

# Logistics Development in the Greater Mekong Subregion

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# AGENDA

- × Background
- × Corridor Conceptual framework
- × GMS Economic Corridor Analysis
- × GMS Logistics Characteristics
  - + Infrastructure
  - + Institution
  - + Logistics Service Providers
  - + Traders
- × GMS Logistics Development Policy

# BACKGROUND

- × The improvement of the GMS regional logistics systems can provide the foundation for further economic integration in the GMS.
- × Inadequate transport infrastructure and high logistics costs have constrained economic corridor integration.
- × Adequate logistics and communications facilities are considered major support determinants of competitive trade performance.

# The Greater Mekong Subregion (GMS)

**People's Republic of China**  
 Land area: 633 thou sq km  
 Population: 97.3 M  
 GDP per capita: US\$1,135  
 (figures for Yunnan and Guangxi only)

**Viet Nam**  
 Land area: 332 thou sq km  
 Population: 84.1 M  
 GDP per capita: US\$724

**Lao PDR**  
 Land area: 237 thou sq km  
 Population: 5.7 M  
 GDP per capita: US\$601

**Cambodia**  
 Land area: 181 thou sq km  
 Population: 14.1 M  
 GDP per capita: US\$510

**Myanmar**  
 Land area: 677 thou sq km  
 Population: 54.8 M  
 GDP per capita: US\$255 (2005)

**Thailand**  
 Land area: 513 thou sq km  
 Population: 65.8 M  
 GDP per capita: US\$3,133

**The GMS in 2006**  
 Land area: 2.6 M sq km  
 Population: 323 M  
 GDP per capita: US\$1,453\*  
 \* excludes Myanmar

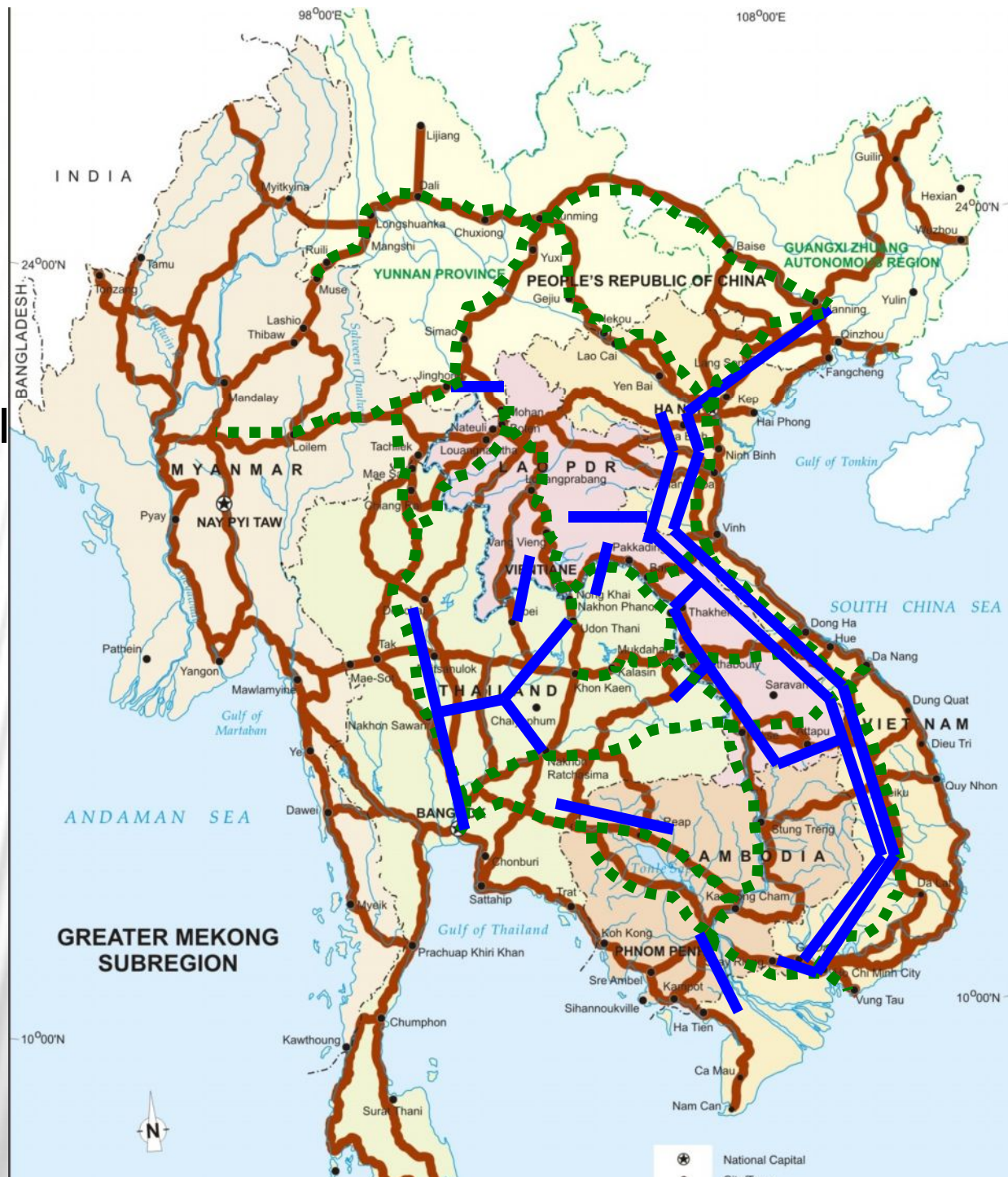
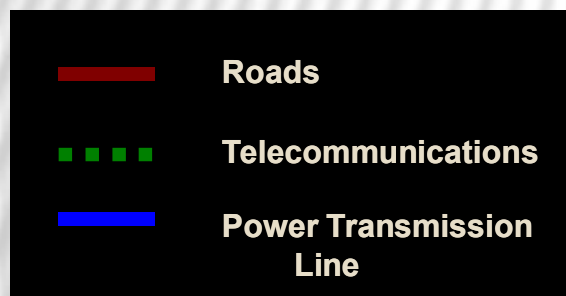




