

## 【Vietnam】

# Survey on Challenges in the Transportation and Tourism Sector in the ASEAN-India Region in FY 2022

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## 1. Introduction

In the ASEAN-India region, rapid economic growth has led to advancements in transportation infrastructure and improved service levels for public transportation. However, there are also issues such as insufficient connectivity between modes of transportation and a lack of safety awareness in public transportation. Furthermore, the outbreak of the Covid19 pandemic has brought about new changes to passenger transport and freight transport throughout the world.

In these circumstances, we conducted a survey on challenges in the overall transportation and tourism sectors in 2022. We particularly focused on 5 countries in the ASEAN-India region, namely Vietnam, Philippines, Indonesia, Thailand, and India as a target of the research. We conducted interviews with experts, scholars, and other knowledgeable individuals in these target countries to understand and to categorize the causes of the local challenges in the transportation and tourism sectors, then to consider and arrange approach strategies to address them. As the research in tourism only started in 2022, we collected background information on the tourism field as well.

This report provides an overview of the background and challenges in the transportation and tourism sectors in the Vietnam, and discusses potential directions for addressing these challenges.

## 2. The Current Situation and Challenges in the Transportation Sector

### (1) The Current Status of Transportation Infrastructure

#### ①Road・Car Traffic

1) Eliminate traffic congestion and secure development funds for outer ring road no.4

As of November 2022, the number of vehicles in Hanoi was approximately 7.8 million, and the annual growth rate for private cars was 4-5%, which exceeded the rate of progress for transportation infrastructure development. Traffic congestion was becoming more serious. Furthermore, traffic volume on ring road no.3 was six times higher than originally predicted. Therefore, development of ring road no.4 is also required.

By developing ring road no.4, it is expected that the access between the central city area and Noi Bai Airport and Hai Phong Port will be improved, the redevelopment of the Thang Long area to the north of Red River will be stimulated, and traffic flowing into the center of Hanoi will decrease. This will facilitate traffic passing through Hanoi metropolitan area and ease traffic congestion within Hanoi. The Vietnamese government decided to start construction of ring road no. 4 by the end of June 2023.

On the other hand, although this project is planned to be a PPP project, the current PPP legislation has many conditions that are difficult for private companies to accept, such as the lack of government compensation and amendment systems. Future revisions to the PPP legislation are also an issue.

2) Road maintenance in the southern Mekong Delta region

According to the 「Action Plan by 2030 for Southern

Mekong Delta Region Socio-economic Development and National Defense Security] announced in June 2022, the government aims to double the per capita GRDP (gross regional product) by 2030.



Figure: Road plan for the Mekong Delta region  
Source : ADB

As the main industries in the Mekong Delta region are agriculture, forestry and fisheries, and food processing, there are potential problems relating to climate change and environmental issues such as floods, droughts, and water pollution in addition to the challenge of developing the existing land and maritime network to ensure smooth logistics. In order to improve transportation access within the Mekong Delta region, construction of the My Thuan-Can Tho Expressway and My Thuan 2nd Bridge, which are part of the expressway project connecting Ho Chi Minh City and Can Tho City, was expedited from February 2022. Also, support was provided by six organizations including ADB, the World Bank, and JICA to improve the road network in the Mekong Delta region.

3) Government policies and support measures regarding climate change countermeasures and EV industrialization

The number of automobile sales in Vietnam in 2021 was approximately 410,000 units, with Vietnam ranked fourth among ASEAN countries, and this is expected to increase further due to population and income growth. While the

Vietnamese government is supporting domestic EV production in order to achieve carbon neutrality by 2050, there are infrastructure issues such as a lack of EV charging stations.

In recent years, there has been a shift to EVs led by VinFast, a local company. But since the present selling price of EVs is higher than that of gasoline powered cars, potential purchasers are limited to high income earners. For this reason, the government is offering incentives, for example reducing the special consumption tax and vehicle registration fees when EVs are purchased.

### ②Railway

As a country which has a long landmass extending from north to south like Vietnam, the number of people travelling between north and south is rapidly increasing due to economic growth. Thus, the development of high-speed railways has become a major issue. The Ministry of Transport (MOT) initially proposed a design with a maximum speed of 320 km/h or higher for passenger use only, but concerns about the increasing investment costs and uncertain future passenger demand arose in discussions with the Ministry of Planning and Investment (MPI), and in August 2022 it was agreed to construct a new line for both freight and passenger use with a maximum speed of 250 km/h and actual operating speed of 180-225 km/h. Currently, rail transportation between the north and south only accounts for 6% of passenger travel and 1.4% of freight transportation and, while it is necessary to develop high-speed rail to redress the imbalance, it is also necessary to study in more detail the feasibility of improving business profitability by combining freight and passenger demand. In addition, it is also necessary to improve infrastructure such as at Hai Van Pass, which is a bottleneck for high-speed operation.

