

Transport and logistics in the Greater Mekong Sub-region



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Summary

The Greater Mekong Sub-region (GMS), a sub-regional economic cooperation program comprising Thailand, Laos, Cambodia, Vietnam, Burma and Yunnan province of China, is in the middle of a region characterized by fast economic development. The ASEAN Free Trade Agreement has opened up the market and trade is expanding rapidly. China increasingly sources from the GMS to facilitate its own economic development. Transport and logistics are crucial in facilitating the rising flow of goods; therefore vast amounts of resources have been invested in the development of infrastructure and physically connecting the countries in the region. For the GMS this has been guided by three main road corridors for which hardware is almost in place. Other modalities are also developing through various investment plans but road transport remains the core of transport in the GMS.

The state of the transport and logistics sector differs strongly across the various countries. Thailand benefits from a well-developed high-end market serviced by international companies but the local market is still little developed and unprofessional. Both Yunnan and Vietnam face many challenges to meet growing demand but are on their way to push the transport conditions forward to play an increasingly important role in the region. The market is little developed in Laos and Cambodia and with the lack of economic activity and international interest; few opportunities are present in these countries.

Opportunities have been identified for Dutch companies in participation in especially sea port and airport development and in the transfer of knowledge, logistics practices and management systems. Climate controlled logistics is a very attractive niche and there are also interesting opportunities for warehouses and distribution centers, education and the development of inland waterways.

1. Introduction

Developing a strong transport and logistics systems is a familiar activity for the Dutch. After becoming the gateway for Europe, there are new challenges down the road. The Asia-Pacific is filled with opportunities; not in the least for transport and logistics. Where worldwide many countries are still trying to get out of the economic crisis, many countries in Asia have already started its recovery.

Moreover, the ten ASEAN countries, Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Laos, Cambodia and Burma, are creating the ASEAN Economic Community (AEC) The AEC visions to transform ASEAN into one single base for production and trade that is highly competitive and fully integrated by 2015. Since this year (2010) the ASEAN Free Trade Agreement (AFTA) allows nearly zero duty on cargoes traded between the ASEAN countries. Now that the various countries are integrating, ASEAN can and should increasingly be seen as one market; a market with a total population of 583 million and a fast increasing GDP; from US\$480 bln in 1998 to more than a threefold US\$1,504 bln in 2008. The AFTA will subsequently push the internationalization of production and production chains.

The ASEAN Free Trade Agreement has opened a market of over US\$1,500 billion and 583 million people. China is increasingly sourcing from ASEAN to facilitate its economic growth; China-ASEAN trade has grown to US\$192.6 billion.



Especially foreign invested companies, which drive much of the export and import in the region, can benefit from the integration of ASEAN for production. It will initiate a rearrangement and consolidation of production and even larger trade flows. And this important implications for transport and logistics as its demand is directly linked to regional trade and flows of goods.

China has a significant influence on the ASEAN region. In order to facilitate its continuing growth, a forecasted 9.5% this year, China is increasingly sourcing from the region. China-ASEAN trade increased from 3.5% in 1998 to 11.3% or US\$192.6 bln in 2008. This January the China-ASEAN Free Trade Agreement has been instigated and creates the world’s largest open market of US\$6.6 trillion GDP. Total trade is US\$4.3 trillion resulting in large export and import flows between China and ASEAN. As an indicator for the future trade flows, just after the kick off of the FTA, the China-ASEAN bilateral trade volume in January reached US\$21.48 bln. This is an increase of 80% compared with last year.

In this context of booming trade, the GMS, at the heart of the region, is also reaping the benefits. From 2000 to 2007, the rate of growth of GDP in the GMS averaged 8.6%. Underpinned by rapid expansion in manufacturing exports, the GMS is among the fastest-growing economies in the world. The GMS is a subregional economic cooperation program initiated in 1992 with assistance of the Asian Development Bank. It is composed of the six countries sharing the Mekong river; Thailand, Laos, Cambodia, Vietnam, Burma and Yunnan province of China. The program has paid extensive attention to infrastructure development and promotion of freer flow of goods and people. Over the last decade, the countries’ share of trade among them, with ASEAN and especially with China has risen sharply. For Thailand ASEAN is the largest trading partner with exports at US\$32.5 bln and imports at US\$24.7 bln. Vietnam’s import from China has grown with over 30% annually in recent years. Vietnam's total exports and imports are expected to grow to US\$79.3 bln and US\$86.5 bln respectively by 2013 (See annex 1 for overview of main trade categories in the GMS). Large investments in infrastructure are made to facilitate the trade growth and many more projects are planned to physically connect and integrate the countries. China alone has recently launched a US\$10 bln infrastructure investment plan to improve road, rail and air links with ASEAN and the GMS. These developments have a great impact on the advancement of the transportation and logistics sector.

Economy Segmentation					
	Thailand	Laos	Cambodia	Vietnam	Yunnan
GDP (bln US\$)	260.7	5.4	9.6	90.7	83
Agriculture	11.8%	39.9%	31.9%	20.3%	17.9%
Industry	45.5%	30.7%	26.8%	41.6%	43%
Manufacturing	36.1%	20.5%	18.6%	21.4%	-
Services	42.6%	29.4%	41.3%	38.1%	39.1%
Trade	144.1%	86.7%	138.3%	167.0%	-

Table 1 Source: World Bank (2008). Sector as % of GDP. Manufacturing is also included in Industry percentage.



This report therefore provides an overview of the current state of the transport and logistics sector in the GMS and indicates further developments. In addition, interesting opportunities in the market are outlined. Burma (Myanmar) will not be considered in this report. Because of the extent and speed of developments the reported trends are not exhaustive. The report is, in addition to a review of reports and literature, largely based on interviews with key actors in the market; leading companies, the ADB and World Bank, Thai governmental bodies and our colleagues in Vietnam, China and the Netherlands. We appreciate their valuable insights and would like to thank them for their contributions.

Time to transport goods has significantly decreased. Shipping by sea between Hanoi and Bangkok takes 10 days; by road it used to take 5 days but by using the corridor the time is shortened to 3 days.

2. Economic corridors in the GMS

The cooperation of the GMS is based on the integration of infrastructure. The GMS aims to create an efficient transport system by investment in mainly road transport, energy and telecommunications along three main economic corridors (EC). Since 1992, priority infrastructure projects worth around US\$10 bln have been implemented along three main economic corridors: the North-South Economic Corridor (NSEC), the East-West Economic Corridor (EWEC) and the South Economic Corridor (SEC). The NSEC forms a north-south axis to connect Kunming in Yunnan to Vietnam and Yunnan to Bangkok in Thailand. It facilitates transport even further south to Malaysia and Singapore. Currently, there is mainly transport of low value goods. However with the growing trade and the positioning of Kunming as a logistics hub between China and ASEAN, the NSEC has great potential to form a major transport gateway between China and Thailand and the GMS. China is therefore actively pushing development of this corridor.

