

Thailand Cross Border Logistics

Title Thailand on regional transport logistics hub. (Vis-à-vis neighboring countries.)
(Some part of this essay come from Logistics HUB written by Tanit Sorat 2006)

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Indo-China and south china Region embraces Thailand, Myanmar, Laos, Vietnam and Cambodia, countries within the Southeast Asia region. Mekong River passes through these countries with a land boundary with southern China. These Studies include Yunan province of China, lying at the southern tip of Indo China . These countries have culture that is similar to each other, with an abundance of natural resources that form raw materials essential for industrial developments. **Cheap Labor comes from this region in great abundance to fill the production sector. Therefore this region draws investment from other parts of the world and noted for its fastest growth phenomena.** In this nexus, significance lies in the regions existence as far as Thailand is concerned. This can be seen from Thailand having entered into FTA with ASIAN-China with phenomenal power in politics, military and economics. Other countries are members of ASEAN, the source of raw materials and export market amounting to one-fourth of the total exports volume of Thailand. Looking at Thailand, one cannot miss its Geo-politics, that is, it has Rimland and Heartland because of sharing frontier with countries in this region by land and by sea In southern Thailand, it is a peninsular, having coastal areas on both sides that enables communications via the Indian Ocean and the Pacific region. On land, there is a land boundary with Malaysia – Singapore close to Malacca Straits which is an important sea route . South East Asia region is significant both in terms of economics and politics . Therefore, government of Thailand places emphasis on linkage with these countries for its economic progress .

Which also serves National Interests . Hence, the government has set up policy in the interests of the public policy for developing Logistics and communications infrastructure in a bid to make Thailand a Center of Communications for logistics and communications linking the South East Asia Countries and with southern part of China.

The issues show that land transportation system is suitable and it is most efficient for linking with internal areas in the various countries in the Mekong river region . Trade volume and investments are confined to those within the region itself substantially, although these countries lack development of internal communications networks essential for linkage with major seaports and the main cities . At the same time, Laos and southern part of China have no access to the sea. Thailand, on the other hand has big potential for its land communications system stretched over 170,000 – 190,000 kilometers. Based on this strategic advantage coupled with the cooperation on international scale such as, GMS and ACMECS, Thailand has been able to carry on with

its developments of communication system for linking with the neighbors. Equally important is Thailand's entrepreneurs in this field enjoy Economy of Scale that reduced cost factors and upped its competitiveness. In this nexus, Thailand has coastal seaports and a multitude of airports, with its land transportation sector accounted for 88% of all types of transportation . **The Studies show that form of transportation and logistics for linkage with the region, land transportation prove to be suitable**, because Thailand has the Competitive edge over its neighbors . When compared with Malaysia over seaports and airports and also with Singapore in this field, with the latter having bigger potential over Thailand, but whose prospects for becoming a HUB is greatly less than Thailand, Singapore's land transportation network must pass through Thailand in order to link up with countries in Indo China or the Mekong region Therefore, **“based on the Studies it can be summarized that Thailand has opportunity and possibility to Rise As A Logistics HUB among the Inco-China & South China Countries”**. However, Thailand must have policy to use its potential while drawing the resources of its neighbors for Co-HUB and collective benefits as Win-Win situation, **subject to major conditions as follows:**

1. **Myanmar**, has a governance system with blind adherence to dictatorial tendencies that have drawn the ire of democracies round the globe with Sanctions imposed on the poor country. With no clear-cut policy for development, Myanmar is simply out of the race in this field of logistics, despite the kindness of Mother Nature that has given it easy access to Indian Ocean with access to Vietnam, via the Asian Highway 9 (East West Economics Corridor) . **For this reason, Thailand must use Myanmar in capacity as Regional Logistics Corridor Hub**, in order to link with the sea lanes in the eastern seaboard and the western sector and the land communications system to link up with Southern China and India. Must utilize the resources that would become handy under the various forms of Aid, coupled with the cheap labor from Myanmar striving to keep their nose just above water for survival.
2. **Laos** has no potential for logistics system developments and it also lack infrastructure for communications. However, this Nation has other advantageous such as its access to China, Thailand, Vietnam and Cambodia. **For this reason, Thailand should have ventures with Laos for Regional Logistics Corridor HUB serving as a center with communications linkage from Thailand to Laos and thence to Vietnam and southern China** . Thailand stands to benefit from Laos being a land-locked country with no access to the sea . The Land link must be good for communications with China, Cambodia, and Vietnam. That Laos serving as a Center of communications should be beneficial for Thailand, particularly in the case of Highway No.9 that gives access to Thailand to reach Laos and then to Vietnam. However, suspicions by Laos on Thai sincerity in friendship and trading require respect and reduced or eliminated totally if possible for long term effects in the interests of economics and transportation for mutual benefit.