According to local reports regarding the agreement between MOT and MPI, the Hanoi-HCMC North-South High-Speed Railway will be developed as follows: (a) Between Hanoi and Ho Chi Minh City there will be six stations for long-distance high-speed trains, 44 stations for short- and medium-distance semi-fast

trains, and 20 stations for freight trains. (b) ETCS Level 2 will be adopted for the railway operation system, and the total investment is expected to be 64.8 billion USD. (c) The necessary funds will be raised through public



Figure Hanoi - Ho Chi Minh North-South High-Speed Railway Project

Source : VNEExpress

spending, private investment, and the sale of land use rights around stations in urban areas by business entities. MPI will implement the project using the PPP method, whereby a newly-established state-owned company will be responsible for raising public funds, constructing, maintaining, repairing, and operating infrastructure such as track/permanent way and stations, while private companies will be responsible for raising private funds and handling station-related projects, revenue management, and others.

### ③Port

In 2018, Vietnam's ports handled approximately 290 million tons of cargo, of which 63% was handled by ports in the south, 25% in the north, and 12% in the central region. Also, the container handling volume in the same year was 12.93 million TEU, with 74% coming from the south, 22% from the north, and 4% from the central region. Saigon New Port in Ho Chi Minh City accounts for 24% of cargo handling volume and 37% of container handling volume, making it Vietnam's largest transport hub for import and export cargo.

While the volume of domestic cargo handled remains at approximately 60 million tons, the volume of international cargo handled increased rapidly at an annual rate of 9.3% from 2010, reaching 293 million tons in 2018, and the container volume handled became 13 million TEU. Due to rapidly increasing cargo handling volume at Saigon New Port, in July 2022 a proposal was made to build a new 6 billion USD wharf equipped with a quay having a total length of 7,200m in Can Gio Province, downstream of Ho Chi Minh City, and able to accommodate the world's largest container ships (up to 24,000 TEU).

It is also necessary to develop core ports in the region while there are also plans to reduce cargo handling at Tien Sa Port which is interrupting tourism development and to expand Lien Chieu Port to handle larger container ships.

### ④Airport

#### 1) Airport Maintenance and Expansion

In Vietnam, there are 12 international and 10 domestic airports, and terminal development and expansion has been carried out at Hanoi Noi Bai Airport, Da Nang Airport, and others. On the other hand, terminal congestion at three main airports (Noi Bai, Da Nang, and Tan Son Nhat) continues, and many airports are exceeding their planned capacity. Also, according to the International Air Transport Association, in Vietnam domestic air travel demand recovered faster than any other country after the impact of COVID-19.

In order to handle the situation, it is planned to construct new passenger terminals and expand runways and aprons at places such as Na San Airport and Vinh Airport using the PPP method. Additionally, it is also planned to increase the capacity of Tan Son Nhat International Airport to approximately 1.8 times of its current capacity by 2024, and to develop other regional airports such as Hai Phong and Sapa, but the problem is raising the funds for this development.

#### 2) Air Cargo

Three major airports account for 80% of Vietnam's domestic cargo volume, while Samsung SDS and local

partner ALS are responding to increasing cargo demand at gateway airports by establishing cargo terminals at Noi Bai Airport and elsewhere. And as Vietnam is acting as a China+1 new manufacturing base, there is a possibility that air cargo transportation will significantly increase, despite the fact that within Asia there are relatively few carriers using large aircraft. And since cargo handling space is therefore limited, handling processes are more likely to be delayed as well. For that reason, there is a need to develop airport infrastructure to attract airfreight, by building new airports and increasing cargo handling space at existing terminals.



Figure Airports that have ongoing construction and expansion projects

Source : JICA

## ⑤ Logistics

### 1) Logistics Efficiency

The local purchasing rate of raw materials and parts from companies based in Vietnam is 36.3%, and the rest relies on overseas purchasing such as from Japan, China, and ASEAN countries. Therefore, securing logistics to quickly transport raw materials and parts has become an issue. Major issues include: dealing with high logistics costs, lack of infrastructure, human resources shortage, increasing efficiency through digitalization, environmental considerations, and reducing one way truck transportation.

