



Briefing Note

Parliamentary Research Training

Railway Connection for Inclusive Growth in ASEAN Countries

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Summary

The high-speed railway project, an integral part of China's One Belt One Road initiative, aims to foster regional integration and future prosperity. Embracing this concept, Laos actively participates in the initiative to address its growing socioeconomic needs. The Lao-China railway serves not only as a link between the two nations but also connects various regions worldwide as part of the Pan Asia Railway Network. Additionally, Laos plans to construct multiple railway lines, enhancing internal connectivity and facilitating trade within ASEAN.

This paper explores the benefits of railway projects for ASEAN countries and Laos, the challenges in promoting railway connections, and parliamentary strategies to harness economic benefits and uplift disadvantaged areas. It employs desk review and analysis of official sources as the main methodology.

The advantages of railway links include streamlined trade flow, with the China-Laos Railway reducing transportation costs significantly. The expansion of goods transportation in Laos is evident post-construction, with a notable increase in freight transport, especially by train. Passenger transportation has also risen steadily, contributing to regional economic integration.

Challenges in railway connection include compensation issues, low awareness of railway importance, and inadequate rail transport management. The role of parliament is crucial in ensuring efficient, safe, and sustainable rail transportation, supported by the Law on Railways adopted in 2018.

Policy options involve addressing transport connectivity gaps, promoting cross-border transit, trade facilitation reforms, improving the business environment, and focusing on job-creating sectors. Embracing environmentally-friendly tourism also holds potential for green growth.

International collaboration, particularly through initiatives like the Belt and Road Initiative, offers opportunities for Laos' development. By leveraging such initiatives, Laos can transform from a landlocked to a land-linked center, enhancing economic connectivity with neighboring countries.

1. Introduction

The high-speed railway project as a significant component of China's One Belt One Road initiative, aimed at global infrastructure development. Launched by President Xi Jinping, the initiative seeks regional integration and future prosperity, with completion targeted by 2049. The Lao PDR has actively supported this concept and engaged in related projects to foster socioeconomic growth. Notably, a bilateral agreement between Laos and China in 2015 initiated the construction of a railway connecting Kunming City, China, with Vientiane, Laos, which officially began on December 3rd, 2021[1]. This railway serves not only as a link between the two countries but also as part of the broader Kunming-Singapore railway network under the Belt and Road Initiative[2].

Additionally, Laos plans to construct several railway lines within the country, including connections with Thailand, Vietnam, and Cambodia[3]. This paper addresses key questions such as the benefits for ASEAN countries and Laos, challenges in promoting railway connections, and parliamentary strategies to address these challenges and leverage economic benefits for disadvantaged areas. Addressing these questions involves desk review and analysis of information from official sources.

2. The advantages of the railway link between the Lao PDR and ASEAN member nations

The Lao-China railway enables Laos to have a transportation route with an efficient logistical network to the sea and mountainous areas. The Lao-China railway has provided significant benefits to both governments as well as the people of Lao-China. According to a news statement issued on May 23th, 2023 by the spokesman for China's Ministry of Foreign Affairs, the Lao-China railway has transported a total of 16 million persons. In total, 2,450,000 persons have been transferred within Laos. This has also facilitated the movement of products with the railway route now transporting more than 2000 different sorts of commodities, up from more than 10 in the past. The commodities from Laos and Thailand shipped to China via the Lao-China railway total 260,000 tons in 2022. also transports goods from ASEAN nations, including Myanmar, Malaysia, and Vietnam. The amount of commodities shipped from China to other nations via the China-Laos railway is increasing day by the day. Furthermore, it has contributed to the creation of numerous employment in goods movement, trade, services, and tourism. [4]

2.1. Increasing Trade Flow

The China-Laos Railway stands as a pivotal conduit, seamlessly linking China and ASEAN member nations, offering a transformative trade experience. This heightened connectivity promises to not only slash transit durations but also streamline logistics expenses, culminating in an unparalleled journey of efficiency and cost-effectiveness[5].

Embarking on this rail journey could lead to a significant 40-50% reduction in transportation costs between Vientiane and Kunming, saving approximately \$30 per metric ton. Additionally, travelers can expect a 32% decrease in transport expenses between Thailand's Port of Laem Chabang and Kunming when using efficient trucks. For an even smoother journey, transitioning cargo to Thai meter gauge rail tracks upon arrival in Vientiane could yield savings of over 40%. Moreover,

continuing cargo seamlessly on Thailand's new standard gauge railway to Laem Chabang Port could result in savings exceeding 50%. [6].

Within the borders of Laos, the railway promises a transformative experience for domestic trade, with a projected reduction of transportation costs ranging from 20-40%, contingent upon the strategic placement of production facilities and goods. This immersive journey isn't just about reaching destinations; it's about embracing a new era of trade efficiency and fostering economic prosperity throughout the entire railway system.

2.2. Impact of Road-Railway

The construction of the Lao-China road-railway has led to a substantial increase in the movement of commodities within Lao PDR. In 2020, a total of 9,111.60 tons of freight were transported, predominantly by land, followed by sea, air, and railway [Table1]. However, by 2022, the total transport volume surged to 10,029.92 trillion tons, with a notable increase in railway transportation. This data highlights the significant impact of the Lao-China railway on facilitating freight movement in the region[7].

Table 1: Notable increase in railway transport volume contributing to overall freight transportation. 2020 - 2022

Years	Freight transport (Th.tons)				
	Total	By land	By water	By air	By railway
2020	9,111.60	6,668.00	2,441.30	2.30	3.90
2021	7,212.80	6,943.00	268.50	1.30	0.06
2022	10,029.92	7,463.00	325.80	1.42	2,239.70

Since the formal inauguration of the Lao-China railway, passenger transportation has seen a steady increase. In 2019, the total number of passengers transported reached 82,948.96 persons, primarily by land, followed by sea and air, with minimal rail usage (Table 2). In 2020 and 2021, passenger numbers remained relatively consistent due to the Covid-19 pandemic, with most passengers transported by land or sea and none by train. However, by 2022, the total number of passengers transported rose to 85,116.20 persons, with significant increases in air and rail transport alongside land and sea transportation[8].