The EWEC is projected to be a land bridge between Vietnam and the Andaman Sea running from Danang in Vietnam through Thailand to Mawlamyine in Burma. The infrastructure into Burma is still missing but the corridor functions well as a connection between Vietnam and Bangkok. Japan has a strong interest in the development of the EWEC and participates in many infrastructural projects.

The SEC connecting Bangkok to the east with Vietnam through Cambodia seems to have least potential to become a major transportation axis; currently none of the countries has taken ownership.

The road network along the corridors is in good condition. Thai-Lao friendship bridges over the Mekong connect the highways to fasten cross-border transportation; two of four have been completed. The entire physical network will be finalized in the next few years (see Annex 2). Businesses have started to settle along the corridors but soft infrastructure is still largely missing. Better regulations and (communication) technology are for example needed to upgrade the corridors into full functioning logistics corridors. Also the border areas need to be further developed into economic zones to facilitate companies to benefit from competitive

advantages in each of the countries. Nevertheless the corridors have already been an important step forward in facilitating transportation in the region. The future will show to what extent transport flows follow the intended routes, whether divergent corridors emerge and which transport hubs arise (more information [here](#)).



3. Infrastructure

Development and conditions of infrastructure vary strongly among the GMS countries. The Global Competitiveness Report of the World Economic Forum ranks Thailand highest in the GMS regarding infrastructure. Its strengths are its road and airways facilities but Thailand still lacks a competitive edge over countries like Malaysia and Singapore. China also performs well



but Yunnan is one of the less developed provinces of China and infrastructure here lags behind China’s east coast. Physical infrastructure is inadequate in Cambodia, Laos, and Vietnam which impedes integration of transport and of the development of regional logistics activities.

Infrastructure development scores					
	Overall	Roads	Railroads	Ports	Air
Thailand	4.57 (40)	35	52	47	26
China	4.31 (46)	50	27	61	80
Vietnam	3.00 (94)	102	58	99	84
Cambodia	2.94 (95)	77	94	89	88
Laos	n/a	n/a	n/a	n/a	n/a
Singapore	6.4 (4)	1	9	1	1
Malaysia	5.0 (26)	24	19	19	27

Table 2 Source: 2009-2010 Global Competitiveness Report

With respect to modality, road transport is the dominant domestic form of transport in all GMS-countries. It accounts for about 70% of freight carried in Vietnam and Cambodia and up to 90% in Thailand and Laos. Sea transport is the most used mode of transport for intra-ASEAN trade and therefore plays a significant role in the GMS for the import and export of goods.

The regional railway network is poorly developed. Only a small part of the region is covered by the network. The railway system is furthermore subject to out-of-date technology, old rail tracks, and a shortage of equipment. The services offered are thus poor and capacity does not meet demand.

The development of inland waterways has generally been neglected so there is little use of inland water transport. The Mekong River, the backbone of the region, is only partially navigable and cannot function as a main transport route. Only the stretch between Vietnam and Cambodia is used extensively. There is potential to expand its transport capacity but there is a lack of knowledge and expertise to deal with environmental aspects and technicalities. An important governing body is the Mekong River Commission (more information [here](#)).

Road transport plays a central role in the GMS. Up to 90% of freight carried is transport by means of this modality.

Thailand

Thailand’s road system is highly developed with over 50,000 km of highway. The provinces and even isolated and rural areas are interlinked with a good interregional and interprovincial transport network. Roads have been and are expected to continue to be the main focus of (political) development plans, at the cost of the development of other modalities.

Thailand has six international airports of which Suvarnabhumi Airport in Bangkok handles most cargo and is Asia’s third-largest airport. A development plan to expand the airport is planned for 2010-2016. While the airport is sufficiently modern, there is room to upgrade the existing facilities to better meet business requirements in efficiency and management (more information [here](#)).



Sea transport is the main modality for imports to enter the country (96%). Thailand has 8 international deep-sea ports. Laem Chabang (over 5 million TEUs) is the largest and is intended to develop as a gateway to mainland Southeast Asia. Bangkok Port the second and is limited to still unclear but there is the intention to open the project for foreign investment and management. The costs for the development of the Pak Bara Deep Sea port in Satun are estimated at US\$340 mln. The port development project in Songkhla is currently in the design phase. When realized, this land-bridge will face the competition from Malaysia as an established, well-positioned and relatively cheap hub.

Thailand's coastline is 2614km but there is limited coastal transport and there are limited port facilities for coastal liners at the Bangkok and Laem Chabang seaports. Inland water transport has significantly been upgraded by the efforts of the private sector and the new Ayudhaya and ICD port of the CP group. There is nevertheless much room for further development. Thailand has about 3700km inland waterways navigable year round at a depth of 0.9m. The inland waterways are mainly used to transport agricultural and bulk products.

Thailand's rail network currently has a length of 4043km of which 3763km is single track. Only 2% of Thai domestic freight is transported by train because of the poor conditions of the network. The Thai government has put railway development on the agenda in the next 15 years. The Railway Development Master Plan entails track rehabilitation over 1500km for US\$916 mln. In addition new railways will be constructed over of 2644km for US\$11,849 mln. These plans include cross-border links and will be funded by state spending and private sector investment. Despite major demand, progress is slow in reality (more information [here](#)).

For transport in the Bangkok Metropolitan area, the new public Mass Transit System (MTR) has improved traffic but congestion is still a major problem. An Airport Rail Link, connecting Bangkok's Suvarnabhumi Airport with Bangkok's city center by a high-speed passenger line, has been developed but is not operating yet. The mass transit railway systems of Bangkok will be expanded with multiple lines to connect also the outer rings of the metropolitan region (more information [here](#)).

Yunnan

Kunming is Yunnan's main city, with 4 million inhabitants. It is positioned as an international logistics hub for South-East Asia, forming the gateway between China and ASEAN. The existing road network is in poor condition and the distribution is very uneven leaving the western half of Yunnan province isolated. Major investments are however pushing the development of infrastructure forward and the network is expanding quickly.