### 2) Cold Chain

In Vietnam, the demand for warehouses for domestic and international transportation is increasing due to economic growth, expansion of the e-commerce market, and changes in export items. This requires a stable supply chain, but reefer container and cold storage capacity cannot keep up with the sudden increased demand. Since marine products comprise the majority of exports, food waste during transportation due to insufficiency of temperature control has become an issue. It is thus necessary to improve the business environment by upgrading infrastructure and introducing appropriate laws and regulations to ensure an efficient cold chain.

### (2) Challenges in Each Sector (See Table on next page)

### (3) Main Issues to be Considered Based on Expert Reviews

#### ① International Railway Network

Long-distance international railways are expected to play a role in securing transportation routes that provide stable lead times and as a BCP measure during periods of marine and truck transportation congestion. Demand for stable rail transportation is expected to increase due to the risk of international sea and air transport disruption during possible new pandemics and regional conflicts.

#### 1) China - Vietnam International Railway

International intermodal transportation processed customs clearance for 7,867 trains on the China - Vietnam line during January - April 2022, and the import and export volume reached 170,100 tons. Exports of chemical products and raw materials for agricultural products from Guizhou and Sichuan provinces to Vietnam and Thailand are increasing. Therefore, the demand for the raw materials necessary for fertilizer production is also expected to increase.

#### 2) Europe - Vietnam International Railway

Direct trains from Da Nang to Europe via China, Kazakhstan, Poland, and Germany started operating from March 2022. Eight trains leave Vietnam each month and delivery time is around 25 - 27 days. Each train consists of 23 40-foot containers which are transported by meter gauge rail from Da Nang, then

transferred to standard gauge of 1,435mm from Hanoi. The main product transported from Da Nang is furniture, while electronic equipment and textiles are transported from Hanoi for export to European cities such as Liège, Hamburg and Melzo.

While road transport remains the main mode of transportation in Vietnam, it is nonetheless necessary to develop logistics hubs based on international networks such as at major ports and railway stations.

## ② Logistics Development

### 1) Logistics development plan

Domestic logistics costs in Vietnam in 2018 amounted to 20.9% of GDP, twice that of developed countries and 114% of the global average, due to the lack of cooperation between transportation modes.

The Vietnamese formulated a dry port master plan in 2011, covering development for 13 dry ports. Also in 2017, an action plan, was formulated to improve and develop the competitiveness of logistics services by 2025.

The development of inland container depots (ICD) will be promoted in order to implement the “Logistics Development Plan by 2025 with a Vision to 2030” formulated in Ho Chi Minh City in 2020 that aims to make Ho Chi Minh City a major logistics hub in the country and develop multimodal transportation and logistics services. Essential facilities for the entire logistics sector such as human resources, constructing logistics centers, establishing training centers that provide vocational training, and utilization of IT to cooperate and coordinate with major economic areas in the south (Mekong Delta region) in logistics services are under preparation.



General	Road Sector	Logistics Sector
<ul style="list-style-type: none"> <li>• Increase infrastructure investment and attract private investment</li> <li>• Prioritizing transportation policy</li> <li>• Inadequacy in PPP legislation (demand risk, amendment system)</li> <li>• Government's excessive risk avoidance in PPP projects</li> <li>• The legal system becomes a mere formality (Urban administrative divisions, etc.)</li> <li>• Clarifying the division of responsibilities between central and local governments</li> <li>• Necessity for independent transportation policy research institute</li> <li>• Expansion and standardization of collected data in the transportation field</li> <li>• Financing, technical know-how, and business implementation ability</li> <li>• Transportation system that integrates multiple transportation modes</li> </ul>	<ul style="list-style-type: none"> <li>• Legal restrictions on toll collection</li> <li>• Toll system based on regional characteristics</li> <li>• Introducing EV and charging infrastructure development policy</li> <li>• Eliminating urban traffic congestion in megacities</li> <li>• Introducing road preventive maintenance nationwide</li> <li>• Increasing road construction and maintenance costs</li> <li>• Low speed/medium speed/high speed road configuration reconstruction</li> <li>• Reducing expressway construction costs</li> <li>• Breaking out from overemphasis on road system</li> <li>• How to manage passenger demand (integrated traffic management plan)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment attraction policy for dry ports and logistics bases</li> <li>• International gateways management.</li> <li>• Setting up standards for logistics bases development (Ministry of Industry)</li> <li>• Dividing responsibilities among related ministries and agencies</li> <li>• Building an efficient inland water transportation system</li> <li>• Decarbonization in logistics sector</li> <li>• Multimodal logistics system</li> <li>• Connectivity of inland waterways, railways, and road transportation</li> </ul>
Port and Harbor Sector	Railway Sector	Aviation Sector
<ul style="list-style-type: none"> <li>• Promote policies such as integration of procedures in free zones.</li> <li>• Green / port development policy</li> <li>• Improved connectivity with freight railways and inland waterways</li> <li>• Improving connectivity between small-scale ports in the north</li> </ul>	<ul style="list-style-type: none"> <li>• Development guidelines for international hub stations</li> <li>• Human resource development for high-speed railways / Utilization of local companies</li> <li>• Competition between rail and road transport, systematic transport system</li> <li>• Systematic organization for institution reform, institution framework</li> <li>• Reducing railway construction costs, attracting more investment in railway</li> <li>• Maintenance methods, financing policies, O&amp;M-related legal systems</li> </ul>	<ul style="list-style-type: none"> <li>• Airport capacity issues due to increased number of passengers</li> <li>• Promote private investment in airport development</li> </ul>