Table 2: Increase in the Passengers, 2010 – 2022

Years	Passenger (Th.persons)				
	Total	By land	By water	By air	By railway
2019	82,948.96	78,305.00	3,847.30	792.90	3.76
2020	84,060.20	79,871.00	3,024.00	229.00	0.00
2021	84,425.50	83,217.00	979.50	229.00	0.00
2022	85,116.20	81,033.00	1,376.30	1,307.00	1,399.90

2.3. Facilitation of Connectivity Within ASEAN+3

The railway's integration into the Pan-Asian rail network facilitates stronger economic ties within ASEAN+3. The improved connectivity is likely to stimulate greater cross-border trade, investment, and collaboration, promoting regional economic integration and shared prosperity[9].

The Chinese government has a freight transportation route connecting China and ASEAN. One additional line was added, from Chongqing to Malaysia and service started on June 10th, 2023. This railway route will lower the cost of delivering commodities from China, particularly from its inner cities, to ASEAN by the railway transporting industrial commodities to Malaysia across the rail networks of Lao PDR and Thailand. China's plan involves trade and transportation channels. Chongqing serves as the focal point. It is a cooperative effort that connects more than 190 ports in over 90 nations. China's western partner provinces are Chongqing, Guangxi Zhuang Autonomous Region, Guizhou Province, Gansu Province, Qinghai Province, Xinjiang Province, Yunnan Province, and Ningxia Hui Autonomous Region. This approach aims to minimize traditional travel time by 50%. This freight service line will revitalize the railways in China, Lao PDR, and Thailand, making them more functional and efficient. Including the Thai train logistics sector which will bring extra revenue as well. Lao PDR Railway serves as a vital link between traders in China's 25 provinces and the ASEAN market[10].

3. The challenge of connecting the railways of Lao PDR with the region

Connecting the railways of Laos with the region presents several challenges. While Laos began providing rail transport services from Thanaleng-Nongkhai in 2008, its strategy of expanding cooperation with neighboring countries within the ASEAN framework and other regional organizations underscores its commitment to transportation development. However, obstacles and challenges persist:

1. Compensation and replacement for affected individuals by railway projects, such as the Laos-China and Laos-Thailand railway constructions, have been significant hurdles.
2. Awareness and understanding of the importance of railway projects among the public, organizations, and various sectors remain low, hindering progress.
3. Limited lessons and experiences in rail transport management that align with international standards pose a challenge.
4. Administration of railway reserve areas faces obstacles, including encroachment on reserved land, further complicating implementation efforts[11].

Addressing these challenges will be crucial for Laos to effectively integrate its railways with the regional transportation network and realize the benefits of enhanced connectivity.

4. Role of Parliaments

The role of the Laos parliament is pivotal in ensuring efficient, effective, modern, and environmentally friendly rail transportation that connects nationally, regionally, and internationally. The parliament's responsibilities include approving laws and the constitution, addressing the country's fundamental concerns, and overseeing government agencies to ensure compliance with laws and regulations.

In December 2018, Laos enacted the Law on Railways, effective from January 2019. This legislation not only establishes rules and oversight mechanisms for railway activities but also outlines a long-term strategy for railway system development. This strategy aligns with the country's overall policy and direction and emphasizes personnel and service development to integrate railways with other modes of transportation effectively[12].

The parliament's engagement is essential in aligning railway development with national socioeconomic goals, urban development plans, and land use plans. By fulfilling its role, the parliament can contribute to national defense, peacekeeping, and economic and social development through a well-planned and integrated railway transport system.

5. Policy Option

The parliaments may be more active in addressing transport connectivity gaps to ensure open access to railway and logistics infrastructure and efficient road connections to production and consumption centers; and to:

- Enhance transport connectivity by addressing gaps to ensure open access to railway and logistics infrastructure, while also improving road connections to production and consumption centers.
- Facilitate more efficient cross-border transit and enhance logistics and value chains to promote further development of productive sectors.
- Streamline market entry processes and remove operational barriers within the logistics sector to encourage investment and bolster economic activity.
- Prioritize trade facilitation reforms, with a focus on establishing an effective transit management regime to accelerate cross-border movement of goods.
- Improve the business environment to attract investment and create job opportunities, emphasizing the modernization of business services to boost productivity and competitiveness.
- Promote sectors where Laos has a comparative advantage, such as high-value agricultural and agro-processing products for both domestic and export markets.
- Encourage environmentally-friendly and pro-poor tourism initiatives, including nature-based tourism, to foster green growth and sustainable development[13].

6. Conclusion

The Lao-China railway project, part of China's One Belt One Road initiative, connects Kunming City, China, with Vientiane, Laos, forming a crucial link in the broader Kunming-Singapore railway network. The project has seen significant benefits, including increased trade flow, economic expansion, and job creation. However, challenges persist in linking Laos's railways with the region, such as compensation, public awareness, management practices, and administration of railway reserve areas. To overcome these, coordinated efforts from governmental and parliamentary bodies are needed to ensure seamless integration of Laos's railways with the regional transportation network. Parliaments play a pivotal role in aligning railway development with national socioeconomic objectives and overseeing legislative frameworks and policy implementation. Policy options include enhancing transport connectivity, facilitating efficient cross-border transit, improving the business environment, promoting sectors of comparative advantage, and encouraging environmentally-friendly initiatives.

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