Abstract: This paper aims to investigate the overall picture of the current situation of logistics in Thailand. The paper is divided into three main parts namely, the overall economics policy and outlook, the problems and obstacles concerning logistics in Thailand, and the strategies for Thailand’s logistics development. The findings are that the economics trend of Thailand shows optimism with the high growth in exports during the past three decades. Exports and imports are valued at about 80 percent of Thailand’s gross domestic product. The current Thai government has placed strong emphasis on strengthening the domestic economy and further integrating Thailand into the global economy. Transport infrastructure and logistics are the priority for this direction. The goal is the integrated logistics cluster with the multi-modal transport, the distribution center and the enhancement in performance trade facilities.

1. INTRODUCTION

1.1 The Overall Economics Outlook

International trade has played a significant role in Thailand’s rapid economic development in the past 3 decades. Exports and imports are now valued at about more than 80 percent of Thailand’s gross domestic product.
There are two particular policies to highlight in this paper:

1. Domestic reform and trade liberalization
2. Infrastructure and logistics development

Thailand believes that these two policies in particular would have significant positive impact on Thailand and its trading partners. Domestic reform includes trade liberalization as the Government aims to increase the efficiency of the Thai economy. The government is also taking measures to reduce any significant trade barriers.

To date, domestic reform has led to:

1. Enhancing the legal and institutional framework that will help to facilitate foreign investment: Thailand has enacted a new Foreign Business Act in 1999 (replaced the 1972 Alien business law) allowing foreign investors to have ownership of up to 75 percent or 100 percent in a wide range of business activities subject to certain specific requirements.
2. Improving trade facilitation: Thailand consider improvement in customs procedure as one of the crucial element of trade facilitation. Since 1999, the Customs Department has used the Electronic Data Interchange to reduce paper load for customs procedures and expedite customs clearance.

Therefore, the key issues for economics infrastructure direction for the years ahead can be summarized as follows:

- Transport infrastructure and logistics
  - Integrated logistics cluster: Multi-modal, Distribution center, enhance performance trade facilities
  - Logistics management: Logistics service provider (LSP), Capacity building
  - Transport management for energy saving: Road to rail
  - Mass transit network in Bangkok and vicinity area
- Energy
- Other infrastructure
- Management and administration

1.2 The Economics Policies

The economics policies of the country are composed of the dual track policies namely;

Track I: Consumption investment employment
Track II: Export of goods and services

The economics restructuring principles, thus, fall into 3 main categories as follows.

1. Sustained prosperity
2. More balanced structure
3. Better distribution

Throughout these three categories, logistics, therefore, play the dominant roles as a main mechanism in order to support the economics restructuring of the nation to the dual track policies.

2. THE PROBLEMS AND OBSTACLES CONCERNING LOGISTICS

The government is currently seeking to develop infrastructure and logistics development. Since the government would like to reduce the logistics cost, particularly the transportation costs in economic activities. At present, the logistics cost in Thailand is approximately 16 percent of GDP, whereas in developed countries, the logistics cost is around 5-10 percent of their GDP. The government believes that by achieving this reduction would greatly enhance Thailand’s competitiveness.

The figure 2 below shows the logistics costs in comparison among interesting countries and Thailand.
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The figure below shows the stage of logistics development of Thailand in comparison to other developed countries. Thailand is still in the lowest level of the development process, “the physical distribution”. The facts finding from this figure, therefore, accelerate the government to urgently develop logistics of the country.

Thailand, therefore, is now moving up towards the next step, the “internally integrated logistics” as shown in figure 4 below.
Currently, the government deems that Thai logistics system is still in an early stage of development. Most logistics in the country are concentrated on physical distribution of goods and services. However, the government needs to take a more integrative approach to logistics management. The Government, therefore, is encouraging Thai companies particularly SMEs to invest in internally integrated logistics and externally integrated logistics. At the same time, the production and supply chain to the product distribution will need to be more efficient.

What the government can have a more direct impact, however, is infrastructure development. There needs to be a networking system of different methods of transportation (road, rail, air, and sea). Furthermore, highways linking Thailand and other countries in the region will be crucial to promote intra-regional trade and investment.

