economies such as Indonesia, Japan, Korea, Chile and Mexico. For the impact of structural reform in logistics services, he shared some research data on reducing the STRI for cargo-handling to the sample average. The speaker summarized that reliable logistics services is important for reducing trade cost and enhancing inclusive growth by SMEs' integration to cross-border e-commerce.
- The presentation of **Mr Poltak Ambarita** was titled 'The Reformations of Logistic Services in Indonesia: Identifying and Implementating'. Firstly, he introduced the basic information about Indonesia's economy and made comparison with other APEC economies and ASEAN members. About logistics development, the speaker emphasized that this is a cross sector and cross ministerial topic, requiring coordination among a large variety of stakeholders. According to the speaker, the logistics sector was heterogeneous by nature and covered multiple actors subject to different types of challenges. Reform therefore requires reform of logistics sub-categories, for example: trade facilitation, logistics service providers, infrastructure development. Each challenge would require different interventions. Mr Ambarita shared that the most important deregulation related to the international trade for Indonesia is the revision of Customs Regulation. He also mentioned about other actions of Indonesia in facilitating logistics development such as: cross border inspection, survey reports, visa free, foreign equity etc. In his presentation, he made a short comparison between logistics development of Viet Nam and Indonesia. At the end of the presentation, he concluded that logistics can be perceived as a tradeable service as well as a vital supporting service to the manufacturing industry. Logistics service providers and manufactures had different needs and expectations for logistics reform.

During discussions, Dr Zhou shared that China undertook a lot of reforms to reduce imbalances among regions in China and improve infrastructure. It is essential to maintain sustainability and investment and participation of the public. Research and development is important to develop logistics services and utilize resources. Mr Iino

provided information that OECD STRI (STRI: Services Trade Restrictiveness Index) covered 24 sectors in 44 economies and was launched in 2014. OECD has database which was provided by OECD members. A participant shared that Thailand sometimes faced with difficulties in collecting data and wondered if WTO's trade policy review (TPR) can be used as a basis for developing STRI. Mr Iino replied that TPR's information was insufficient to develop STRI.

5/ During Session 5 on Structural Reform in Logistics Services in Viet Nam, there was 3 speakers: *Mr Nguyen Tuong (Senior Advisor, Viet Nam Logistics Association); Mr Tran Chi Dzong (Founder and Chairman of Academic Board, Logistics Knowledge, Viet Nam); Mr Bui Ba Nghiem (Official, Foreign Trade Agency, Ministry of Industry and Trade, Viet Nam).*

- **Mr Nguyen Tuong** divided his presentation into 4 main parts: (1) Overview of Logistics Services in Viet Nam; (2) Viet Nam Logistics Business Association; (3) Structural Reform in Logistics Services in Viet Nam; (4) Recommendation for further Reform. The speaker shared that there are about 3,000 logistics providers, around 70 per cent located in HCM City with 1,300 providers actively working. Most of logistics providers in Viet Nam were small and medium sized, 84 per cent providing services both in and out of Viet Nam, 15 per cent only doing business in domestic market. Mr Nguyen observed that logistics costs were on a high side, IT application was low and skillful human resources were limited. In the second part, he introduced the logistics system components in Viet Nam and provided some information about the Viet Nam Logistics Business Association (VLA). He then talked about some legislative documents on logistics development. At the end of the presentation, he concluded that there were some amendments needed to improve the operation of logistic services in Viet Nam: To improve the customs clearance procedures, provide capacity building for human resources and enhance the role of The Trade Facilitation Committee of Viet Nam.
- To begin the presentation, **Mr Tran Chi Dzong** showed a logistics map of Viet Nam to see its potentials from geography, land and sea transportation aspects. After that, he shows some figures related to current logistics performance of Viet Nam. The speaker also predicted the development trend from 2010 to 2030 of logistics development based on market needs and possible solutions for the sector. Mr Tran highlighted the APEC Logistic Work Force Development Program which facilitates to switch education and training systems to the "Pull" model. The program was originated from Australia since 2015 with the 5 occupation standard including: Supply Chain Manager, Warehouse Supervisor, Warehouse Operator, Freight Forwarder, Logistics Administrative Officer.
- **Mr Bui Ba Nghiem** shared that there were some limits on logistics sector of Viet Nam that had not been solved completely such as: planning to connect related sectors, infrastructure development, poor information resources, connections among marine ports of Viet Nam with regional ports, complicated

