

COUNTRY PAPER

LAO, PDR

FREIGHT FORWARDING AND MULTI-MODAL TRANSPORT DEVELOPMENT IN LAO PDR

Introduction

In a rapidly changing world, fast and reliable transportation is required to facilitate international trade between countries- Membership of ASEAN has provided Lao PDR with a challenging opportunity to integrate into the international community. As a result the government has pursued economic reform in all economic sectors. This reform includes emphasis on development of transportation through bringing national laws and regulations of transport in line with international standards, as well as promoting competition in the transport sector.

With regard to the freight forwarding industry, it used to be under the supervision of the government but this is not the case nowadays. It now operates on a commercial basis as a result of the government policy regarding deregulation and privatization in the transport area. The first part of the paper briefly describes development of the freight forwarding industry in a free market environment. The second part of the paper explores the current situation of the freight forwarding industry with an emphasis on physical movement of cargo and routes for import and export of goods. The final section deals with the problems encountered by the industry and possible solutions.

I. Development of the freight forwarding industry in the country

A freight forwarding industry has been in existence in Lao PDR for more than 30 years and has made a considerable contribution to the development of international trade between the country and the rest of the world. Since the late 80s, the number of freight forwarding companies entering the market has increased quite significantly both for local and foreign companies. The two major government owned freight forwarding companies, namely Lao Freight Forwarder and Mix Society Transport, have been privatised and become autonomous in terms of finances and planning of operations. As the number of freight operators entering the market has increased, they are facing stiff competition both at local and international levels. This has influenced freight operators to raise their quality of services and at the same time an undercutting price strategy has been adopted.

In order to help the transport industry, the Ministry of Communication Transport Post and Construction, after consultation with ESCAP, has established the National Transport Facilitation Committee who not only has responsibilities for coordinating with international organisations but also for studying to facilitate the transport industry. However, its activities are still limited due to the fact that there is a lack of financial support, as well as insufficient number of staff.

In connection with the issue of adoption of ISO 9000 standards, there are no Lao freight forwarding companies that can meet with such international standard requirements. It is obvious that the concept of total quality management is still new, not only for freight forwarding companies in the country, but also for the whole transport industry. However, in the future Lao freight forwarding companies will have to remain in the fast changing environment and improve the quality of service to be close to the level of international standards.

At present, only a few freight forwarding companies are members of FIATA, the freight forwarder's association. However, the two major freight forwarding companies mentioned above have been members of the association for more than 20 years already.

In relation to the issue of adherence to international conventions, although Lao PDR has not acceded to the International Convention on Simplification and Harmonisation of Customs Procedures, the Customs Department has undertaken significant harmonization and simplification of documents. As a signatory to the Barcelona Convention, Lao PDR does not charge for movement of goods in transit through the country for which the necessary permits have been obtained from the other government ministries. Goods that are or can be sealed (such as containers or vehicles with a single lock door) do not require a customs escort through the country. As a member of ASEAN, Lao PDR has acceded to the agreement on the Recognition of Domestic Driving Licenses among ASEAN countries and on Facilitation of Goods in Transit. To facilitate the movement of goods across border, the Lao Government has signed the agreement with Thailand, Viet Nam and China.

At present, there is no professional road carrier association or association of freight forwarders in the country. The former would be important in the context of TIR transit system under the Customs Convention on International Transport of Goods under Cover of TIR Carnets signed in Geneva, while the latter is important in the context of a through transport document supported by FIATA.

II. Current situation of freight forwarding and multi-modal transport in Lao PDR

The overall volume of Lao PDR imports and exports is relatively small in comparison with our neighbouring countries. The main type of commodity for export are logs and forestry products. Total annual imports across the major crossing at Thanaleng total about 50,000 tons, whereas exports are less than 20,000 tons. The main type of transport of goods within the country is by trucks, while during the wet season goods can be transported by boats along the Mekong River with a maximum loading 80-100 tons ship. Therefore, the multi-modal transport of goods within the country is still relatively limited.

Being a landlocked country, the Lao Government has continued to negotiated with neighbouring countries for equal rights of access to seaports based on an international convention. The main corridors for import and export of goods are through Thai and Vietnam ports. At present, goods can be transported to the Vietnam port by Lao trucks since Lao PDR has signed a bilateral agreement with Viet Nam. On the other hand, transport of goods through Thailand is still by Thai trucks. However, recently both the governments have signed a new transport agreement, which will give greater flexibility for transit of goods between the two countries. The protocol for implementation is under preparation and to be signed by both parties soon.

III. Problems encountered by the industry and possible solutions

Difficulties have been reported with regard to the extra expenses incurred during the movement of goods passing the checking points along the transit routes. These expenses are about one third of the total costs for transportation of goods by trucks, which makes the total

costs of transportation even more expensive. This is a very sensitive issue because it is beyond the power of the Lao authorities since it is outside Lao territory. However, if there is an agreement on cross-border transportation between the two countries the number of checkpoints can be reduced through negotiation. In addition, if Lao PDR adopted the Customs Convention on International Transport of Goods under Cover of TIR Carnets, it will have greater benefits in terms of achieving higher efficiency and avoiding extra expenses incurred at every checkpoint.

Another issue is related to a problem of anti trust. There are a numbers of freight operators who are avoiding paying tax to the government, therefore they can charge a lower rate than those operating legally. This has a negative impact on the spirit of fair competition. A possible solution to remedy this situation would be to improve the regulatory mechanism. Setting high penalty costs for offenders may be effective. Furthermóre, withdrawing the right to run a business of operators who violate the law may be even more effective.

The issue of human resource development is another weak area which should be considered as 'one step ahead' and given high priority. Technical assistance is valuable through training and study tours so that staff are exposed to international experience.

IV. Conclusion

In the future there is a need to form a Lao freight forwarders' association in order to regulate quality standards to meet international requirements and to have the power to negotiate when it is necessary. Having access to state-of-the-art technology for communication is also important in order to give the freight forwarding companies in the country an advantage and enable them to compete on the international stage.