At present, the major problems and obstacles for logistics development in Thailand can be summarized as follows.

- The concentrate on only physical distribution
- Lack of internally integrated and externally integrated logistics
- Lack of using IT for logistics
- Few logistics business providers
- Lack of connection between transport modes
- Lack of rules and regulations

The Thai government, therefore, is now in the era of developing the strategies for Thai Logistics network and system. Several strategies have been launched. Many agencies concerned, both from the public and private sectors, are involved as such: Ministry of the Prime Minister, Ministry of Communications, Ministry of Industry, Ministry of Commerce, the Thai Chamber of Commerce, the Federation of the Thai Industry, and many professional associations concerning transport and logistics.

3. THAILAND’S LOGISTICS STRATEGY

Factors determining logistics strategy in Thailand, according to the National Economics and Social Development Board (NESDB), are composed of many factors as shown in figures 5, 6 and 7 below.

![Figure 5. Thailand’s logistics strategy (1)]
To determine Thailand logistics strategy, the following critical issues must be answered:

- How should Thailand upgrade logistics management at the firm level?
- How can Thailand leverage existing infrastructure network and optimize supply chain management?
- How will the Thai logistics network be link to the regional network, both in terms of physical and non-physical aspects?
- How can the Thai LSPs be competitive internationally and thus create economic value for the Thai economy?
- What should be the management model for driving the Logistics development Strategies for Thailand?

Draft Thailand logistics strategies for 2006-2010 as aimed by the government are, therefore, composed of the main contents as follows.

- The objective:
  - *World class logistics management*
- The strategies:
  - *Business logistics improvement*
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- New trade lanes and logistics network optimization
- Logistics service internationalization
- Trade facilitation enhancement
- Capacity building

In order to obtain these goals, Thailand has to achieve the main 3 objectives (see figure 8):
- Cost Efficiency
- Reliability and Security
- Responsiveness

Figure 8. Thailand Logistics Goals

4. LOGISTICS MASTER PLAN 2005-2009

The main agenda of the Logistic Master Plan approved by the Cabinet in 2004 is shown in figure 9 as follow. The Plan has six components in which will be a comprehensive approach to logistics development in Thailand.
At present, the logistics master plan for 2005-2009 as set by the government can be summarized in figure 10 as followed.

Figure 10. Thailand Logistics Master plan 2005-2009

The government believes that this master plan could lead Thailand’s logistics to be the world-class hub particularly for the Indochina (see figure 11).
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The figure 12 below shows the goal at the end of the master plan in 2010 that Thai logistics costs will be reduced to 13% of the GDP. The main activities to reduce the Thai logistics costs are grouped into three main categories namely, warehouse and inventory, followed by transport and administration, respectively.

The government aims to reduce the warehouse and inventory costs together with the transport costs from 7.3% and 7.2% down to 6% each, whereas reducing the administrative costs from 1.5% to 1.0% in 2010.
The key proposed strategies, for example, are as follows.

- Outsourcing logistics activities to the LSPs
- Building partnership and alliance between Thai and foreign LSPs
- Establishing logistics Center in Customs Free Zone
- Develop e-Logistics system
- Build up inter-city and integrated the inter-city transport
- Etc.

The following figures (figures 13-18) show the government’s perceptions and outcomes through Thai logistics development strategies namely, the Supply Chain Optimization, the New Trade Lanes and Logistics Network Optimization, The Logistics Service Internationalization, the Trade Facilitation Enhancement, and the Capacity Building. The final figure (figure 18) is the ultimate outcome from the development of the Thai logistics, “The Thailand Competitiveness”.

![Figure 13. The Supply Chain Optimization](image)...
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Figure 14. New Trade lanes & Logistics Network Optimization

Figure 15. Logistics Service Internationalization

- Encouraging Strategic Alliance
- Developing Specialized LSPs and Related Logistics Business, esp. for SMEs / Agri. Produce; insurance, Multimodal Transport Operators
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Figure 16. Trade Facilitation Enhancement

Figure 17. Capacity Building
Figure 18. Thailand’s Competitiveness

NOTE

All figures sources are drawn from the Office of the National Economics and Social Development Board (NESDB), Ministry of the Prime Minister.