

Logistics Cross Border Strategies

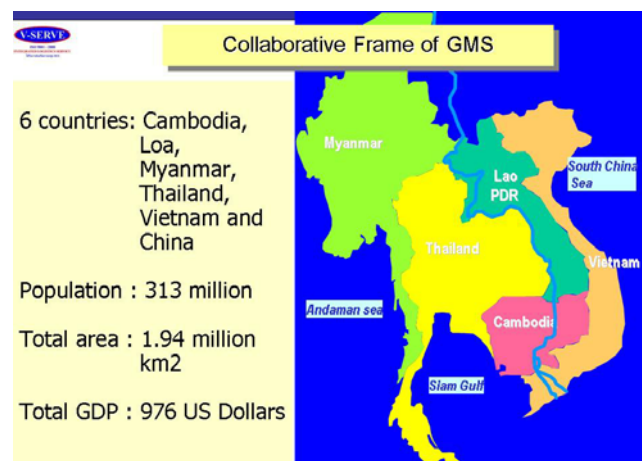
Mr. Tanit Sorat

Deputy Secretary General Chairman of Logistics Committee

Thailand has provided expenses in term of soft loan for 1/3 of total road construction expenditure for Lao PDR. It is very necessary to understand Thai policy which each of numerous governments' policies for Logistics Cross Border in order to connect to neighboring countries. Due to Thailand, at present, has presented the role to be jointed partner for regions and sub-regions development though the diplomatic policy called "Forward Engagement by focusing for socio-economic development of the region based on Self-help Cooperation and also building the Strength from Diversity based on socio-economic partner.

1. **Border Relationship:** Income distribution-gap decrease and making relationship with neighboring countries will make border secure.
2. **Cross Border Trade:** making economic hub - trade, investment, finance and transportation which have Thailand controlling transport routes of the region.
3. **GDP Growth:** Making economic growth from cargo distribution, raw material, resource and labors from neighboring countries.
4. **Competitiveness:** making high level of country competitiveness by using the advantages from transport routes of neighboring countries into the region's new market.
5. **Logistics Facilitation:** Connecting to other modes of transportation which makes time and cost advantage.

Thailand has participated on the economic cooperation with our neighboring countries in several agreements both in GMS Countries ; Cambodia , Lao PDR, Myanmar, Thailand, Vietnam and South China which total area 1.94 million KM². total population about 313 million and total.



In 2003, Thailand has provided the financial assistance for the amount of 0.13 % of GDP to developing countries of this region. By this amount, 93% was given to neighboring countries such as Lao PDR, Cambodia and Myanmar. Thus Thailand need to rely on production factor advantage of neighboring countries. Thailand is the no.1 of cumulative investment in Laos, the no.3 of cumulative investment in Myanmar, subordinate from Singapore and England, the no.5 in Cambodia and the no.11 in Vietnam.

These assistances would focus on basic infrastructure development in neighboring countries especially Road Construction such as road No R3E (CheingKong – Mohan) , bridge cross Mekong river, dam, and power plant in order to develop the connection for transport and energy and also to support the long term economic development, as well as given the technical assistance, such as, training in various fields; public health study, agriculture, transport, finance, banking. Thailand has provided similar assistance as well as United Nation and ADB. This assistance was to provide the expenses for R3E route construction which was part of the economic assistance cooperation between Thailand – Lao PDR. and under GMS.



The trade relation between Thai and CLMV has continued increased every year, especially the border trade and the economic connection between Thailand - Lao PDR by having Thailand as the major trader and major investor in Lao PDR and CLMV countries. However, Thailand has gained surplus on balance of trade and has had potential to increase. Due to the increasing trend of CLMV, the trade connection within the sub-region especially Lao PDR was increased 67.3% in 2003. This trade was depended on major Thai products. By during 1987-2004 Thailand was in number 1-5 of exporters ranking to CLMV. The products that CLMV imported from Thailand were industry and consumption goods such as computer, electronic circuit, plastic hopper, finished gasoline and crude oil, petrochemical, iron, rubber, etc. In the controversy, Thai market was also the export channel for the major products from CLMV such as raw material, primary products through the border and international trade.

All this, Thailand has had the necessity to depend on the advantage of the neighboring for the production factors especially the production needed the intensive labor such as textile, cloth tailor-made and industry that needed the raw material from our neighboring countries. Thailand has been ranking the first capital investment value, and the third in Myanmar, below Singapore and China, and the fifth in Cambodia and the eleventh in Vietnam. However, China is the great power country both for economic and politic among these countries. The R3E route would make Thailand to connect road transport to China. The relations between Thailand and China for the trade has increased every year that Thailand has had deficit for the balance of trade. **For the preparation of local area development in Thailand is to seek for the opportunity for cooperation development with the GMS countries in order to gain advantage for country development** especially for the area which Thailand has provided the assistance for road construction such as R3E route by the aggressive Logistics Cross Border strategy both in security and trust building for the economic partner supporting. Thailand should set up the strategy to be ready for internal development in order to extend all the policy pushing up in various forums. **This is especially for the local area development strategy in order to motivate all the private investor both internal and external regions by having the new finance resources for investment to maximize utilization compared with other finance resources due to the lower production cost and to easy access to the bigger market in this region.**

Offshore Factory Nation Investment GMS

- Resource searching, such as, contract farming, mine, fishry, energy and gem.
- Market expansion in other countries both service and cargo, such as, spare part, transformed agriculture, animal food,, telecommunication, hotel, industrial estate and construction.
- Searching for low cost production base or have more ready production factor, such as, textile, garment and decoration.
- Absorbing and adapting technology by investing with potential foreign business.