Kunming Airport is one of the ten largest airports in China. Because of limited possibilities for expansion, a new airport, Kunming Zheng He International Airport, is being built about 21 km south-east of Kunming city. It will become China's fourth largest airport. Initial terminal completion is scheduled for 2011

Kunming in Yunnan province is being positioned as the logistics hub in the region connecting the Chinese and ASEAN markets. A new international airport, the road link with Bangkok and railway development projects should contribute to creating its central role.

and the full completion for 2020 which will include an adjacent Airport Economic Zone. The perspectives for this airport are positive. It is expected to provide good opportunities for cargo and transport. It will also form a strong push for the development of further infrastructure and logistic services including multimodal connections with road and rail. The airport is likely to play an important role in the flower industry. Kunming therefore has the potential to become an important (auction) hub in the flower sector.

Yunnan's railway network expands quickly both provincially and internationally. The Chinese section of the Kunming – Bangkok railway has been completed and the first-phase of the Trans-Asian Railway connecting Yunnan with Southeast Asian countries is now being carried out. A new inter-city railway linking Shanghai with Kunming in only 10 hours is planned to be completed by 2012. The construction of several other projects under the framework of GMS to connect Kunming with Vietnam, Laos and Burma are under construction, scheduled to be finished by 2015. In Kunming city, an urban rail network of 162km will be developed including a downtown and two suburban lines also linking the new airport. Water transport is limited in Yunnan, despite its major river systems, in which the Jingsha and Lancang Rivers are most important. Currently, the length of inland navigation is 1,324 km (more information [here](#)).

Vietnam

Vietnam's transport infrastructure is expanding rapidly, but there are concerns that infrastructure development will nevertheless not keep up with economic growth. With respect to road transport, Vietnam has an extensive national network but a relatively low percentage of roads are paved. The overall poor condition limits transport capacity. Road currently takes up about 60-70% of freight transport.

Sea transport is an important transport mode and a booming business for Vietnam, facilitated by 46 sea ports of varying size. Containerized sea freight has grown with around 20% annually in recent years. The main seaports for container transportation services are Cai Lan and Hai Phong in the north and Ho Chi Minh City. Together these ports account for about 80% of total annual container throughput in Vietnam. Overall port infrastructure is however underdeveloped. The lack of specialized equipment, supporting infrastructure and a well-functioning multimodal system in combination with relatively high port charges negatively affect Vietnam's competitiveness. Major projects are planned to upgrade existing port infrastructure and to expand port capacity.

The inland waterways system is relatively well-developed and provides an efficient network to transport throughout the country. It facilitates 25-30% of domestic cargo transport. Barging is a very competitive sector in Vietnam providing a cheap mode of transport for especially bulk goods. There are furthermore initiatives to develop the Mekong basin area.

The three major freight handling airports are located at Ho Chi Minh City, Hanoi and Danang. Airports are a major focus point in national investment plans. Noi Bai airport in Hanoi will receive US\$522 mln for investments to upgrade and expand facilities. A second investment of US\$8 bln is needed for the construction of a new airport in the Southern province of Dong Nai

which will become the largest in the country. Overall air transport has grown rapidly in recent years: air freight volume was up by 17.1% to 265,000 tonnes in 2008.

Vietnam's current railway network of over 3000km has limited capacity but is also expected to increase significantly. A long-term development plan has been approved and there are initiatives to connect Hanoi and Ho Chi Minh City with a new line. Also international routes are under construction. The New Railway Law has made it possible for foreign companies to invest in Vietnam Railways.

Laos

Infrastructure in Laos is among the least developed in ASEAN. As a landlocked country, Laos aims to benefit from the regional trade and economic growth by facilitating transport between the other countries, especially between Thailand and Vietnam. Its infrastructure is adequate for transit of goods but in general Laos' road network is in poor condition and low in density. Nevertheless, 90% of domestic transport is by road.

There are three international airports in Laos. Wattay International Airport in Vientiane is the main entry point for international tourists in addition to Luang Prabang and Pakse. Air transport does not play a significant role for freight transport because of high costs and low value of exports. The Mekong River is used for transportation of goods and people but difficult navigation limits its capacity to function as a significant transport mode.

The first railway, a 3.5km cross-border line has been opened in 2009 connecting Nong Khai in Thailand with a passenger and freight terminal in Laos. There are plans to extend it further to Vientiane. Overall, because of a lack of resources and capability, Laos is dependent on attracting international investments in and from the private sector to develop its infrastructure. Progress is falling behind other countries in the GMS.

Cambodia

The situation in Cambodia is rather similar to Laos. The primary road network is reasonable, but most of the secondary and rural roads are in a poor state. Cambodia is however more open to investment and progress is faster.

Cambodia has two international main ports; the port of Sihanoukville at Kompong Som Bay consists of a dry cargo jetty and a new container terminal. The port of Phnom Penh is inland at the Sap River. Further inland water transport on the Mekong, Sap River and Tonle Sap has received limited attention and faces severe constraints in terms of draught restrictions, poor navigation resources and the absence of wharf infrastructure. While Cambodia is trying to attract international sea freight, its main port in Sihanoukville is not expected to become a significant hub in the region.

The current railway network consists of two lines, between Phnom Penh to Poipet at the border with Thailand and from Phnom Penh to the Port of Sihanoukville; both are in poor condition. Through a recent 30-year concession the railway system will be upgraded and managed by the



Australian Toll Holdings. The two international airports at Phnom Penh and Siem Reap only provide flight service by passenger aircraft; there is hardly any service by cargo freighter.

4. Logistics

The current state of logistics development in the GMS countries can generally be indicated by the Logistics Performance Index (LPI) of the World Bank.

Logistics performance index – World Bank				
	2009		2007	
	Score	Rank	Score	Rank
China	3.49	27	3.32	30
Thailand	3.29	35	3.31	31
Vietnam	2.96	53	2.89	53
Cambodia	2.37	129	2.50	81
Lao PDR	2.46	118	2.25	117
Singapore	4.09	2	4.19	1

Table 3 Source: World Bank (2007 & 2009)

The rankings show that within the sub-region, Thailand has a fairly developed transport and logistics sector. China performs well on a national level but in Yunnan the sector is much less developed. Also in Vietnam logistics are not yet very developed; Laos and Cambodia are even farther behind. The level of services thus reflects the economic development of the individual countries. This implies for example that Supply Chain Management is a relatively new concept for Vietnam and Yunnan and largely unknown in Laos and Cambodia.

In these countries, business operations of logistics providers only cover a limited range of services and the scope of value-added services is weak.

