Transport Logistics Development in Lao PDR

By

Sengsavang PHANDANOUVONG

Division of Transport Techniques and Environment
Department of Transport, MPWT- Lao PDR
Tel: (856-21) 41 2269
Mob. (856-20) 99855363
Fax:(856-21) 41 5563
Email: sphandanouvong@yahoo.com
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1. Current Logistics in Lao PDR

1.1 Geographical Location of Lao PDR

- Land Area: 236,800 sq. km
- Population Density: 25 people/sq km
- Population Growth: 2.3%
- Labor Force: 2.9 Millions

Lao PDR is as the centre of the Greater Mekong Subregion (GMS) countries: Cambodia, Myanmar, Thailand, Vietnam, and Yunnan Province of China

- Border length of 5,083 km sharing with
  - Myanmar 235 km
  - Cambodia 541 km
  - China 423 km
  - Thailand 1754 km
  - Vietnam 2130 km

The economy is based on Agriculture, which accounted for more than 50% of GDP.
1. Current Logistics in Lao PDR

1.2 Population, GDP and Trade across GMS

- **Socio-economic condition in GMS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (million)</th>
<th>GDP (billion USD)</th>
<th>GNI per capital (USD)</th>
<th>Land area (mil km²)</th>
<th>Population density (per km²)</th>
<th>Rural Pop (% total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>14.2</td>
<td>7.3</td>
<td>490</td>
<td>176.5</td>
<td>80.4</td>
<td>79.7</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>5.8</td>
<td>3.4</td>
<td>500</td>
<td>236.8</td>
<td>25</td>
<td>79</td>
</tr>
<tr>
<td>Myanmar</td>
<td>48.4</td>
<td>N/A</td>
<td>281</td>
<td>657.6</td>
<td>73.6</td>
<td>68.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>63.4</td>
<td>206.3</td>
<td>3,050</td>
<td>510.9</td>
<td>124.2</td>
<td>67.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>84.1</td>
<td>61</td>
<td>700</td>
<td>310.1</td>
<td>271.3</td>
<td>73.1</td>
</tr>
<tr>
<td>Yunnan/Guanxi</td>
<td>92.3</td>
<td>75.4</td>
<td>702</td>
<td>630.8</td>
<td>150.4</td>
<td>N/A</td>
</tr>
<tr>
<td>Total/Average</td>
<td>308.2</td>
<td>-</td>
<td>1,105</td>
<td>2,522.7</td>
<td>122.5</td>
<td>-</td>
</tr>
</tbody>
</table>

1. Current Logistics in Lao PDR

1.3 Salient Characteristics of Logistics in Lao PDR

- Commodity-wise Import by Cross Border Point (Tonnage) in 2008
  - Lao PRD has 1.92 billion tons in weight basis or 1.5 billion USD of import in money value basis.
  - The import volume by crossing point:
    - The Friendship Bridge in VTE Capital (53%)
    - Khammoune (17%)
    - Savannakhet (13%)
    - Champasak (9%)
    - Borikhamxay (4%)
  - Major importing goods to Lao PDR include petroleum (38%), industrial materials (31%), and manufactured goods (21%)
  - 1.4 billion tons in weight basis or 0.9 billion USD of export in money value basis.
  - Most of transit cargo via Lao PDR is the cargo between Thailand and Vietnam. 122 million tons: Savannakhet (71%), and Borikhamxay (16%).
  - The major transit commodities: vegetable and plant product (35%), manufactured goods (22%) and sugar (16%)
1. Current Logistics in Lao PDR

1.3 Current Problems on Logistics

- Empty return haulage
- Higher logistics cost
- Limited transport volume
- Limited business opportunities in small market
- Difficulty in re-investing due to financial limitations of logistics companies
2. Future Perspectives

2.1 Future Perspectives on Socio-economic Development

- Population will increase continuously. Urban areas will be recipients of immigrants from rural areas, resulting in an accelerated increase in urban populations, in particular Vientiane Capital, Savannakhet and Pakse.
- Agricultural products will more diversified in mountainous areas in Lao PDR. In particular, product of commercial crops like coffee, vegetable, fruits and herbs will increase.
- Mineral resources will be increasingly exploited in response to increase in investment.
- Industrialization will progress based on industrial parks in Vientiane, Savannakhet, Pakse and possibly Luangnamtha.