customs clearance procedures, high logistics costs, lack of skilled human resources, low competitiveness etc. All of above mentioned limits led to the high cost of logistics services in Viet Nam over years. The cost for logistics includes three components: transportation, warehouse and management. Mr Bui shared view that Viet Nam did not have appropriate method of cost calculation, mostly depend on Vform and the statistic of World Bank which is not totally accurate. At the end of the presentation, he recommended that Ministry of Planning and Investment of Viet Nam should create logistics sector code to have accurate statistics. The speaker also recommended Vietnamese enterprises to abandon the habit of buying CIF and selling FOB, to enhance the capacity of human resources and utilize the inputs. Mr Bui suggested the Government to reduce the infrastructure toll fees and other related fees. Finally, it is important to have cooperation among Ministries to connect the infrastructure with logistics center and information technology.

During discussions, a participant shared that there was no efficient way to calculate logistics costs. Mr Nghiem agreed that for Viet Nam, the biggest difficulty was the lack of business registration code for logistics and there were 3 methodologies to calculate logistics statistics. The Ministry of Industry and Trade of Viet Nam approved a research on the methodology to calculate logistics costs for each category of enterprises. Meanwhile, statistics in Mr Tran Chi Dzung's presentation came from a very detailed study and insisted that Viet Nam Logistics Associations conducted a comprehensive review and tried to update the data. Mr Tran also shared that the World Bank provided macro data on logistics.

Also during discussions, an international participant raised a question regarding the Viet Nam's recent Decree 54, which in the view of the participant, impacted many logistics service providers - especially on the pharmaceutical and related products. The participant questioned whether the measure created huge barrier to trade in services, limited the scope of the services that were provided by foreign companies and only allowed local service providers to operate the services which previously open to the long time invested foreign company. To the extent that Viet Nam's Structural reform in logistics services was ongoing, the participant questioned the rationale of imposing this kind of measure, since the participant viewed that it was against the National Treatment principle under WTO and also backtracking from what Viet Nam committed under the General Agreement on Trade in Services (GATS). A representative from the Ministry of Planning and Investment of Viet Nam explained that (i) this Decree would not prevent foreign invested companies from importing pharmaceutical and related products and selling them to wholesalers (foreign invested companies were not allowed to transport and sell pharmaceutical and related products to retailers and consumers); (ii) Viet Nam has not allowed foreign invested companies to operate in distribution services.

#### **IV/ Conclusions and Recommendations**

1/ The Dialogue's participants shared challenges in the development of logistics services in their economies:

- (i) how to manage and harmonize the e-commerce effects and the traditional ways in logistics;
- (ii) identify barriers to improve the development of logistics services especially Southern-West region of an economy, improve the inter-connection between one and another economy;
- (iii) focus on logistics services within free trade facilitation through trade agreements;
- (iv) built new infrastructure and participate in more international cooperation to get best practices and experience from other member economies;
- (v) to build legal framework to develop logistics sector;
- (vi) other challenges listed in speakers' presentations.

2/ The Dialogue's participants suggested that future activities/ topics should be:

- APEC should develop an APEC index of services which is very useful and serves as benchmark for APEC members;

- To improve the quality of technology and human resources. The topic that APEC can develop for next Dialogue is cross border e-commerce. We need to coordinate effectively among logistics centers of APEC.

- It is needed to develop a master plan to develop logistics services.

- Logistics is key barrier to trade and investment. Need a central coordinating body for logistics to deal with logistic high cost, local government charge "pass through" fee.

- It is important for businesses to access to data, they know how to collect and exchange data. Also economies need to improve domestic regulation and policies.

- It is important that economies can adjust the investment policy to attract more investment on logistics services.

- To cooperate on infrastructure connectivity, technology, especially for developing economies. Topic for next Dialogue can be (a) enhancing the connectivity among APEC logistics enterprises, (b) sharing experience in reducing logistic costs, (c) technical assistance for developing economies to establish an organization which help to coordinate cooperation among APEC member logistic administrative offices, (d) data sharing about logistic cost, common data base in APEC for logistic, (e) capacity building for human resource.