In general the logistics market in the GMS is very locally organized and highly fragmented. There is little cross-border cooperation which limits the smaller companies' competitiveness. The markets are generally not well regulated; there are no standards for fuel consumption, vehicle standards or technology requirements. Information technology and a regional framework to operate the logistics systems in the region are not in place. Simultaneously there are high administrative barriers and the overall legal framework is not yet adapted to modern international business practices. Large international logistics providers like TNT, DHL and Cargo-Partners, do have a significant presence throughout the region and play in a crucial role in the market.

Logistics costs	
Thailand	18.6%
Vietnam	20%
China	20%
Malaysia	13%
Singapore	7%

Thailand logistics market	
Transportation	54%
Warehouse and distribution center	24%
Customs clearance agents	19%
Consultant service	3%

The inefficiency of the transport sector and of logistics competitiveness is further reflected in the percentage of logistics costs in relation to national GDP. The logistics costs consist of the national costs for transport, warehousing, inventory and administration. Thailand's logistics costs were 18.6% in 2008. Logistics costs in Vietnam are estimated to be close to 20% and China as a whole reports a national logistics percentage of about 18%. These percentages are high, especially when compared to the main regional competitors in logistics, Singapore 7% and Malaysia with 13%.

Thailand

While Thailand's logistics quality is high in relation to the other GMS countries, it is relatively low in the ASEAN-context or compared to developed countries. The high logistics costs, consisting of 49% transport costs, 42% inventory costs and 9% administration costs, are a concern for companies as well as for the government. The high percentage results from the lack of multimodal transport options, large share of costly road transport and the relatively large portion of low value goods in transport. Inefficient inventory management also contributes significantly. Management principles like Just-in-Time are rarely applied. Also the overall knowledge and awareness of the importance of internal logistics management among entrepreneurs are low. As a result, there are no clear signs that a considerable decrease in logistics costs will be achieved in the short run.

Shortcomings in infrastructure, bureaucratic inefficiency and lack of advanced services have resulted in high logistics costs in the GMS, which hinders the region's attractiveness for doing business.

The Thai logistics market can roughly be divided in two. One part of the market consists of high level international companies serving mainly the premium market and other international companies. Major players are TNT, DHL, DB Schenker, Maersk, NYK, Agility and FedEx. The second is a locally oriented market, with mainly small and medium sized enterprises (SME) focusing on other local companies through a system based on relations and low costs. Local logistics companies are generally not able to provide high quality, advanced or predictable service. Many companies deal with limited financial resources, knowledge and capabilities. There are only a few local integrated service providers.

So far a rather limited number of international organizations have entered the market. The large logistics companies are increasingly becoming integrated logistics service providers extending services to complete supply chain management.

Depending on activity, the transport and logistics sector is relatively open to foreign investment, but a majority foreign shareholding is generally not possible. For several related activities certain restrictions can be lifted if a company obtains an exemption from the Board of Investment (more information [here](#) and see 8. Entering the GMS market).

Vietnam

The transportation sector in Vietnam is to a large extent subject to the government's influence. Government owned companies in each of the modalities dominate the market. The overall



TNT

Logistics pioneer of the Netherlands

TNT established in Thailand in 1980 and is currently one of the most advanced logistics providers in the region. TNT has noted the growing economic potential of the region and decided to anticipate on the well-developed road infrastructure to gain competitive advantage and respond to customer demand. It developed an Asia Road Network interconnecting the region from Singapore to Southern China through Malaysia, Thailand, Laos, Cambodia and Vietnam.

In order to run this cross-border express road network efficiently, TNT initiated a dialogue with Thai Customs and succeeded in establishing an agreement to ship goods cross-border under bond. That has made it become possible for TNT to forego cross-border taxing and processing; in practice it means no cash payments, no paperwork and no opening of trucks and instead faster, safer and more reliable services.

TNT has shown that initiative and endurance can go a long way when it comes to transport in the GMS.

socio-economic renovation policy (named the Doi Moi policy) has however led to increasing foreign investments and new private companies.

The market is mainly local apart from a few international freight forwarders and express integrators that cooperate with local companies through joint ventures. The private sector is most active in road transport with 1,000+ companies, mostly SME, and many more players working informally. Professionalism is limited and planning and project management skills are poorly developed. The market for logistics services can currently only a quarter of total demand. The level of outsourcing and contract logistics is still in its infancy because of the reluctance of Vietnamese manufacturers to outsource to (foreign) logistic providers.

The high logistics costs in Vietnam are mainly driven by its inadequate transport infrastructure, inefficient bureaucracy and poor management practices. Though the situation is gradually improving. Despite all challenges the sector in Vietnam is perceived to have a positive long term perspective. Local players are said to be eager to learn, pick up English quickly, hold good labor ethics and there is a large young population to facilitate market growth. Measures are still needed to make it more attractive for international companies to invest in Vietnam.

Yunnan

While China as a country has been able to improve its transport and logistics industry, Yunnan lags behind. The lack of construction of infrastructure and logistics equipment forms a barrier to the development of a modern logistics

sector. The sector mainly currently depends on traditional agency and freight services and lacks good information, management and skilled workforce. Few enterprises can actually offer integrated international logistics service.

The overall logistics service level is thus not meeting requirements to handle trade growth resulting from the new China-ASEAN Free Trade Agreement. However, with the extensive attention of the government to develop Kunming's international logistics market, Yunnan has great potential to become a logistics hub. The sector anticipates on the future by setting up facilities. Larger companies have started moving in. Logistics is one of the fastest growing sectors in Yunnan. Demand for logistics services has grown rapidly.

Laos & Cambodia

The markets in Laos and Cambodia are least developed in the region. The logistics services offered are unprofessional and unreliable. Traders are traditional towards new practices and outsourcing is a largely unknown concept. Laos is benefiting little from the connectivity in the region and is not able to capture value added from the goods transition. Cambodia is more open and competitive in the acquisition of investment, but Cambodia’s bureaucracy is very poorly organized. Both markets largely base business on relations and networks.

5. Issues in cross-border transportation

For the GMS countries, cross-border trade has improved significantly in the last years (table 4). Nevertheless, border issues are still a main barrier for regional trade. Most importantly the institutional framework of aligned regulations is missing. The existing procedures are inefficient, not transparent and differ across modalities. It is furthermore difficult for trucks to cross borders as vehicle standards diverge and the road sides differ. Documentation is still largely handled on paper and there is also hardly any pre-arrival clearance. Technology is available but not affordable for most trucking companies. Payments are often in cash which facilitates corruption.