Offshore Factory

- Industry which use local content material.
- Textile industry which use a lot of labor content.
- Spare part industry.
- Electric and electronic equipment which use the benefit from value chain connection with foreign country.
- Household furniture industry which made of natural material.
- transformed agriculture industry

However, to bring this operation in to practice is to develop the frontier provinces close to GMS countries to have better economic and to get rid of the poverty. Thailand would gain advantage for the exporting and importing the short raw material, including assistance in security and illegal labor. The potential provinces were Chiang Ria, Tak, Mukdaharn, Sa Kaew, etc. should have the accelerated development to get the Border Industry Zone, including investment at the bordering of neighboring countries in term of Co-Production. This could make the frontier provinces and neighboring countries could have distinguished advantage in terms of economic and lead to upgrade the competition capabilities. Especially for the road which road transportation in the near future will be the important mode and has the efficiency more than other modes in connecting land in Mekong Sub-Region and South of China. There will be the connecting route to each other conveniently. Consequently, Thailand will be the Logistics Hub of the region.

Hence Thailand offered the financial assistance such as R3E (Cheingkong – Kunming) , R5 (Aranyapratet – SriSopol) Maesod – Meiwadee (16Km) and including other routes that could be the local area development strategy to response to the industry restructuring for supporting the disadvantage industry in the inner area of the

country to support investment spreading in country and to reduce the overlap of the poverty solving and development in the tangible way.

Considering Factor for Investing with Neighbor Country

1. Government role, must have clearly policy.
2. The government have to speed up to make cross border transport agreement in Thailand – Laos-China.
3. Thailand have to make understanding with local business man and have the strategy for defending chinese cargo.
4. Using benefit from china – Thailand route.
5. Tourism supporting by four links (Thailand – Laos – Myanmar – China)
6. Speed up negotiation of visa issuing and trade facilitation.

Strategy for the Cooperation with GMS Country

The operation for Thai strategy with the neighboring countries has been adapted, integrated and matched with the change of globalization. Thai role in global stage and region has been increased and affected to readjust the appropriate policy with the neighboring countries. Thai has given the importance to neighboring country especially to develop in order to degrade the difference between the lower level group and jointed develop with the same level group. This resulted to in crease the trade and investment level and to expand the cooperation in the new sector or to set up the new strategy of each framework by comparing the cooperation with the neighboring countries in several agreements. It is found out that it focused only the economic sector as major, and minor in social sector and security sector. This leads to increase the aims of increasing the bilateral connection in order to combine the strategy according to the cooperation agreement with the neighboring countries with cross border collaborate strategy.

Cross Border Collaborate Strategy

1. **Trade / Facilitation** Amend rules and regulations of cross border in each countries which have the agreement in GMS level and Asian level but it can not effect in practical way, therefore it must accelerate to make Truck Visa and Diver Visa.
2. **SSI: Single Stop Inspection;** The government in each countries must have the enforced Agreement urgently, because the customs formalities in each countries have repeatedly inspection and slowly which is the important trouble.

3. **e-Logistics;** The government and private section must develop electronic system and adapt to cross border transaction, cross border transport and international transport cover Customs Immigration Freight Transport System.
4. **Cross Border Transport :** Supporting base of production moving to connecting point in each countries, which increase the value of resource and area advantage together.

Strategy

Policy Strategy, by having the jointed duties, building image to focus country, creating the socio-economic partners, having the mutual advantage, such as, jointed logistics system, social and cultural connecting, and releasing conditions concerned with the security, promoting private role and cooperating among private, also seeking the cooperation from the third country and potential international development organization .

Strategy for cooperation in each sector is as follows:

- 1) **Trade and Investment Sector:** To develop logistic system, convenience standard, to create the production base, and to have the mutual agreement for investment promotion and protection
- 2) **Transport Sector:** both for basic infrastructure and regulation abatement in order to increase the efficiency of utilization.
- 3) **Industry Sector:** To promote to set up the production standard, to develop the basic necessary infrastructure for building the potential of production base and connecting all data communication network.
- 4) **Human Resources Development Sector:** Developing skills, capability of workers in order to upgrade the educational institution and Institute of Skill Development by using this cooperation to be as tools to maintain good relations with the neighboring countries.
- 5) **Tourism Sector:** To develop eco-tourism and cultural areas, to set up the personnel development center and to develop the standard for services and to support private roles.
- 6) **Agricultural Sector:** Promoting jointed production and expand agricultural production base in order to have food stability
- 7) **Telecommunication and Technology Transfer Sector:** between the developed partners, cooperation with the advance country and extending services to the rural areas, business negotiation strategy.

- 8) **Energy Sector:** To be alliance for developing the new energy resource, to expand the alternative energy purchasing market, energy use sharing, technical assistance.
- 9) **Public Health Sector,** creating the protection and prevention standard: To upgrade the capability of the Communicable Disease Surveillance Center from crossing border by setting up the Research and Technology Transfer of Communicable Disease Crossing Border Center
- 10) **Environmental Sector:** Managing manage natural resources for sustainable growth. Water resources sustainable management and also building up the standard of product development