# GMS Outputs: CONNECTIVITY

Facilitating Subregional  
trade and investment

2015



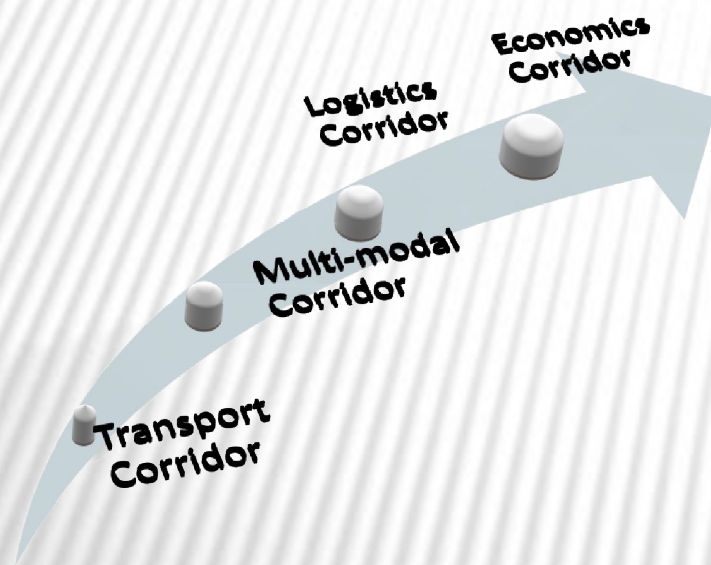


# GREATER MEKONG SUBREGION ECONOMIC CORRIDORS



# GMS CORRIDOR CONCEPTUAL FRAMEWORK

× Assessment will reveal corridor development level.



- **Transport corridor:** Corridor that physically links an area or region
- **Multimodal corridor:** Corridor that physically links an area or region through the integration of various modes of transport.
- **Logistics corridor:** Corridor that not only physically links an area or a region but also harmonise the corridor institutional framework to facilitate the efficient movement and storage of freight, people and related information.
- **Economics corridor:** Corridor that is able to attract investment and generate economic activities along the less developed area or region. Physical linkages and logistics facilitation must be in place in the corridor as a prerequisite.