Trading across borders							
		Export			Import		
		Documents (number)	Time (days)	Cost (\$ - container)	Documents (number)	Time (days)	Cost (\$ - container)
Cambodia	2007	11	37	722	11	46	852
	2010	11	22	732	11	30	872
China	2007	7	21	390	6	24	430
	2010	7	21	500	5	24	545
Lao PDR	2007	11	66	1,420	15	78	1,690
	2010	9	50	1,860	10	50	2,040
Thailand	2007	9	24	848	12	22	1,042
	2010	4	14	625	3	13	795
Vietnam	2007	6	24	669	8	23	881
	2010	6	22	756	8	21	940

Table 4 Source: World Bank - Doing Business report www.doingbusiness.org

Thailand is working on the implementation of e-customs, which will simplify custom procedures. It also works on a National Single Window system but the development is slow so (full) implementation is not expected within the next four years.

Improvement in the regional situation is also expected to come from the Cross-Border Trade Agreement (CBTA) which is an agreement among the GMS-countries for the facilitation of cross-border transport of goods and people. It covers various aspects like customs inspection, movement of persons, transit traffic and a single stop cross-border system. It is supposed to end the need to reload vehicles and reprocess documents for clearance when crossing the

border. Pilots have been initiated at several border crossing. When fully in place, the CBTA is expected to greatly promote cross-border and third country trade. Implementation of the CBTA however is slow; Thailand has not yet ratified the annexes because of conflicting national laws, facilities are not in place and there is a lack of institutional capacity.

The institutional aspects of the GMS integration will nevertheless slowly improve by aligning regulations. More extensive application of bilateral exchange of traffic rights is expected in the short run and implementation of the CBTA in the long run. Single Window Inspections can become reality relatively soon. Single Stop Inspection on the other hand is a long term project. ASEAN is also pushing ambitious institutional integration measures such as the implementation of the ASEAN Single Window and ICT for customs and duties by 2013.

Border issues are nevertheless expected to continue to hinder regional transport for the next 5-10 years (more information on the CBTA [here](#) and [here](#)).

6. Market prospects

The transport and logistics sector in the GMS has thus evolved quickly in recent years. This despite the global economic crisis which has caused a slowdown in some of the GMS-countries through which total freight carried in Thailand and Vietnam fell with respectively 1.8% and 4.6%. The overall transport and communication sector in Thailand contracted by an estimated 3.7%. The industry is however already picking up and trade seems to grow in reaction to the free trade opportunities. Flows of goods between China and ASEAN as well as within ASEAN and the GMS will further expand. Especially international companies are expected to increasingly draw from country differences in the region. Production will relocate and consolidate and supply chains will become more regional.

The transport and communications sector is expected to grow to US\$33.7 billion by 2013, in Thailand alone.

Transport and logistics are necessary to facilitate this and as a result the market prospects are positive. In ASEAN countries the potential growth for logistics services is estimated at 3-4 times GDP growth for the next 5 years. In Thailand the transport and communications sector is forecasted to rise to US\$33.7 bln which is 8.8% of GDP by 2013 and in Vietnam to US\$6.7 bln or 4.5% of GDP. In Cambodia, the transport sector currently contributes 7.6% to GDP, in Laos 6.3%. In Thailand freight carried across all modes is expected to grow with 4.1% for 2010 – 2013; in Vietnam with 7.4% annually. Generally, the sector will face major challenges to meet the growing demand for transport facilities and services.

As for the GMS, regional transport will improve with the finalization of the road infrastructure in the NSEC and EWEC. The corridors will further develop to economic corridors, facilitating environment for a wider range of business activities. Despite investment plans in all modalities, road transport will continue to become more important especially for the north-south connection with China. The coming years will also show which routes will form the main



transport routes, where logistics and transport activities will concentrate and where hubs and sub-hubs may emerge. This will depend on the trends in industrialization in the GMS countries.

China will further exert influence on the development of the region as it is increasing its presence through investment in infrastructure and bilateral agreements. China also seeks to deepen China-Vietnam trade and economic ties by integrating Vietnam’s industrial sector into its regional production networks.

Freight growth forecasts 2010-2013						
	Total	Road	Air	Inland waterways	Maritime	Rail
Thailand	4.1%	4.0%	4.4%	-	3.9%	2.1
Vietnam	7.4%	8.9%	9.0%	7.7%	7.0%	7.7%

Table 5 Annual average Source: BMI 2009 Q4

Within the region, especially Thailand, Vietnam and Yunnan will benefit from the ongoing trends in economic integration. These countries will attract production, investment and flows of goods and people from international companies.

The transport and logistics sector will internationalize through ASEAN Economic Community initiative. ASEAN members are now allowed to hold up to 70% share in Thai logistics service and all service sectors will be liberalized by 2013. The other GMS countries have to adapt to these terms in the years to follow. As a result more mixed equity businesses will appear and the market will consolidate. This process is however seen as a threat for local SME as they are unable to adjust to international competition in an open market. Among SMEs there is however a growing awareness of professionalism and interest in advanced technology, internal logistics processes, process improvement and (electronic) management systems. Also outsourcing of services picks up quickly. Additionally there is a trend of more public-private cooperation in large projects.

Overall professionalization in the sector is thus expected even though Vietnam and Yunnan still have tremendous steps to make. Vietnam already receives ample attention and is quickly becoming more competitive as a hub for sea freight. Yunnan is likely to pick up speed in developing an international logistics market because of the vast infrastructure plans and fast development of the local economy. Laos and Cambodia are not expected to make similar progress, but Cambodia is likely to attract more foreign investment in infrastructure development.

Thailand aims to position Bangkok as the logistics hub of the GMS. Its geographic location and relatively developed infrastructure and logistics services strengthen its potential. However, large steps still have to be made. The lack of a multimodal system for hinterland transport and imbalanced trade flows limit overall capacity. Also procedural and administrative issues are limiting factors. The development of Bangkok’s hub function will furthermore depend on the continuation of political instability which threatens the investment climate for international companies.

Finally, ASEAN and the EU are currently negotiating the establishment of an FTA but the process is lengthy. Bilateral agreements, especially between the EU and Thailand, are more feasible with strong interests from both sides to open the market for goods. Thailand is however reluctant to open its logistics sector because of the lack of competitiveness.

7. Market opportunities

The GMS transport and logistics sector provides a lot of potential for the Netherlands and Dutch companies given the experience and expertise of the Dutch logistics sector (see annex 3 for more information on the transport and logistics sector in the Netherlands). Opportunities are present in line of the with the countries' level of development. Thailand is for example ready for relatively advanced services. For Yunnan and Vietnam more basic developments are necessary first. Here many companies are not aware of the importance of logistics and, outsourcing is limited except for foreign multinationals and their subsidiaries. For Laos and Cambodia few opportunities have been identified, mainly because of the much lower level of economic activity and the very basic state of the sector.