As a result, the sales growth rate of logistics service companies in the city is expected to reach 20% in 2030, and the contribution rate of the logistics industry to Ho Chi Minh City's GRDP is expected to reach 12% by 2030. In addition, logistics costs, which are an issue in terms of international competitiveness, are expected to decrease by 10-15% by 2025.

## 2) Dry Port

In 2016, road transport dominated the share of transportation at approximately 76%, and to promote multimodal transportation, it is necessary to strengthen the functions of dry ports, distribution

centers, warehouses, and others. As of 2017, there were 11 dry ports in the northern region within a range of 50 to 400 km from a sea port, and except for Lao Cai ICD which is connected with the railway, there is only road transportation available. In the south, there are 11 dry ports within a range of 20 to 70 km from a sea port, seven of which are connected to inland waterways.

## (4) Challenges in the Transportation Sector in Vietnam

○ Intercity railways and international railway networks, including high-speed railways

In recent years, the role of international freight railways as a stable and reliable alternative to sea

and road transportation has been increasing, and while the Vietnamese government has repeatedly discussed seeking support from other countries for the North - South high-speed railway project linking Hanoi and Ho Chi Minh and the concept of developing freight and passenger transportation, it is necessary to reconsider the characteristics of the intercity railway network, including the high speed railway.

○Reducing logistics costs by seamless connectivity and intermodal transportation

In order to improve the efficiency of logistics, it is necessary to consider the reality of the connections within the transportation system that can provide high frequency and punctuality, Development of logistics bases with logistics functions, and intermodal transportation that includes various transportation modes such as train or truck, aircraft, and inland water transport.

### 3. Basic Information on the Current Situation and Challenges in the Tourism Sector

#### (1) Basic Information on the Tourism Sector

##### ①Outline

The number of international visitors to Vietnam increased significantly from 5.4 million in 2011 to 16.2 million in 2019. Particularly noteworthy was the surge in tourist numbers from around 7 million in 2015 to 9 million in 2016 and 11.63 million in 2017. As of 2019, China accounted for the highest number of international visitors, followed by South Korea, Japan, and the United States. The total expenditure by international visitors in 2019 amounted to 11.8 billion dollars. Following the outbreak of the pandemic in 2020, the number of international visitors to Vietnam decreased significantly from 3.4 million in 2020 to 140,000 in 2021. Similarly, expenditure by international visitors dropped from 2.9 billion dollars in 2020 to 100 million dollars in 2021.

The number of international visitors is expected to increase again from now onwards, surpassing the 2019 figures by 2025 and reaching approximately 18.6 million in 2027. The level of employment in the tourism sector

showed an increasing trend until 2019, accounting for about 9% of total employment, or about 4.9 million people. Until 2018, the tourism industry sector accounted for 6–7% of total GDP, with an average annual growth rate of 1.2%. However, due to the impact of the COVID-19 pandemic, there was a sharp decline from 2020 onwards, with a 2.6% reduction in 2021 compared to the previous year.

#### ②Government Organization Structure in the Tourism Sector

The Ministry of Culture, Sports and Tourism (MoCST) in Vietnam implements the national administration of culture, family, sports, and tourism. It is also responsible for managing public services in these areas.

Figure: Ministry of Culture, Sports and Tourism organization chart



Source : Ministry of Culture, Sports and Tourism website

Created by JTTRI-AIRO

The scope of MoCST’s jurisdiction includes policy formulation and management of public services related to culture, tourism, sports, policies and public services related to ethnic groups and families, as well as guidance for the development of national traditional culture.

The Vietnam National Administration of Tourism (VNAT), under the Ministry of Culture, Sports and Tourism (MoCST), is responsible for formulating and implementing tourism policies, enacting regulations such as the Tourism Law, handling various permits and approvals, and rating travel agencies.