# Corridor Conceptual Framework

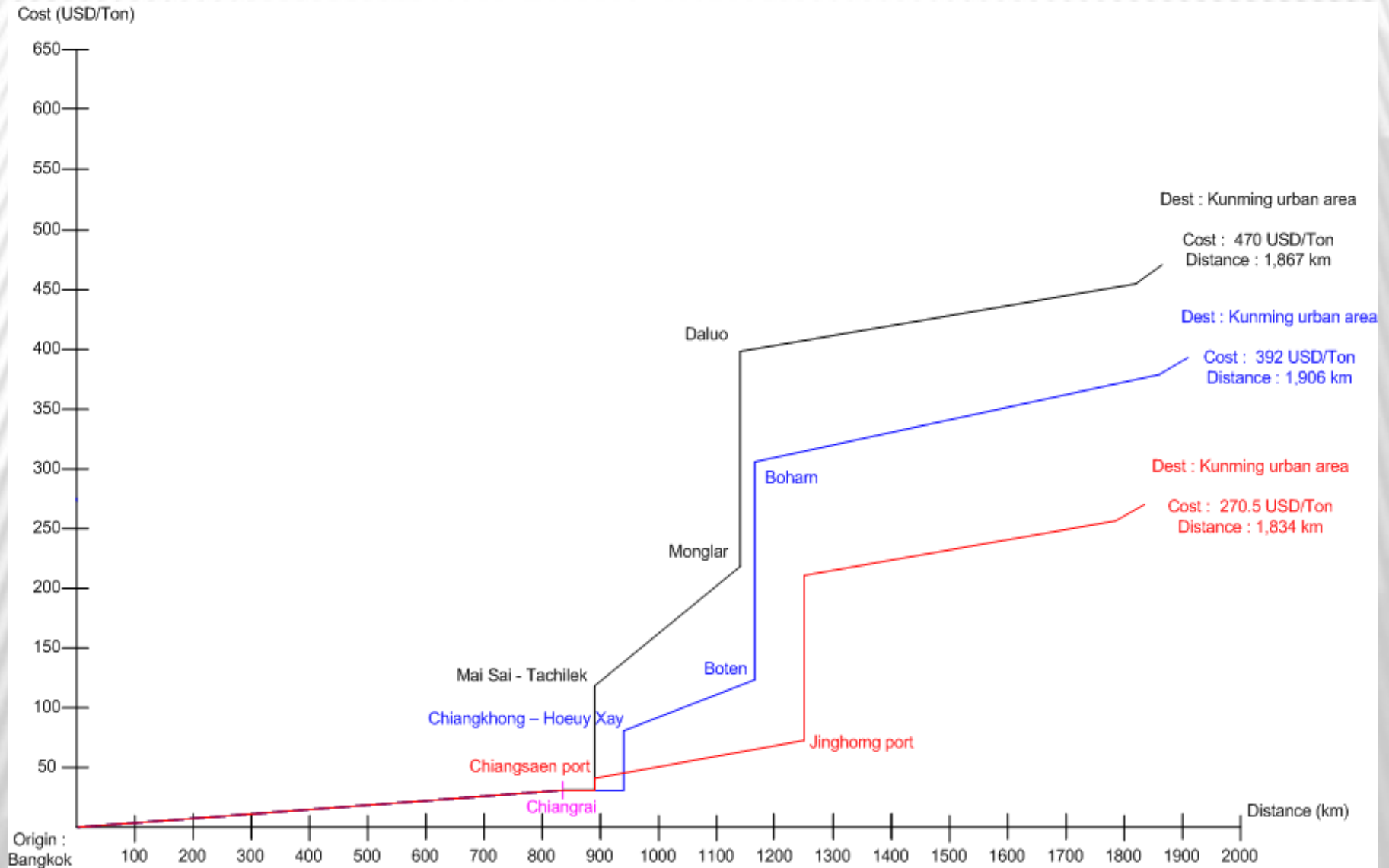
**CORRIDOR  $\cong$  SUPPLY CHAIN**

*“A corridor is only as strong as the weakest link.”*

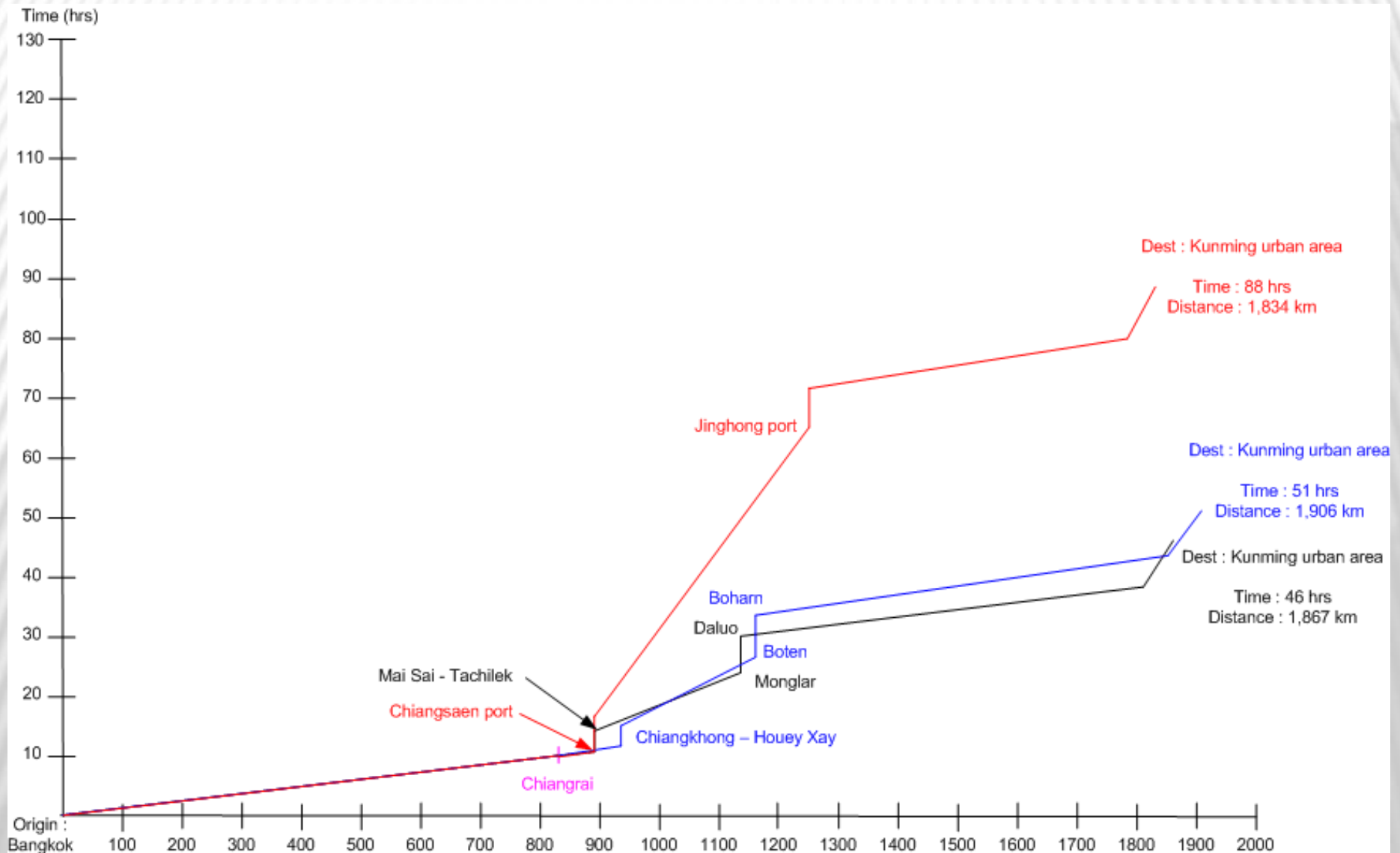




