

**COUNTRY PAPER**

**PEOPLE'S REPUBLIC OF CHINA**

## **TRANSPORTATION AND FREIGHT FORWARDING IN YUNNAN PROVINCE**

### **I. Import/Export Trade in Yunnan**

The average annual volume of import and export of Yunnan Province from 1995 to 1998 was 2 billion, and the export was 1.22 billion US dollars and the import was 780 million US dollars in 1998. The GMS countries are important trade partners, which account for 28 per cent of the total export volume and 10 per cent of the total import volume of the province. From the present statistics, the intra-regional trade has shown its great vitality and potentials.

### **II. Railway Transport in Yunnan**

Yunnan is located in southwest China, neighbouring the GMS countries and the interior of the vast hinterland of China. Its special geographic location determines the coexistence of the two trading forms necessary, i.e. general trade and border trade. The first trade form is mostly conducted in conformity of UCP 500, with international accepted payment settlement and trade pattern. Its transportation is mostly either by using railway connection to coastal seaports or being shipped to destinations, or by international railway connection to destinations. At the moment, cargo transportation of Yunnan relies mainly on Kunming-Nanjing Railway, Guiyan Kunming Railway, Chengdou-Kunming Railway and the total annual transportation capacity is 900,000 metric tons.

The freight from Yunnan including machinery, hardware, chemicals, tobacco and cigarettes, animal and agricultural products, medical herbs and medicines, textiles, wood products, daily articles, and arts and crafts, etc. Break bulk cargo accounts for 72 per cent of the total freight, mainly chemicals and phosphorus products, to be transit-shipped for export via Fengcheng Port, Guangxi and Zhangjiang Ports, Guangdong. The destinations are Hong Kong, China, Manila, Singapore and Japanese ports, etc. The other 28 per cent of freight are cargo of containerized goods. Imported bulk goods are mainly iron ore and alumina.

#### **Border Trade in Yunnan**

The second form of trade practised in Yunnan is the border trade, which is based on the complementarity of the development of the resources in GMS countries. The border trade is mainly conducted with small amount of transactions and spot commodities are mostly involved. The payment is usually settled with the currency of the countries of the region, not the normal hard currency as the international trade would usually use, and not affected by the restriction of foreign exchange quotas and the flow of exchange rate. The border relies on commercial credibility, not the bank credibility, which has its own characteristics.

The export items in border trade from Yunnan are mostly industrial products, and the imported items are raw materials and primary products. The transport volume of border trade is 500,000 metric tons, including 200,000 metric tons through Yunnan-Viet Nam Railway, 70,000 metric tons by navigation transport on Lancang-Mekong River, and the rest by truck transport. The operation of UCP 500 is based on the banking credibility. Because the exchange of goods and the shift of responsibility lack the bank credibility, risk is greater in border trade, which is mainly operated on the basis of commercial credibility of the local people.

#### **IV. Regulation and Laws Governing Transport**

China is not yet a member of FIATA FBL but China has ratified the Hague Visby rules. In preparation to join WTO, China has set up regulations, which is in conformity with international regulations and standards governing the transport agency. Ministry of Foreign Trade and Economic Cooperation has issued the Regulation of PRC on the International Cargo Transport Forwarders and the implementation appendix, which covers all the related areas in any firm which is engaged in international cargo transport business, ranging from qualification, applying, business scope, business management and penalty, etc.

On the national level, the current laws and regulations governing transport and freight forwarding in the People's Republic of China are as follows:

- 1) Road regulation;
- 2) Railway regulation;
- 3) Sea transport, security regulation;
- 4) Aviation regulation;
- 5) Insurance regulation; and
- 6) Cross-border road transport administration regulation.

Yunnan provincial government has also issued the regulation implementation rules concerning land freight transport administration, which covers land transport to Viet Nam and Laos.

Of the above regulations, insurance regulation and sea transport security regulation are the laws applicable to sea transport.

Generally speaking, a freight forwarder has to apply for the approval from MOFTEC before doing business in China. The business scope include cargo space booking, cargo storage, monitoring of cargo loading and unloading, LCL and devanning, international multi-modal transport, international express mail, customs clearance, commodity inspection and quarantine clearance, agent for insurance, transport documentation, cargo freight, payment settlement, other expenses, etc. The international freight forwarder can issue their own B/L, but MOFTEC registration is required.

#### **V. Door-to-Door Service**

In China, there are altogether 1500 freight forwarders operating in the country. Basically, they can be divided into two groups. One is still engaged in the traditional freight forwarding services, and the other is involved with more extensive transport services as principle, including door-to-door service. In China, some large freight forwarders like COSCO and CSG undertake extensive cargo consolidation or multimodal transport service. But still quite large number of small to medium size forwarders act in the traditional scope. Mostly, the freight forwarder undertakes to transport the goods as the contract carrier (or principle), and subcontract the task to actual carriers. But from time to time, the forwarder would also act as an actual carrier itself.