Figure2: Vietnam National Authority of Tourism Organization chart



Source : Vietnam National Authority of Tourism  
( <https://www.vietnamtourism.gov.vn/en/post/6700> )  
Created by JTTRI-AIRO

VNAT (Vietnam National Administration of Tourism) is responsible for enacting regulations such as the Tourism Law, various permits and approvals, and rating travel agencies.

Under VNAT, there are three organizations: the Institute for Tourism Development Research (ITDR), the Tourism Information Technology Center (TITC), and the Vietnam Tourism Review (VTR). ITDR conducts surveys, analysis, and consulting in tourism, particularly implementing training programs related to tourism through industry-academic collaboration. TITC supports the application of information technology in the tourism industry by conducting research and studies. VTR engages in information dissemination to promote tourism development.

MoCST has published a tourism development strategy towards 2030, emphasizing significant goals such as “sustainable and inclusive tourism development, based on green growth, maximizing the contribution of tourism to the United Nations’ sustainable development goals, effective management and utilization of natural resources, protection of the environment and biodiversity, proactive adaptation to climate change, and ensuring national defense and security.”

Furthermore, specific Key Performance Indicators (KPIs) related to inbound tourism have been established, and concrete efforts are being made in nine areas to achieve these KPIs, as outlined in the figure below. These areas include ①continuing the refreshment of awareness and thinking related to tourism development, ②completion of systems and policies for tourism development, ③development of infrastructure, facilities, and technology, ④training of tourism personnel, ⑤expansion and diversification of markets, ⑥tourism product development, ⑦deployment of promotion, including collaboration, ⑧utilization of science and technology, and ⑨national management of tourism businesses.

	KPI	
	2025	2030
<b>The number of International Visitors</b> (million)	35	50
<b>The number of Domestic Visitors</b> (million)	120	160
<b>Total Revenue from Tourists</b> (billion USD)	77~88	130~135
<b>Employees in the Tourism Sector</b> (million)	5.5~6.0	8.5
<b>The direct contribution to GDP</b> (%)	12~14	15~17

Source : Vietnam tourism development strategy to 2030 (<http://asemconnectvietnam.gov.vn/default.aspx?ZID1=14&ID8=95695&ID1=2>) Created by JTTRI-AIRO

(2) Results of Expert Interviews and Challenges in the Touris Sector, and approaches to addressing these challenges.

In terms of major challenges in Vietnam, the first is the shortage of labor. It is said that 40% of the tourism, travel, and hospitality sectors are facing a shortage of personnel. There is a demand for the government to provide funding for talent acquisition, offer career development opportunities, and support programs such as loans to facilitate the emergence of new entrepreneurs.

The second challenge is the decline in Vietnam’s price competitiveness. It is pointed out that there is a lack of quality and uniqueness in tourism products. Currently, Laos and Cambodia offer similar products at



lower prices, leading to direct competition with these countries. There is a need for a support system that enables tourism operators to transition from short-term profit-oriented mass tourism to higher-quality tourism products. It is also important to strengthen the collaborative relationship between the public sector and the private sector in addressing this challenge.

The third challenge is the insufficient infrastructure in Vietnam. There is a shortage of public transportation, and traffic congestion has become a common issue. To improve infrastructure such as airports and railways, a comprehensive and long-term development plan that involves various levels of government and regions is necessary. Strengthening public-private partnerships is essential to achieve this goal.

The fourth challenge is the insufficient budget for promoting the exploration of new markets. Effective attraction can be expected by collaborating with the private sector and conducting promotional activities targeted at the ASEAN region.

### (3) Future Prospects

In the post-COVID era, it is believed that vertical integration holds the key to the growth of the tourism industry. Building a Win-Win relationship between large corporations and small and medium-sized enterprises (SMEs) is crucial to maintaining the vitality of SMEs. Additionally, the tourism industry has significant influence in realizing regional revitalization and activating local communities. Cooperation with local governments is essential due to the widespread economic impacts, including employment generation and income improvement in local areas.

The Vietnamese government is actively working on improving the investment environment in the tourism sector. Initiatives include amending the Tourism Investment Law, establishing tourism development areas in new special economic zones, and promoting public-private collaboration in tourism infrastructure development. Through these efforts, the attractiveness of tourism investment in Vietnam is expected to increase,

leading to the advancement of tourism development by multinational companies. The expansion of investment is anticipated to generate effects such as talent development, technology transfer, and infrastructure improvement, thereby fostering the sophistication and growth of the tourism industry.

With these initiatives, it is expected that Vietnam will be able to enhance its presence in the tourism industry within the ASEAN region. Moreover, there is confidence that the targets of welcoming 100 million visitors and achieving tourism revenue of 500 billion dollars by the year 2045 can be achieved.

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