# NSEC LOGISTICS CORRIDOR MODELLING: COST (2006)



# NSEC Logistics corridor modelling: time (2006)



# Corridor Conceptual Framework

**CORRIDOR  $\cong$  SUPPLY CHAIN**

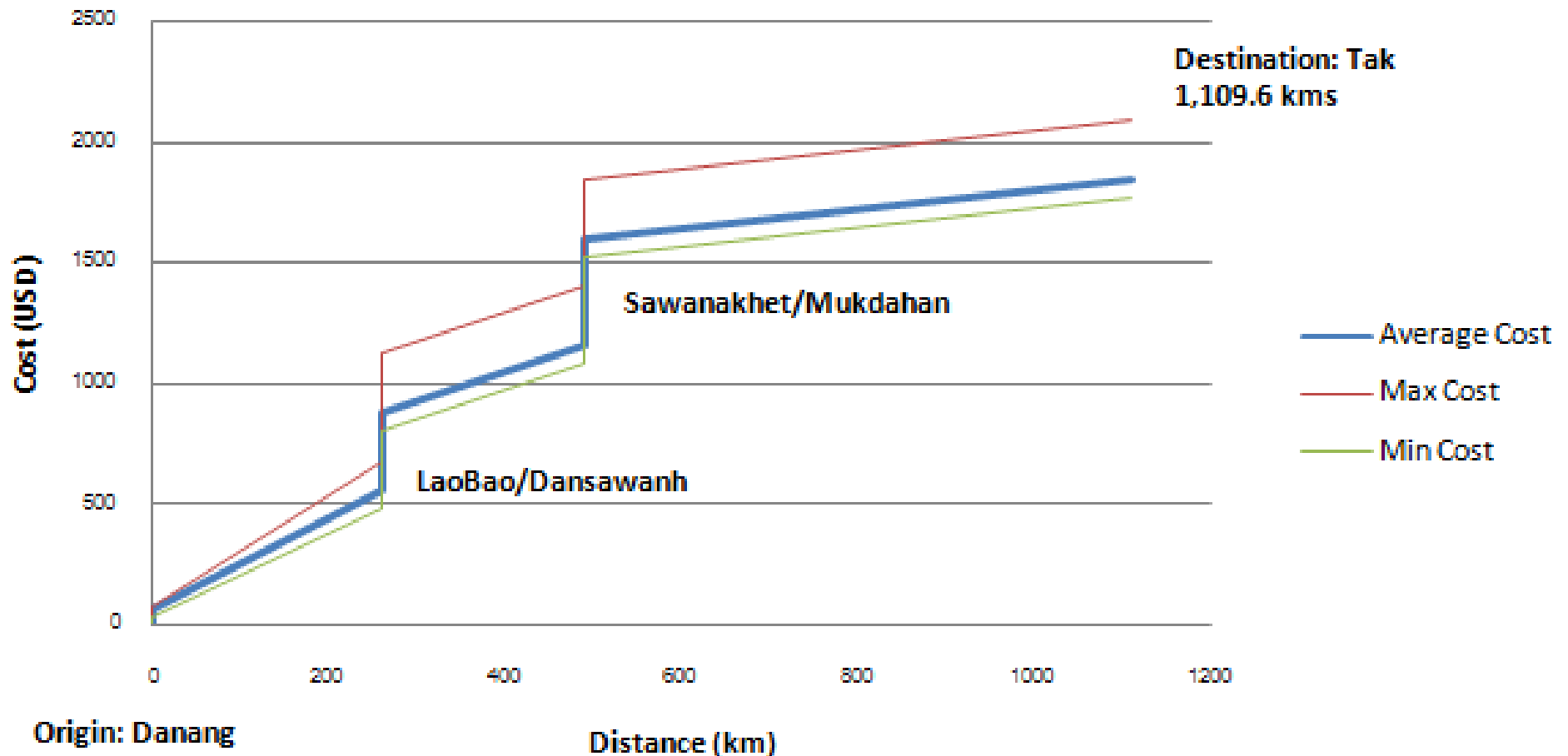
*“A corridor is only as strong as the weakest link.”*





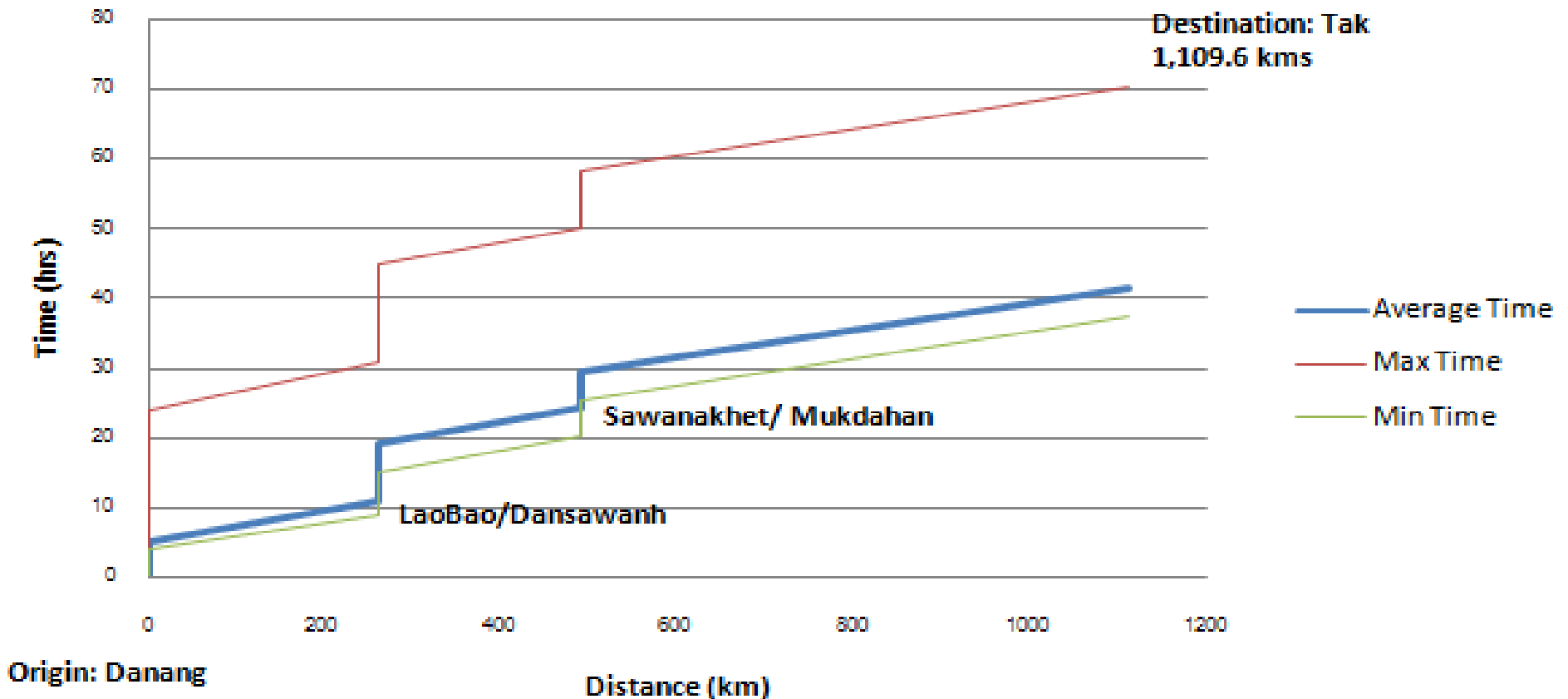
# EWEC Logistics corridor modelling: cost (2007)

