



# Shipbuilding in Vietnam: Challenges & Opportunities

Ships of some kind or other have been built in Vietnam for a very long time. However, the domestic shipbuilding industry is still in its infancy. In spite of the fact that Vietnam is a nation with well over 2,000 kilometres of coastline, its shipbuilding industry lags behind many countries in the region. In attempting to find a shortcut in development, domestic shipbuilders are discovering their own methods. The challenges they face are, how to develop a domestic market, enter more export markets, raise capital for production and business expansion, unite all internal forces and concentrate investment capital to insure the industry's sustainable growth. Of equal importance are the needs to

resource training and development to meet modern requirements.

The industry witnessed a high growth rate of more than 30 percent per year in terms of total output production value in the late 1990's. And the industry's revenue grew phenomenally in the first three years of the 21st century. Revenue in 2002 grew 93 percent compared to 2001. Exports were US\$51.5 million in 2002, twice the figure of 2001. Growth of revenue is partly due to the recognized need to develop domestic shipping fleet. However, the Vietnamese shipbuilding industry has begun to attract foreign clients now because of its increased quality and attractive prices. The recent shortage of worldwide shipbuilding capacity further helped Vietnam to enter international shipbuilding.



Traditional shipbuilding in Vietnam

Vietnam's share in world-wide shipbuilding activities, March 2005

The Vietnam Shipbuilding Industry Corporation (Vinashin) was established in 1996. Since then, the domestic shipbuilding industry has moved forward. Vietnamese shipyards have succeeded in building increasingly large vessels. Vietnamese-made ships have in the meantime been exported to several countries.



Outfitting work at shipyard

The Vietnamese government has taken a strong position in supporting and promoting the Vietnamese shipbuilding industry. Whereas initially yards were mainly able to build smaller tonnages, now priority is granted to the building and repair of larger ships. Lately this has resulted in starting to build large ships such as container and bulk vessels with a carrying capacity of 30,000 to 50,000DWT and oil tankers with a carrying capacity of 100,000DWT.

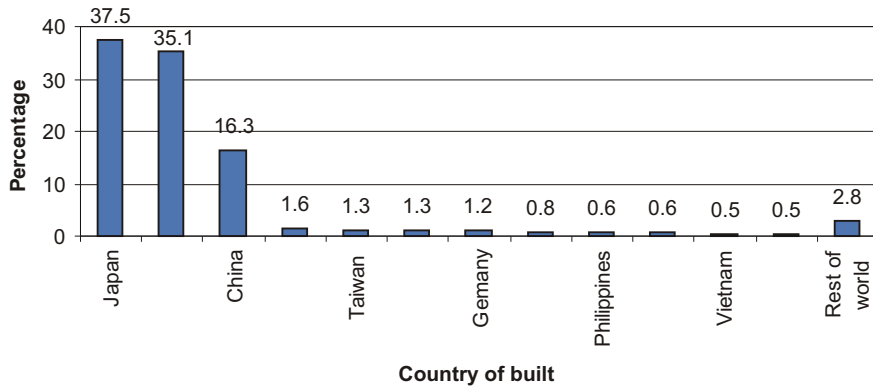
This movement is seen to reduce the development gap between Vietnam and regional countries with strong shipbuilding

constantly improve infrastructure facilities, to carry out appropriate research to improve designs, and to invest in human





**World Tonnage (dwt) on Order, March 2005**



Outline of Vinashin's plans to develop Nam Trieu shipyard in Haiphong

industries. Interestingly the growing of the Vietnamese shipbuilding industry might be explained as a "moving" of the industry towards the South as showed in figure 1. History shows that the movement of the shipbuilding industry from Europe and the US to Japan has subsequently been followed by a movement of the industry to Korea and more recently to China, whereas India nowadays as well is showing ambitions to be a shipbuilding place.

Remarkably the Vietnamese shipbuilding industry follows the "Korean and Japanese way" of developing shipyards and building ships. Vinashin has so started to upgrade its 30 existing factories in recent years. Specifically, it has started to modernize the facilities at seven shipyards (Nam Trieu, Ha Long, Bach Dang, Pha Rung, Ben Kien, the Saigon Shipbuilding Industry Company and the Saigon Shipbuilding and Marine Industry Company). Such development mainly is around the Haiphong area.

Concurrently Vinashin has expanded its cooperation with foreign partners to acquire the latest technologies and thereby has not been afraid to accept foreign advisory services.

Shipbuilding has always been costly and is based on huge investments. Nevertheless the Vietnam shipbuilding industry's fast development is believed to have a swap over effect that will lead to growth in other industries, consequently will hasten Vietnam's industrialization process. Current interest from different foreign ship owners show the capabilities of the industry and the first break-through took place in 2004 when Vinashin obtained a large shipbuilding order of around US\$400 million.

There is also criticism about the development of shipbuilding activities in Vietnam. It can be asked if Vietnam has really the advantages of being a shipbuilding nation in the first place. Unlike China which had a long tradition of being a trading nation and



New Vietnamese shipyard in Haiphong area



Movement of shipbuilding activities in Asia

was in need of commercial ships that were also built in China, Vietnam has not had such a tradition. As a result heavy industry specialized on shipbuilding did not really develop in the past. This nowadays is reflected in the situation that barely no marine equipment industry exists in Vietnam and that there is a lack of ship design capabilities. Not to forget that currently almost all shipbuilding steel must be imported by Vietnam. However such shortcomings are seen by others as opportunities from the viewpoint that at current stage most shipbuilding equipment has to be imported into Vietnam and secondly that such conditions foster the idea of setting up Greenfield companies for the





Swiss pavilion at Vietship exhibition

purpose of producing marine equipment.

Such overall positive environment for potential business opportunities was acknowledged by a few Swiss companies who attended the third official shipbuilding exhibition in Hanoi in February 2006. Proftech International organised an official Swiss pavilion. This Swiss pavilion did accommodate several Swiss SMEs such as AL-KO (air-condition units), Straub Werke (pipe couplings), Polyverix (sealing technology), Premech (injection systems), Proftech (shipbuilding and consultancy), Trasfor (transformers).

The Swiss pavilion did attract a lot of interest at the exhibition and it was possible to introduce some of the Swiss marine equipment suppliers to the market. Although focus was on shipbuilding, it was felt that many other business opportunities in the non-marine sector are feasible. It is foreseen to participate again in future exhibitions in Vietnam.

The above first Swiss participation had its roots in early 2005 when high ranking Vinashin officials did visit Switzerland as part of a Vietnamese business delegation. At that time the CEO of Vinashin, Pham Thanh

Binh, asked Proftech International about a possible participation of Swiss firms in the exhibition.

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Is a Swiss company that is active in advisory service and has a core competence in shipbuilding.

The company has established a platform for Swiss marine suppliers that help existing suppliers and those who have the potential for the industry to develop or enter the market. A variety of activities are offered that include exhibition participation, market research, development of agency network etc.

Proftech has an office in St. Gallen and Shanghai and also a workshop in Shanghai where partly manufacturing/sourcing facilities are offered. Proftech can be contacted in Switzerland:

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