2.2 Future Perspectives on Logistics

- Trade volume in GMS and ASEAN will gradually increase in accordance with maturity of regional economic cooperation and integration based on the advancement of division of labor and share of market in GMS.
- Tax exemption of AFTA will be completed in 2015 and continuous efforts will be made to advance more market and economic integration.
- Development of National Single Window (NSW) will largely in progress and ASEAN Single Window (ASW) will be completed in 2025.
- CBTA will be completely implemented in the near future and more deregulation, especially deregulation on cross border truck will occur.
2. Future Perspectives

Demand Forecast:

- The volume of trade within GMS is projected to increase by 8.9% (2009-2015), and 7.7% p.a. (2015-2025) in monetary terms and reach 40 billion USD by 2025.
2. Future Perspectives

Future OD
3. National Logistics Development/Land Transport Master Plan Plan in Lao PDR

1. Road Traffic Safety Strategy
2. Road Passenger Transport Strategy
3. Transport Logistics Strategy
4. Environmentally Sustainable Transport (EST) Strategy
   1) Traffic Noise Management
   2) Social Equity and Gender Perspectives
   3) Public Transport Planning and Transportation Demand Management (TDM)
   4) Non-Motorized Transport (NMT)
   5) Low Emission Transport System
   6) Strengthening Knowledge Base Awareness and Participation
5. Capacity Building and Strengthening Transport Enterprise Strategy
3. National Logistics Development

- **Vision**
  
  “**Lao PDR to be Regional Logistics Service Hub in the GMS**”

- **Development Strategy**
  - Cargo flow should be strategically combined/integrated into certain routes, such as routes between Thailand and China, and Thailand and Vietnam, to increase logistics volume, to mitigate the problem of empty return haulage and the reduction of logistics cost by utilizing advantages of Lao PDR.
  - Logistics market should be expanded to target not only domestic market (import, export and transit via Lao PDR) but also GMS market.
  - Promoting logistics business targeting Laos and GMS to serve as logistics service hub.

![Strategy Diagram]

- Strategy 1: Integration of cargo flow
- Strategy 2: Business Stimulation
- Strategy 3: Market Expansion
4. Regional Logistics Development

4.1 Overall Development Policy
- International logistics hub
- Regional logistics hub
- Specific logistics hub

4.2 Logistics Parks:
4.2.1 Internal Vientiane
Savannakhet
Luangnamtha

4.2.2 Regional Logistics Park

4.2.3 Specific Logistic Hubs
5. Implementation Plan

Overall Development Phasing

Strategy 1: Integration of Cargo Flow
- Development of Logistics Hub (International Logistics Parks)

Strategy 2: Business Stimulation
- Formation of Strategic Logistics Corridors (international routes)
- Improvement of Transport Efficiency
- Attraction of Foreign Logistics Business
- Strengthening of Domestic Logistics Business
- Strengthening of logistics administration

Strategy 3: Business Simulation
- Facilitation of CBTA

Phase 1
- Development of Logistics Hub (International Logistics Parks)
- Formation of Strategic Logistics Corridors (international routes)

Phase 2
- Development of Logistics Hub (Regional Logistics Parks)
- Formation of Strategic Logistics Corridors (regional routes)
- Improvement of Transport Efficiency
- Attraction of Foreign Logistics Business
- Strengthening of Domestic Logistics Business

Phase 3
- Liberalization (Domestic Market)
- Liberalization (GMS Market)
Thank you
For your kind attention