## Snapshot Danang - Tak



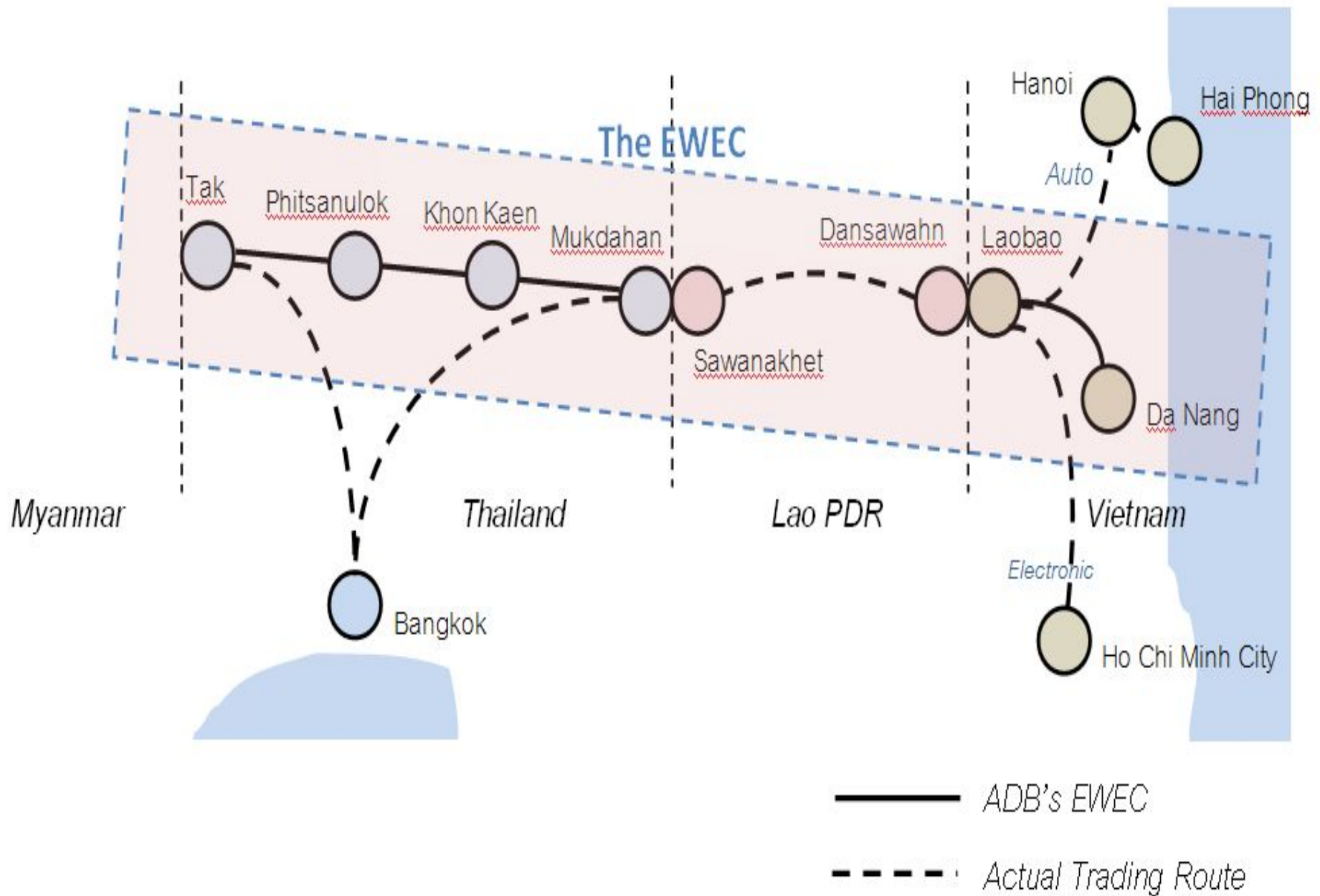
- ✘ From a cost-perspective, **42.6% (787 USD)** of the total **1,847 USD** occurs at border checkpoints and customs.

# EWEC Logistics corridor modelling: time (2007)



- ✘ Further analysis of the route between Danang to Tak, shows that **43.5% (18 hrs) of the total 41.3-hrs time movement are at customs or border checkpoints.**
- ✘ Pure transport operations would take less than 24 hours.