3. **Cambodia** shares frontiers with Laos, and Vietnam. Although this war scarred nation has no potential in terms of infrastructure communications but its deep-seated friendship with Vietnam in the past should be not ignored. It should be interesting to use **Cambodia as a Distribution and Resources HUB for Thai commodities**. From Cambodia we could get into southern part of Laos and thence to Vietnam. Moreover, Cambodia also has raw materials in abundance coupled with its cheap labor crying for employment . These two can be used beneficially. Due to the aforementioned factors, it is essential for Thailand, not to exploit, but to work sincerely with the neighbors to set up the ambitious plan for Logistics Center in the Region with Thai Trademark.
4. **Vietnam** has potential for growth due to its land area and the coastline stretching 3,000 kilometers. So, Vietnam is a Rims Land with a sea strategically straddling the area, with major seaports such as Haiphong port, Da-Nang, Dong-Ha, and Saigon seaport in Southern part . The ASEAN Highway No.9 East-West Corridor links Vietnam-Laos-Thailand-Myanmar . Vietnam is expanding its seaports and also developing its logistics and communications infrastructure . Over the 5 year projection (2010) should emerge as a major competitor. **Under this scenario, Thailand should use this route to distribute its products while using Vietnam as a center of investment in industries** where it could be beneficial (Distribution & resources HUB) and have Port Link along the Highway No.9.
5. **Southern part of China** is fully viable for economics, politics and it is a vast market, in fact the largest market in the world with 1.3 billion people. China, traditionally is a bulwark of friendship whose sincerity is well proven in the memory of those who have lived through Second World War to this day. **Yunan and Nanning are recognized as a Logistics & Economics HUB that is the gateway to markets ASEAN Countries. Thailand forms part of the route linking North-South Corridor**, in efforts to distribute commodities under the FTA between China and ASEAN. Chiangrai province in Thailand is another Gateway capable of giving land communications linkage to do business.

Recommendations

1. **The Studies show that road transportation is most favored**, about 88.3% (2003 statistics). Land transportation cost factors are highest as 1 liter of oil covers 25 kms, in contrast to railways whose 1 liter consumption of oil gives 85.5 metric tons and sea transportation for the same amount of oil, the volume covered is 217 metric tons. **This puts cost factors of Thailand to the apex of 19-25% GDP**. Developed countries enjoy the cost of 7-10%. **Therefore, Thailand must develop its capability to reduce cost factors comparable to sea transportation and railways transportation, while looking at benefits associated with coastal and river**

transportation systems. It is necessary to streamline the transportation system into multi-flexibility or Multi-model to link with the systems used by the neighbors to the greatest extent .

2. Transportation by Railways. Studies show that State Railways Of Thailand (SRT) is a state enterprise whose cost factors are high as it lacks development over the years, with stunted competitiveness and facing a welter of problems not of its own making but due to the self-centered politicians in the successive governments who simply ignored the plight of SRT operating without the wherewithal, no engines, old engines, spare parts and outdated rail tracks and so forth. In short, tracks system in Thailand is one track system, almost 95%. This puts speed limits at 50 kms. Per hour and these factors put up transportation costs. **Therefore, guidelines for solution lie in upgrading the system, with the State making some investment seriously for tracks improvement, procurement of engines, equipment and other necessary things.** Thailand must switch to Double Tracks system and this must be achieved by getting foreign assistance and advanced technology . Alternatively, private sector may be encouraged to initiate Mega Projects.

3. Water Transportation. Studies show that the main seaports of Thailand, including Laem Chabang Seaport lies in Gulf of Thailand which are not on the sea routes of vessels plying around the world and Thailand has no major seaport on the western hemisphere of the sea. This has resulted in lack of efficiency to be a center of transportation in this part of the world . Moreover, Thailand has no National Fleet of Vessels which made freight costs to be high . Therefore, **Thailand must make investments in construction of A seaport in the western seacoast, particularly at Pakbara district, Satul province to be a deep seaport coupled with a Land bridge** to handle transportation from Songkla leading to Laem Chabang. Such project for construction requires acceleration and development of Songkhla seaport leading to Chana district which is more suitable and in the long run there can be development of a National Fleet of Vessels, possibly by making joint investment with companies engaged in maritime operations and it is interesting to make joint investment with Singapore . All these efforts should reduce sea transportation costs.

4. Problems facing development of logistics at a high level. Studies show that **official agencies lack development, financial management and planning.** Also lacking in regulations and legal framework of Thailand lack clarity, obsolescent and not conducive to sea transportation to meet the demand in Indo China region. Currently, transportation system relies mostly on land and Thailand has no laws to effectively handle international transportation particularly sea transportation, despite the fact Thailand has a lot of potential for growth more than its neighbors . **Therefore, solution of problems should be undertaken by communications ministry or Office of the Prime Minister or National Economic And Social Development Board** spearheading the moves for updating laws **including set up of state agencies to undertake logistics developments.** There should be national agenda for policy prescription for logistics development . A long-term Master Plan

should be created with targets for achievement with clarity and thus pave the way for logistics development and attain targets.

5. Problems relevant to lack of development of logistics system in business sector. The studies show that business, industry and services sector in Thailand mostly lack an understanding of logistics system to be introduced for reducing cost factors in the business operations . This made cost of logistics in Thailand to be high in the region of about 12% of total sales volume . **Guidelines for solving problems must lie in the efforts to accelerate wherewithal, coupled with enhancement of knowledge of logistics for application in business and industrial sectors. In this nexus, Logistics Service Providers in Thailand need to upgrade their efficiency for greater competitiveness . There should project for enhancement of knowledge and understanding of the business by the State agencies and the business sector who attitude towards logistics developments must be heightened.** All these factors are essential to be streamlined for Thailand to start earning more profits and reflect its activities realistically in logistics developments in this region.

6. Problems arising out of lack of knowledge and organizational management of logistics remain because schools and universities teaching subjects in this field are limited in scope and vision. These schools lack incentives to draw students to study in this field. Logistics can play a significant role in turning out manpower adept in logistics. But here is another problem at grassroots level – Teachers. We do not have enough qualified teachers with real knowledge and experience of logistics to teach our students. Therefore, logistics is tackled in a half-hearted manner without concrete results. Looking at the avenue for solution to the problems, initiative must come from the State and open up curriculums for teaching logistics at vocational level as well as at university level. Scholarships should be offered to deserving students. **Private sector must join State agencies to produce results in this field of endeavor and enterprise which is really rewarding as Thailand has what it takes to be force in this field in the region.**

More Information

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