A first set of opportunities results from the ongoing investments in infrastructural projects, especially in port development in Thailand and Vietnam, airport development in Thailand, Vietnam and Yunnan, and railways and city rails in the region. The land-bridge project in South Thailand has been identified as potentially interesting for Dutch organizations if it will be implemented. Despite the strong position of Asian providers for construction projects, it is perceived that there are still opportunities for Dutch companies when they are able to make a competitive offer based on advanced knowledge and technology in combination with competitive price through local production and implementation. The EVD filters projects for which international tenders have been given out (more information [here](#)).

“It is not too early to get involved in logistics in the region; it is better to say that it is not too late yet. This is the right time to get active”.

Director –
International Logistics Provider

Second, there is a general need to modernize logistics services and improve management practices because of the gap between demand and supply of services and the regional shortage of modern or advanced services and facilities. Considerable investment and expertise are essential for the countries to upgrade its sector to international standards. Dutch companies can play a role in supporting such advancements. There are significant opportunities for logistics and transportation providers to facilitate overall logistics management in order to stimulate performance, productivity and efficiency. This can be done either directly in the market or through local players. There is room for information technology, supporting software and sophisticated logistics-management techniques.

A promising scenario for specialized entrepreneurs can also be the transfer of a logistics chain according to European standards to one of the upcoming sectors. Thailand also calls for knowhow and management capability to enhance multimodal transport and logistics. Because

of the need for more advanced logistics and transport, there is a simultaneous need for specialized hardware and equipment to facilitate modern services. The following more detailed niches have furthermore been identified as promising.

Warehousing and distribution centers

Warehousing is an upcoming concept in the Thai market because of increasing demand and limited availability in the market. In addition to general warehouses, there are opportunities for the development of different specialized types of warehouses like custom bonded warehouses and warehouses in free trade zones. In Vietnam there is a specific need for warehousing facilities at airports for handling of air freight.

There are also opportunities in Vietnam and Thailand to invest in distribution centers. Apart from the general set up, services can be complemented with additional and specialized value added services and logistics for both retail (department stores and supermarkets) and for large industry. Activities and service can include transportation, cross-docking, order-fulfillment, labeling and packaging, quality control and order cycle completion activities.

Management systems and software

Because of the need to improve logistics management in various niches, there is a demand for a wide set of management systems, supporting software and technology. Local supply is very limited. Because of the high level of knowledge and expertise of supply chain management in the Netherlands, there are opportunities to bring systems and practices to the GMS-market.

The market for warehousing and distribution centers requires Inventory and Warehouse Management Systems. Also Transport Management Systems are in demand. Specific interesting concepts are RFIDs (Radio Frequency Identification) for inventory management, data-processing systems including databases and information systems, identification and coding systems, tracking and tracing systems, fleet management systems, logistics operation and management technologies and palletized logistics systems.

Multi-user services

In Thailand, there is a niche for catering logistics services to relatively developed local companies by providing services with a focus on competitive pricing. These companies are interested in using advanced services but require competitive pricing. Additionally, it can be interesting to provide multi-user services like shipping by Less than Truckload (LTL). These services could provide advantages to the large number of smaller players in the market which aim to be more efficient but do not have the scale for full services.

Education

Considering the current lack of skilled and experienced logistics personnel in the region and the growing logistics sector there is great demand to stimulate the development of high-skilled laborers. The countries, especially Thailand, are looking for ways to set up and improve curriculum and teaching or education programs for logistics personnel. There are however insufficient local experts and education programs to drive such human resources development. This creates opportunities for the Netherlands as a source of expertise for education, research

and practical training. Dutch education and research institutes as well as consultants can focus on knowledge transfer to stimulate capacity building in the sector.

Port development

Sea transport is a fast growing industry in the region and port development is especially attractive in Vietnam. Seaports are a key priority in the economic development as the Vietnamese ports are coping with many challenges while facing strong growth of sea transport.

Dredging, port dike protection, vessel control system and port services management are very promising for Dutch companies. Furthermore, Dutch companies can be successful in the following activities for port development: consultancy; education and training; storage; freight forwarding services; terminal operations for containers, liquid and dry bulk; supply of hardware like cargo handling equipment, terminal transport, security equipment, fire protection; management software and ICT applications (more info [here](#)).

Development of inland waterways

The GMS countries are slowly acknowledging the need to develop inland waterways and infrastructure. Activities and knowledge throughout the region are however very limited. Vietnam is most actively working on improving waterways to be able to cope with growing barging traffic. The Netherlands has a high level of experience and expertise in inland shipping and while Asian companies have been able to develop their skills, the Netherlands still has a competitive edge especially in its ability to manage complex and multidisciplinary projects. Dutch companies with such management capabilities and knowledge can build on the positive image of the Netherlands in water management but should make use of local labor and production in order to keep also a price competitive edge.

In Thailand the capacity of transport by inland barge or coastal feeder has increased in the recent years but is still very limited. The quality of the existing providers is adequate but the number of providers is low and the size of the barges is relatively small (30-60 containers). With the growing demand for barge transport services, there are opportunities for Dutch players in this industry. Facilitation of inland water transport additionally requires development of inland container depots (ICD).

Climate controlled logistics

There is a large market for vegetables, fruit, flowers and fish in Vietnam, Yunnan and Thailand, but there is a significant lack of temperature controlled equipment and facilities for climate controlled logistics. As a result large volumes of perishable goods are wasted. More professionalism is needed in infrastructure, specialized equipment and knowhow, which provides opportunities for the Netherlands. Frost & Sullivan have carried out a study in assignment of NL EVD International in cooperation with the Dutch Embassy in Hanoi on Climate Controlled Logistics in Vietnam. The outcome indicates that the climate controlled logistics industry has significant potential for Dutch companies (see the report [here](#)).

In Thailand supporting infrastructure and equipment are relatively better developed, but general user practices are poor, which offers opportunities for knowledge transfer or higher

quality services. In Yunnan cool chain systems are hardly known. With the growing market for fresh food, flowers and other perishable goods, opportunities are also here plenty and there is large demand for equipment.

Other

In order to fulfill international requirements there is an increased demand for modern and specialized equipment. In Vietnam there is a need for specialized container vessels, bulk cargo ships, large oil and liquefied petroleum gas (LPG) tankers. In Vietnam and Thailand there is furthermore a need to enable logistics companies to consolidate directly in Bulk Unit Program (BUPs), air freight containers and deliver them directly as built-up units to the airline handover points.