# EWEC CURRENT STATUS



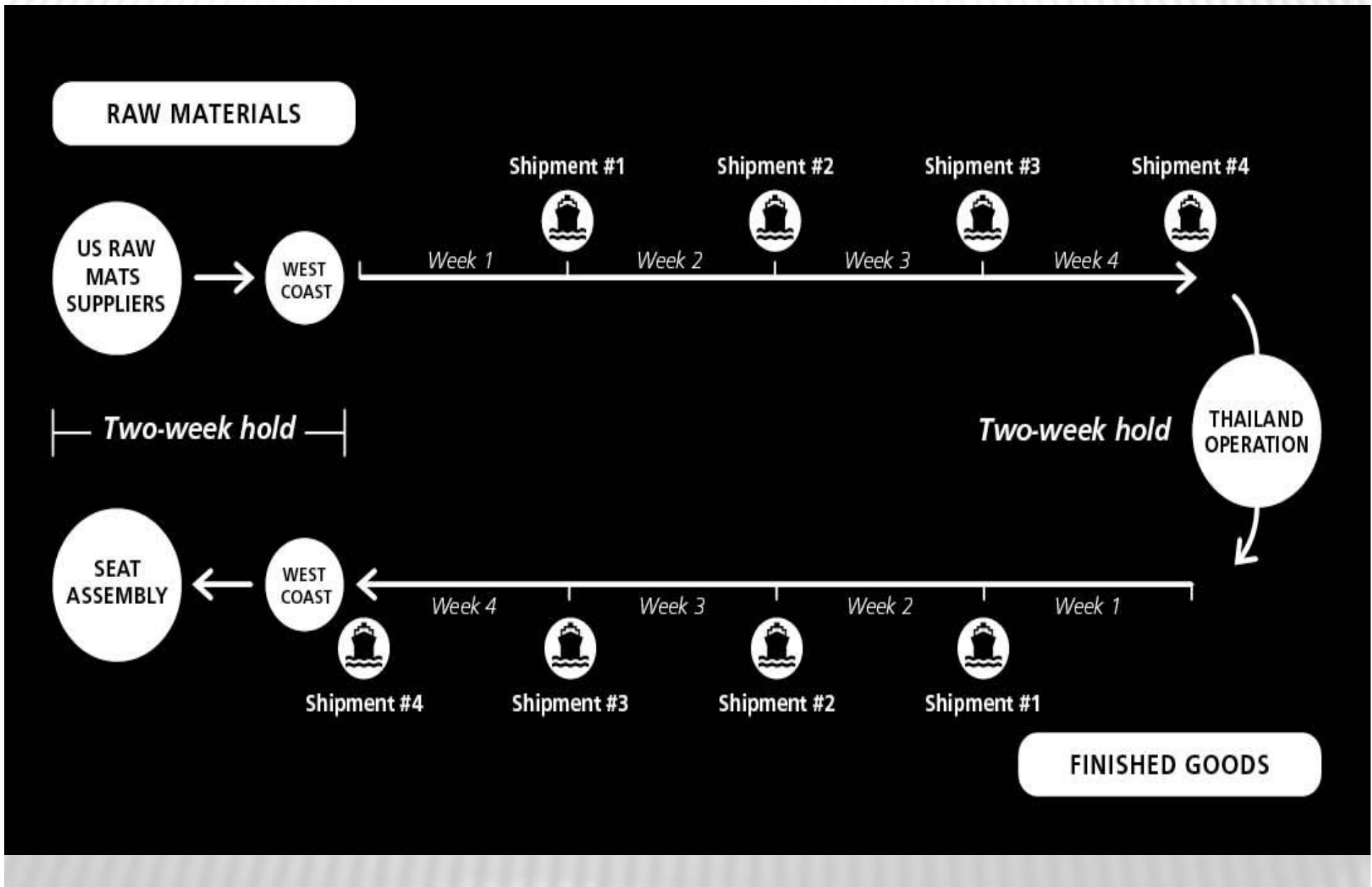


# EWEC LOGISTICS ALTERNATIVES





# GLOBAL SUPPLY CHAIN MANAGEMENT?

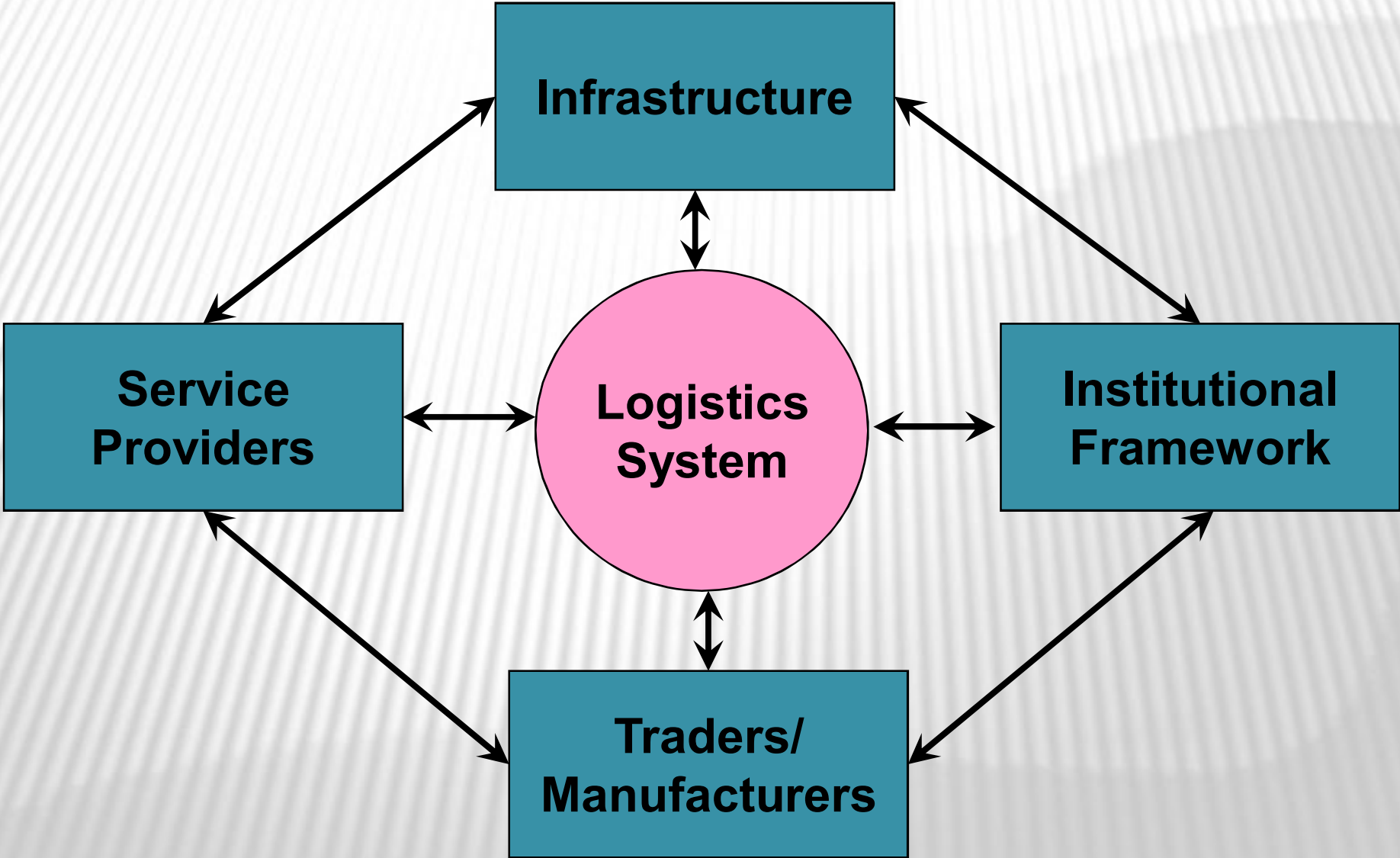




# GMS CORRIDOR SUMMARY

- × Infrastructure (hardware) still lacking but improving.
- × Rules & regulations (software) in place but not totally implemented.
- × Border crossings are still the weakest link in the corridors.
- × Transit trade flows minimal compared to border trade.
- × No GMS economic corridor only transport corridors are in place

# MACRO LOGISTICS SYSTEM FRAMEWORK



# 1. GMS LOGISTICS CHARACTERISTICS

	<b>Road</b>	<b>Port</b>	<b>IWT</b>	<b>Airport</b>	<b>Railway</b>
<b>Guangxi (PRC)</b>	Fair/Good	Fair	Fair	Good/Fair	Good/Fair
<b>Cambodia</b>	Fair/Poor	Fair	Fair	Fair	Poor
<b>Lao PDR</b>	Fair/Poor	Poor	Fair/Poor	Poor	Poor
<b>Myanmar</b>	Poor	Poor	Fair	Poor	Fair
<b>Thailand</b>	Good	Fair	Fair	Good/Fair	Poor
<b>Vietnam</b>	Fair/Poor	Fair	Fair	Fair	Fair
<b>Yunnan (PRC)</b>	Fair/Good	Fair	Fair	Good/Fair	Good/Fair