On the door-to-door service, the forwarder, as the consignee or carrier, is responsible for the arrangement of actual transport mode and route, which should be acceptable to clients, and

the issuance of multi-modal B/L and other types of transport documents. The responsibility of the multi-modal forwarder is from the time of receipt to the delivery of cargo as according to the contract. The cargo insurance can be handled either by the consignor or the consignee.

In order to promote the exchange and communication between China and other countries, China is preparing for the establishment of international cargo transport forwarders association. This association is still in the preparation stage, and it will be organized on the basis of the 1500 international freight forwarders in China. The main objectives of the organization is to help in setting up a mechanism to ensure standard service and price in the freight forwarding business in China.

There are 7 international cargo transport agents in Yunnan right now, i.e. Yunnan Sinotrans-Jet Speed Cargo Services Co., Yunnan Wan Da Foreign Trade Transportation Co., Sinotrans Yunnan Company, COSCO Yunnan Company, Civil Aviation Yunnan Passenger & Cargo Agent, Complant International Transportation Yunnan, and EAS International Transportation Ltd., Kunming Branch.

In China, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) is responsible for the management, monitoring, and promoting cooperation in the freight forwarding business. The freight forwarders are approved by the MOFTEC, and are yearly checked by the Ministry. In the provincial level, the Department of Foreign Trade and Economic Cooperation is responsible for the monitoring, coordination and cooperation of the business in the province.

According to relevant laws, freight forwarders from other countries can set up offices in China, providing consultancy services to Chinese clients and doing liaison work for business. But they are not allowed to be engaged in actual freight forwarding, and have to ask local forwarders to assist in the actual freight forwarding business.

## **VI. The Customs Procedures**

In China, the customs clearance procedures have been networked by computer nationwide. Apart from vehicles and parts, import and export agents can complete the customs clearance at any customs office in China. But when cargo leaves the final border check-point, cargo which have been through the customs procedures in non-border office should, with the customs seal, ask clearance at the border check-point. If the imported goods want to finish the customs clearance in the interior China point, the inland customs office should provide the customs office transfer notice to the border check-point office, and the importer can have the customs clearance with the border check-point customs seal at the inland port. For transit cargo transportation, the import/export agents should finish transit procedures, and, under the supervision of the customs, complete the transit transportation.

In China, there are quite a few ICD's (Inland Container Depot) now, like in Lanzhou, Chengduo, Changsha and Nanjing, etc. The customs formalities can be completed at these ICDs. In Yunnan, the container freight service is still CY-CY at the moment. For instance, Yunnan is exporting 6000 TEU of tobacco annually to Malaysia, Britain and Singapore through CY-CY in Kunming. The CFS service in China is not yet operating at the moment.

## **VII. Lancang-Mekong River Transport**

The Lancang-Mekong River is navigable for vessels carrying cargo of 800,000 to 100,000,000 metric tons all year round. In Yunnan, there are Simao, Jinghong, and Guanlei Ports on the river, which all have the customs, Commodity Inspection and Border Check-point offices, etc. Because some of the navigation routes in the river outside of the border are not yet cleared, at the moment, the waterway from Jinghong and Yunnan to Chiang Shen is open for small vessel transportation, and the annual transport capacity is 100,000 metric tons. The export items from China are fruits, garlic, local products, daily consumables, mechanical and electrical goods, and building materials, etc. Imported goods include fruits and agricultural products. The trade areas are mainly covering northern Thailand and Xishuangbana and Simao Prefectures of Yunnan. The inconvenient transportation hinders the development and utilization of the resources along the river.

We hope that all our friends in the GMS countries will join together to make efforts, and, on the basis of multi-lateral navigation agreement, establish coordination mechanism and actively facilitate sub-regional economic cooperation. Meanwhile, we propose that the following areas are the priority areas for the work:

- a. To attract investment for the waterway clearance and improvement of infrastructure ports, docks, and navigation marks, etc.
- b. To set up uniform navigation rules and regulations for the river, and to adopt uniform signals system.
- c. To improve communication facilities and to unify the telecommunication frequency.

## **VIII. Sub-regional Economic Cooperation**

GMS countries are closely connected by the Mekong River, which flows all the way down through 6 countries to the sea. As an active participant of the GMS economic cooperation, China is ready to contribute to the facilitation of the regional economic cooperation. The transport sector is a very important component of the regional cooperation, and coherent efforts by all the GMS countries are needed to this end.