8. Entering the GMS market

Entering the Asian market, or GMS in specific, is not easy. The culture and way of business are very different from the Netherlands but also the national cultures in the GMS differ from each other. It is crucial to understand the cultural context and have practical market insight in order to do successful business. It is furthermore often necessary to adjust business concepts to the local market.

Having a good network is essential because business depends to a large extent on relations. Many businesses therefore opt to enter the market through a local partner or by setting up a joint-venture. The partner can in such cases provide the network and practical insight in the market.

Finally, it should also be taken into account that the GMS consist of developing countries in which it is important to do responsible business, support local capacity building and work with sustainable practices.

In any situation, doing business in Asia should be considered a long term strategy; it is difficult to be successful overnight.

Information and support

Several institutions can provide information and support for those who are considering entering the GMS-market. NL EVD International is a governmental department that supports Dutch entrepreneurs with information on export and investment in foreign markets. NL EVD International can also assist with getting in contact with international business partners. Relevant information on international entrepreneurship, markets and promising sectors is available via the [EVD-website](#) or make an appointment to discuss international business.

The Dutch diplomatic missions abroad like the Dutch Embassy in Thailand and Vietnam also assist Dutch businesses that are interested in doing business in the GMS. Employees of the economic sections have in-depth knowledge on the local economy, culture, companies, government and opportunities and can support in connecting businesses in the various

countries. For questions or for assistance with making first steps in the GMS please contact the delegations through the contact information available on the website:

- Embassy of the Kingdom of the Netherlands in Bangkok, Thailand
 - o www.netherlandsembassy.in.th
- Embassy of the Kingdom of the Netherlands in Hanoi, Vietnam
 - o <http://vietnam.nlemassy.org>
- Netherlands Consulate General in Ho Chi Minh City Vietnam
 - o www.mfa.nl/hcm-en
- Embassy of the Kingdom of the Netherlands in Beijing, China
 - o www.hollandinchina.org
- Netherlands AgroBusiness Support Office (NABSO) in Kunming – Yunnan
 - o [Website](#)

The Dutch Chambers of Commerce in Thailand and Vietnam have many Dutch businesses as their members and can provide more information on doing business in the GMS.

- Netherlands Thai Chamber of Commerce ([NTCC](#))
- Dutch Business Association Vietnam ([DBAV](#))
- Dutch Chinese Chamber of Commerce ([DCCChina](#))
- European Chambers of Commerce in Vietnam ([Eurocham](#))

Investment incentives

In order to facilitate investment, the GMS countries have national agencies providing information, guidance and investments incentives.

- The Cambodian Investment Board ([CIB](#)) provides incentives for e.g. investment in the railway sector but excludes transportation services.
- Lao Department of Domestic and Foreign Investment ([DDFI](#))
- The Foreign Investment Agency of Vietnam ([FIA](#)) also offers support and incentives for foreign investors.

Thailand has a well-developed investment stimulation scheme exists implemented by the Thailand Board of Investment (BoI). Several priority activities relate to logistics and transportation and companies can receive tax incentives, non-tax incentives, guarantees and protection when investing in these activities. A short overview of eligible activities is listed below (more information [here](#)).

- Mass transit systems and transportation of bulk goods
 - o Mass transit electric trains and commercial train service
 - o Pipeline, air, maritime transportation
 - o Ferry services and high power ship services
- National and international distribution centers
- Container yards or inland container depots
- Logistics parks
- Mega projects
 - o Trains, electric trains or parts



- Cold storage transportation
- Hi-speed communication services
- Tour boat and yacht renting / ocean marine services
- Loading and unloading facilities for sea transport
- Commercial airport

The BoI has recently set up the Bangkok One Stop One Service Center ([OSOS](#)) as a one stop service center for foreign businesses in Thailand and embodies services of the BoI, immigration department and numerous investment-related agencies. More information on legal business matters in Thailand can also be found [here](#).

Subsidies

The Dutch government offers a range of financial incentives to Dutch companies doing business in the GMS-countries. NL EVD International and Dutch delegations can assist in the evaluation of subsidy possibilities (more information on financial incentives for [Thailand](#), [Vietnam](#), [China](#)).

An overview of subsidies is provided below:

- PSI (Private Sector Investment) Subsidy
 - o Program to stimulate investment contributing to economic development in the foreign country. Available for Thailand and Vietnam (more info [here](#)).
- ORIO: Development relevant infrastructure projects
 - o To support the development, implementation and exploitation of public infrastructure in developing countries. Available for Thailand and Vietnam (more info [here](#))
- 2xplore
 - o 2xplore provides financial incentives for companies that want to conduct research on the development of new activities in all GMS-countries (more information [here](#)).
- Vietnam Facility
 - o Is open to projects on human resource development and knowledge transfer between Dutch companies and Vietnamese partners (more information [here](#)).
- Trust Funds
 - o Available for Dutch investors, suppliers and consultancy firms. It supports projects in rising markets that are aimed at technical assistance. Available for Thailand (more information [here](#)).
- Prepare2start
 - o Subsidy for small and medium sized enterprises (less than 100 FTE) with little or no export experience that want to enter a new foreign market in virtually all countries. Companies can also get free advice on the drafting and execution of an internationalization plan (more information [here](#)).
- Package4growth
 - o Is available for China as a financial stimulus for Dutch entrepreneurs to export or invest in China in sustainable projects in infrastructure, and transport and logistics (more information [here](#)).
- 2g@there



- Is available for projects of a cluster of organizations in all countries and sectors in which Dutch entrepreneurs can take a internationally distinctive position (more information [here](#)).
- NMTP Vietnam (Nederlands Management Training Programme)
 - Study and internship program for Vietnamese managers and entrepreneurs to stimulate bilateral cooperation between Vietnam and the Netherlands and deal with cultural differences (more information [here](#)).