Source: Compiled from industry survey data



## 2. GMS INSTITUTIONAL ISSUES

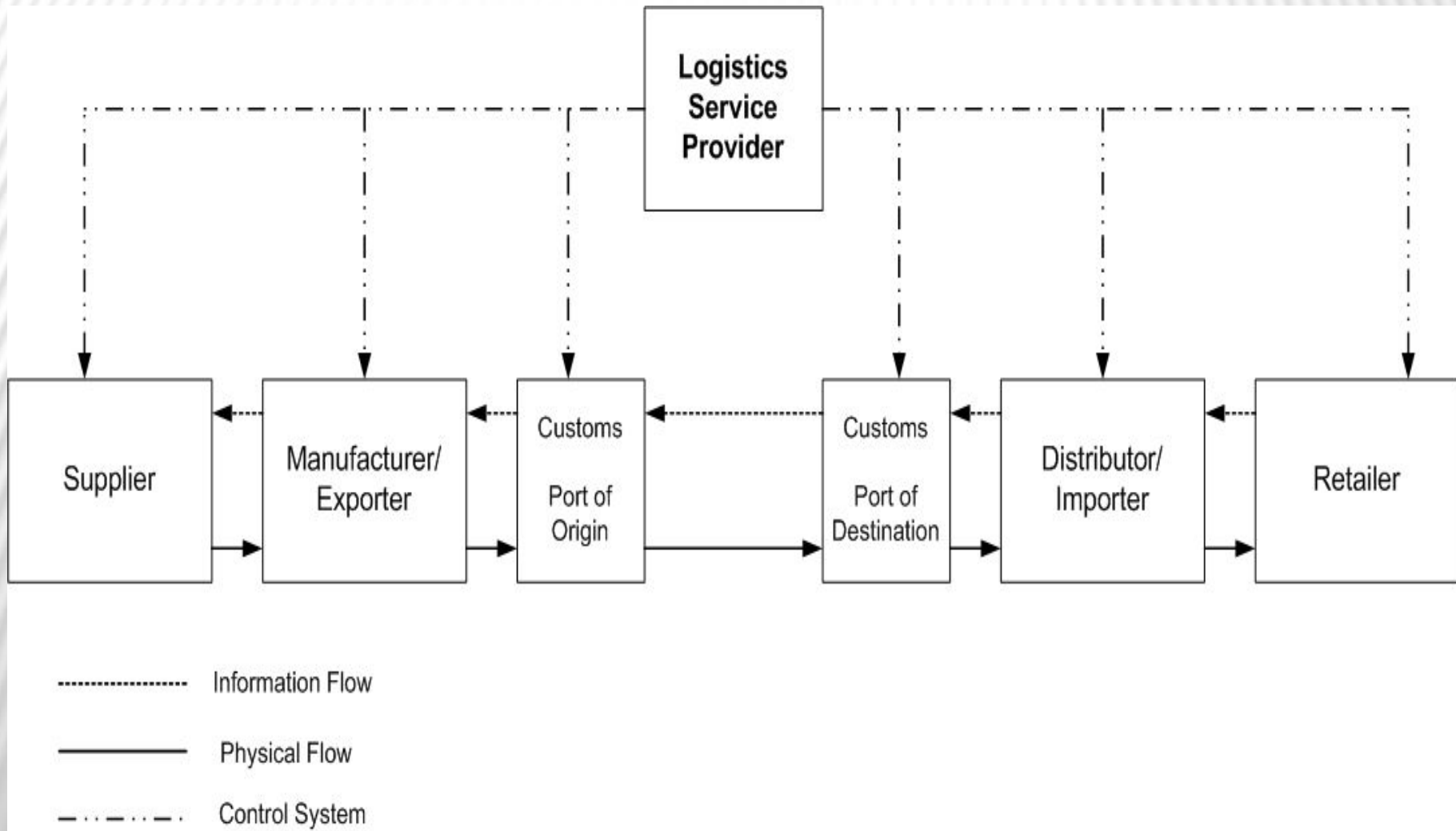
### × Domestic Logistics Activities

- + Private sector driven
- + Key role played by Ministry of Trade & Ministry of Transport
- + Some overlapping jurisdiction related to warehouse/distribution centre establishment

### × International Logistics Activities

- + State Agencies such as Customs, Trade and Transport play a key facilitating role
- + Documents needs to be processed by almost all related agencies
- + There exist authority overlaps in the provision of international logistics related services

# 3. ROLE OF LSPS



### 3. GMS LSPS ISSUES

- × Competition is strong between LSPs in the GMS, between local and multinational LSPs
- × Lack of cooperation network within GMS between local LSPs
- × Distribution centre network is limited in the region
- × Difficult to guarantee Logistics Service Quality levels



## 4. GMS TRADERS/MANUFACTURERS

- × Export usually easier than import.
- × China seems to be the less restrictive.
- × Lao PDR seems to be the most restrictive.
- × Not much difference between Cambodia, Thailand and Vietnam.
- × Limited data for Myanmar.

## 4. GMS TRADERS ISSUES

### × Export

- + Average export processing time: **26 days**
- + Average export processing cost: **882US\$/TEU**

### × Import

- + Average import processing time: **28 days**
- + Average import processing cost: **1,030US\$/TEU**

# GMS LOGISTICS DEVELOPMENT POLICY

- × GMS countries are at different level of logistics development.
- × A common strategy is needed to support GMS logistics development direction in order to sustain GMS competitiveness.
- × National logistics development framework need to support GMS logistics strategy on key development themes or issues.

# GMS LOGISTICS DEVELOPMENT POLICY

## Definition:

“Logistics development policy is the process of planning, facilitating, implementing, integrating and controlling the efficient, effective flow and storage of freight, people, vehicles and information within and between logistics systems, for the purpose of enhancing traders’ competitiveness in order to increase national and/or regional competitive advantage.”

*Banomyong et. al., 2008*



# Common GMS logistics strategy??

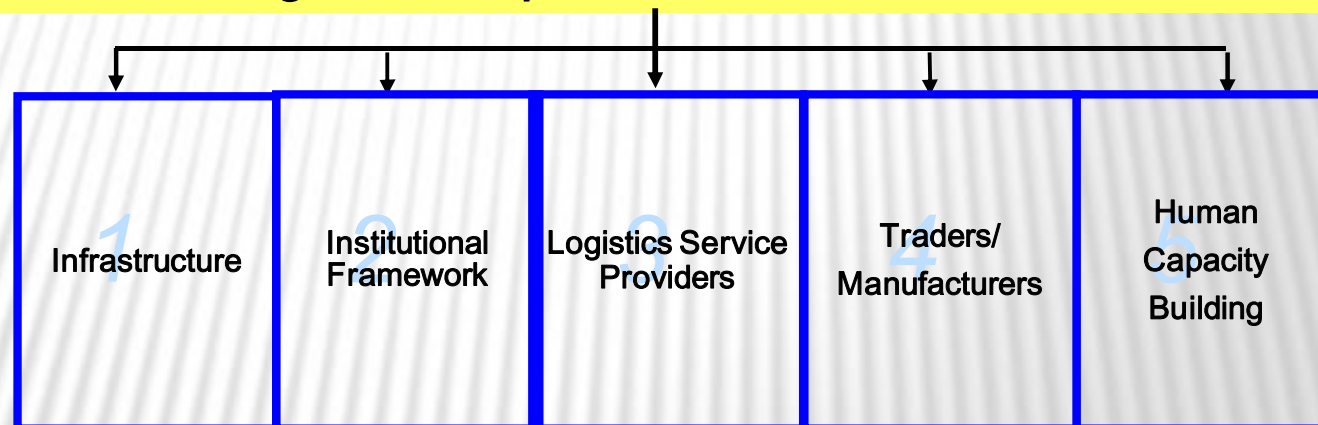
Vision

**Accelerate logistics integration to increase regional competitiveness**

Objectives

- Reduce logistics cost and time
- Increase reliability and security
- Enhanced regional cooperation

Strategic Agenda



Implementation Principles

- **Develop awareness of logistics concept**
- **Finalise physical connectivity & linkages**
- **Implement regional facilitating agreements**