

Promoting Efficient and Competitive Intra-ASEAN Shipping Services – *Lao PDR Country Report*

REPSF Project No. 04/001

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Final Report

March 2005

CONTENTS

CONTENTS..... |
LIST OF TABLES |
I. BACKGROUND 1
II. TRANSPORTATION ROUTES 2

LIST OF TABLES

Table 1: Lao DPR: International Trading Links and Reliance on Shipping..... 1

I. BACKGROUND

Laos has no direct access to the sea¹. It is a landlocked country bordering China, Myanmar, Thailand, Cambodia and Vietnam. The Mekong River forms the major part of the border between Laos and Thailand.

International trading links are shown in the table below:

Table 1: Lao DPR: International Trading Links and Reliance on Shipping

Major Export Destinations	Percentage of total Exports	Major Sources of Imports	Percentage of Total imports	Reliance on Shipping
Thailand (a)	20.3	Thailand (a)	59.1	No
Vietnam(a)	18.2	Vietnam (a)	11.0	No
France	7.2			Yes
Germany	5.1			Yes
Belgium	3.9			Yes
		China	12.7	Partial
		Singapore	2.6	Yes
		Japan	1.8	Yes
Major commodities using shipping services	Garments, wood products, coffee		Machinery and equipment, vehicles, fuel, consumer goods,	
Notes: (a) In the case of Thailand and Vietnam there is considerable misreporting of trade, which overstates the figures. Goods passing through Thailand and Vietnam are often recorded as originating or bound for these countries when in fact they are goods for transit to or from third countries (b) Some Chinese trade enters by road and air, whilst some uses shipping through Vietnam, and Thailand ports Source: Adapted from IMF trade statistics, 2003				

¹ Lao PDR does however have a very small vessel register. It includes a commercial fishing vessel, a recreational vessel, a cargo vessel (no longer in service) and a small tanker.

II. TRANSPORTATION ROUTES

In Laos containers are typically unloaded in neighbouring country ports and moved by road or air to Vientiane. The main transportation routes to and from Vientiane are:

- Vinh port of Vietnam (580 km)
- Danang port of Vietnam (1,060 km)
- Cambodia border (900 km)
- Chinese Border (700 km)
- Bangkok port of Thailand (650 km)

Improvement in efficiency of services in these ports is likely to lower the cost of shipping to users in Laos. However, as is pointed out below, the major factor in cost of transport of exports and imports that could be addressed is the transport of goods between the foreign ports and the warehouse in Laos.

When goods are shipped from foreign ports, they are moved by truck to checkpoints for clearance into Laos. The two major border checkpoints are Tanalene and Wattay, which are the Airport facilities. There are a total of 13 checkpoints and an additional one is planned.

One of the major operators is Lao Freight Forwarder. The history of the company reflects the trend towards greater competitiveness in transport services for Laos. The company evolved from a state owned inland trucking operation that had been established in 1977. In the 1980s the forerunner of the present company specialised in providing connections between Danang and destinations within Laos. The company offered complete services similar to a shipping agency attached to a port. Services included Customs documentation, Port Clearance, Warehousing, Transportation and transport supervision. In 1987 a new company, Transport Service Company, was formed. This company managed the Lao warehouse in Danang port. In July 1989 the company expanded into freight forwarding and was renamed Lao Freight Forwarder. At this stage it was the only state owned company under the Ministry of Communication, Transport, Post and Construction offering inland transport, packing and a full range of freight forwarding services. The company was privatized in March 1995. Other companies in direct competition with Lao Freight Forwarder have been established.

Equipment for loading and unloading is mainly held by sub-contractors. Lao Freight Forwarder owns 2 cranes, 2 forklifts and some trucks and trailers.

A range of government procedures raises the cost of trade. For example in the case of goods imported via the Bangkok port², the import procedures for entry into Laos take an average of between 10 and 15 days. These import procedures involve not only Customs, but also other Government authorities, depending on the nature of the products to be imported. There are 6 major documents that must be completed and each document must have a copy held in Vientiane and a second copy to be held in Bangkok. The delays in Custom clearance due to the limited hours of work (9am -11am, 1.30 to 3.30 5 days per week) add to the cost of shipment.

The Lao based freight forwarder uses its Bangkok representative to collect the goods from the vessel and prepare Thai Customs and transit formalities. The goods are then convoyed under the supervision of a Thai Customs officer to the Lao-Thai border. At the border the freight forwarder undertakes Lao Customs clearance, pays for warehouse fees and loads the goods from Thai to Lao trucks for delivery to the importer. It is clear that this

² In recent years this has increasingly become the most important port for Laos exports and imports.

procedure adds considerably to the cost and delays of international trade for importers and exporters in Laos.

The Greater Mekong Subregion has established a working group on trade facilitation in the region, which has operated for several years. They have focused on issues that are trans-border in nature, including regulatory procedures and documentation for international trade. The group has considered the introduction of a common E commerce system and a payments system for international trade.

In 1998 ASEAN Transport Ministers agreed to a timetable to operationalise the ASEAN Framework Agreement on the Facilitation of Goods in Transit. This Agreement had three major objectives:

- To facilitate the transport of goods in transit within AFTA and reduce unnecessary delays;
- To simplify and harmonize transit goods related regulations; and
- To establish an integrated regional transport system.

Following from this, there has been considerable work within ASEAN on crossborder transport. This work culminated in the Trilateral Agreement on the Facilitation of Cross Border Transport of Goods in 1999 between Laos, Thailand and Vietnam. The agreement covers interstate and multi-modal issues. It focuses on the East West Economic Corridor (Asian Highway 9) where the volume of container is expected to increase by about 13% per annum over the next decade.

The overwhelming conclusion, which is supported by the private sector and user groups, is that while considerable international action to facilitate trade has already taken place, necessary internal domestic reforms have not been implemented. Reforms to Lao Customs and other bureaucracies that are involved in the trade clearance procedure are urgently required. Consideration could be given to the establishment of a dry port in Vientiane so that containers could be sealed in Bangkok and other sea-ports, and delivered to the dry port for unloading, packing and customs clearance.