Further reading and research

World Bank

- Transport in East Asia and the Pacific – [website](#)
- Trade and logistics facilitation – [website](#)

ASEAN Economic Community

- www.aseansec.org

Asian Development Bank – Greater Mekong Subregion

- www.adb.org/gms

Logistics Insight Asia

- News and information about logistics in Asia www.logasiamag.com

Logistics Digest

- Logistics and supply chain information for Thai industries www.logisticsdigest.com

Information on ports in South East Asia

- www.worldportsource.com/ports/region.10.php

News and information on a variety of business-related topics in Asia

- www.business-in-asia.com

News on investments in infrastructure in Thailand

- www.2bangkok.com

Associations and ministries in Thailand

- Airport Authority of Thailand: www.airportthai.co.th
- Port Authority of Thailand: www.port.co.th
- Ministry of Transport: www.mot.go.th
- Mass Rapid Transit Authority of Thailand: www.mrta.co.th
- Office of Transport and Traffic Policy and Planning: www.otp.go.th
- The Customs Broker and Transportation Association of Thailand (CTAT): www.ctat.or.th
- Thai Federation on Logistics (TFL): www.siamzip.com/tlog/index.php
- Airline Cargo Business Association (ACBA): www.acbathai.org
- Bangkok Shipowners and Agents Association (BSAA): www.thaibsaa.com
- Thai International Freight Forwarders Association (TIFFA): www.tiffathai.org
- Thai Logistics and Production Society (TLAPS): www.tlaps.or.th
- Thai Airfreight Forwarders Association (TAFa): www.tafathai.org

A range of companies provides report and markets researches on the transport and logistics market in Thailand, Vietnam and China. A small selection:

[Business Monitor International](#) (BMI)

- *Infrastructure Report* - including projects in transportation and logistics by land, sea and air for Thailand, Vietnam, China, Cambodia (in process) - US\$975
- *Freight Transport Report* - for Thailand, Vietnam and China - US\$975
- *Shipping Report* – for Thailand, Vietnam and China - US\$975

International Business Strategies

- *Logistics industry in Thailand* – June 2009 – Market research report - US\$90
- *Cold Chain Logistics in China* – October 2009 – Market research report - US\$65

Datamonitor

- *Logistics: Industry Guide* – for Asia-Pacific, China, February 2010 - US\$995
- *Asia Pacific Logistics and Express Market Overview* – February 2010 - US\$2995

Transport Intelligence

Vietnam Logistics 2009 - US\$495

Trade fairs & activities

China Port & Shipping Conference 2010

26 – 27 May 2010

Binhai International Convention & Exhibition Center, Tianjin, China

www.neoventurecorp.com/2010/port

4th International Exhibition for Logistics, Telematics and Transport

8 – 10 June 2010

Shanghai New International Expo Centre (SNIEC), Shanghai, China

www.transportlogistic-china.com/en/Home

The Freight Summit 2010

21 - 26 September 2010

The Venetian Macao, China

www.thefreightsummit.com

Thailand International Logistics Fair 2010

7-11 October 2010

Bangkok International Trade & Exhibition Center (BITEC), Bangkok, Thailand

www.thaitradefair.com/2010/logistics

China International Logistics and Transportation Fair (CILF)

15 – 17 October 2010

Shenzhen Convention & Exhibition Center, Shenzhen, China

www.scmfair.com/en/index1.asp

SCM Logistics World 2010

19 – 22 October

Marina Bay Sands, Singapore

www.terrapinn.com/2010/scmlog



VietTransport 2010 Land Transport Infrastructure Exhibition & Conference

3 – 5 November 2010

Melia Hotel, Hanoi

www.viet-transport.com

5-day Trade Mission to Vietnam – Rotterdam Chamber of Commerce

21 – 26 March 2011

For small and medium sized producers and suppliers of systems for multimodal transport and logistics with an interest in starting business activities in Vietnam. The mission consists of plenary sessions, field and company visits and individual matchmaking.

For more information contact Nicolette den Hollander: 010 402 7787 or

nhollander@rotterdam.kvk.nl.

Author

This report has been written by Ms. Martine van Es in a temporary assignment for the Embassy of the Kingdom of the Netherlands in Bangkok. Martine has spent the past 1.5 year in Thailand. She has a Master of Science in Business Administration and a Master of Arts in International Development Studies.

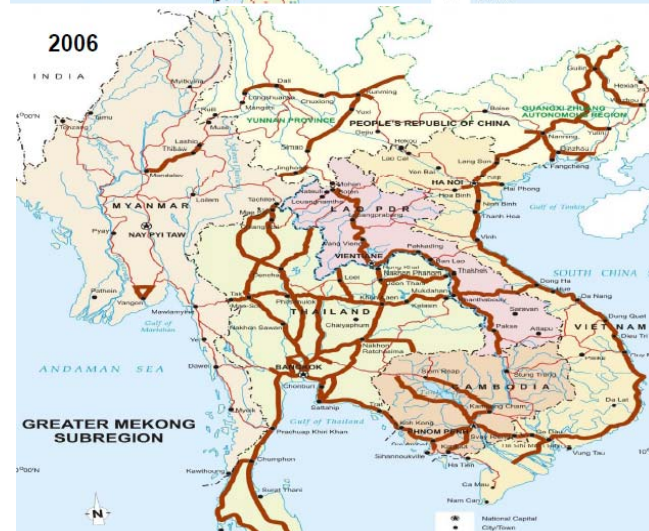
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Annex 1 - Overview of main import and export industries

Main industries (for import/export)		
	Import	Export
Thailand	Crude oil, Electrical and industrial machinery and parts, iron & steel, automotive, integrated circuits	Automotive, electronics equipment, machinery and mechanics, plastic products, petroleum products
Vietnam	Mineral fuels, lubricants, chemicals and related, basic manufactures, machinery and transport equipment, textile materials	Food and live animals (fish), minerals, lubricants, textiles and garments, footwear
Yunnan	Minerals, machinery, electrical appliances, electronics and telecommunications equipment	Tobacco, fruit & vegetables, coffee & tea, flowers, mining & hydropower, chemicals, base metals,
Laos	Machinery and equipment, vehicles, fuel	Electricity, textiles and garments, timber and wood products, coffee, tin
Cambodia	Petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products	Textiles and garments, timber, rubber, rice, fish, tobacco, footwear

Annex 2 - Development of road network in the GMS





Annex 3 - The transport and logistics sector in the Netherlands

The Netherlands is ranked 4th on the Logistics Performance Index and has thus one of the most developed transport and logistics sectors in the world. Its strategic position as a gateway to Europe and long history in international trade has helped the Netherlands to gain its current position. Road transport is by far the largest subsector in the Netherlands but stands out for above average use of inland shipping, due to the presence of rivers that reach far into Europe, and Rotterdam's port.

Strengths of the Netherlands according to NL EVD International are:

- Advanced logistical expertise
- Use of advanced ICT applications
- Innovative mentality
- Intermodal transport: issues of sustainability and road congestion encourage the Dutch transport sector to find intermodal solutions
- Well trained staff.
- A high degree of specialization, particularly in Value Added Logistics (VAL) and Value Added Services (VAS)
- Transport safety is highly developed
- Efficiency in operations and administration

Additionally Nederland Distributieland mentions:

- The important position of mainports Rotterdam and Schiphol
- Advanced infrastructure and extensive inland waterway network
- Extensive distribution facilities and distribution center services