



Laos' Emerging Role in the Durian Market: Logistics Hub Potential vs. Domestic Cultivation

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The completion of the Laos-China Railway in December 2021 marked a significant shift in Southeast Asia's trade and logistics landscape. Connecting Kunming, China, to Vientiane, Laos, the railway is a critical part of China's Belt and Road Initiative, designed to enhance regional connectivity.

Durian, known as the "king of fruits," is significant in Southeast Asian markets. According to a report from the Food and Agriculture Organization, Thailand supplies, on average, almost 90% of the world's durian exports, with Malaysia and Vietnam contributing about 3% each.¹ According to FAO's report, China currently imports almost 95% of the world's durian exports, making it the single dominant buyer in this tropical fruit industry. This trend has continued to rise in recent years, attracting many countries to join the race to export their tropical fruits to China.²

It is also worth mentioning that following the implementation of the Regional Comprehensive Economic Partnership (RCEP), mega-regional trade and economic cooperation have significantly strengthened, leading to an increased number of agricultural products from the ASEAN region

¹ FAO. "Durian Global Trade Overview 2023." Food and Agriculture Organization of the United Nations, 2023. <https://openknowledge.fao.org/server/api/core/bitstreams/84bbf2cb-d119-48c2-b4f1-f22bf802a7af/content>

² Xinhua. "Durian Sales Surge in China as Demand Soars." News.cn, 25 Apr. 2024, <https://english.news.cn/20240425/114e084cf09d491b99fee29ac3436404/c.html>. Accessed 7 Nov. 2024.

entering the Chinese market. In July 2022, China officially began allowing the import of fresh durian from Vietnam. Then, in January 2023, the General Administration of Customs of China (GACC) approved the import of fresh durians from the Philippines. Thailand, Malaysia, Vietnam, and the Philippines are the key exporters of durian to China.³ However, at the moment, China enforces strict regulations on durian imports, currently allowing only those from the aforementioned countries. Industry reports indicate that to qualify for import into China, growers, and packaging facilities must provide documented evidence of compliance with phytosanitary and quality standards, which includes records of pest control measures and product traceability.⁴ This requirement presents a significant challenge for new exporters seeking access to the Chinese market.

While major producers like Thailand, Vietnam, and Indonesia dominate the industry, Laos is beginning to emerge as a player in the durian market, albeit at a smaller scale and as a late player to join the durian race. In recent years, infrastructure developments, such as the Laos-China Railway, have positioned Laos as a potential trade hub for durian exports, particularly to China, where demand for the fruit is high and continues to grow. According to Nikkei Asia, Chinese businesspeople have been eyeing the Bolaven Plateau, the southern part of Laos, with high soil fertility, to establish the durian cultivation land, hoping to export the durians back to China via the bullet train. Prominent Chinese infrastructure company Jiarun has joined Laos's booming durian sector with ambitions to establish what may be the world's biggest durian farm

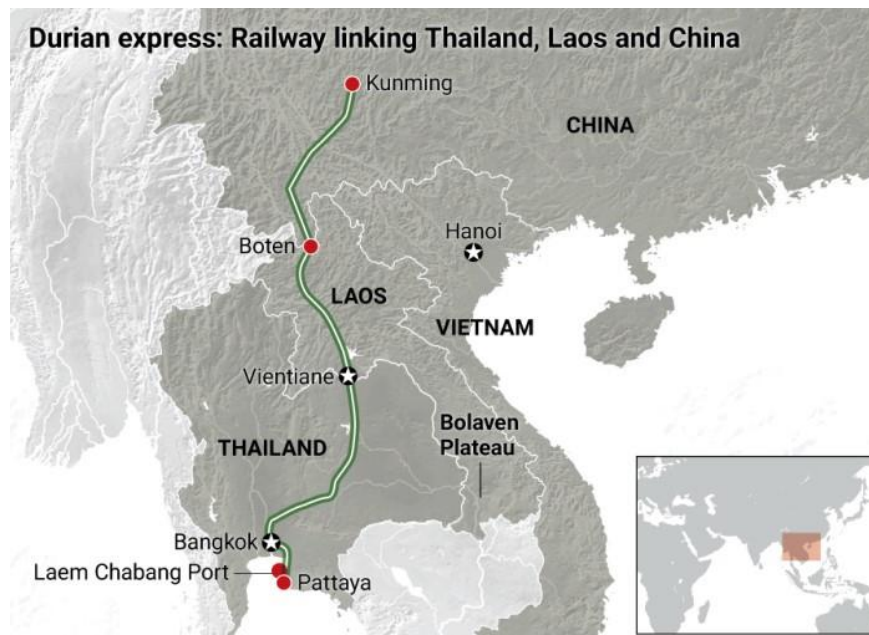
In addition, Jiarun obtained a 50-year land lease from the Laotian government in 2022, setting the stage for this ambitious undertaking in the isolated region of Attapeu in southern Laos. Over half of the project's expansive 5,000 hectares would be devoted to growing durian trees.⁵ The Laos-China railway has undeniably fueled Laos' ambitions in the durian trade, as the country finds itself increasingly well-positioned to meet China's soaring demand for the prized "king of fruits."

³ Xijia, Qi. "Thailand, Vietnam, and the Philippines Compete for Durian Share in China - Global Times." www.globaltimes.cn, 29 May 2023, www.globaltimes.cn/page/202305/1291568.shtm

⁴ GACC. 2024. "Regarding the Inspection and Quarantine Requirements for Fresh Durian from Malaysia to China-GACC-AQSIQ-CIQ-CCIC-Cifer-Singlewindow." Foodgacc.com. June 24, 2024. <https://www.foodgacc.com/china-gacc-aqsiq-registration-ciq-ccic-cifer-singlewindow-durian-from-malaysia>.

⁵ Feng, Zhaoyin, and Beiming Fu. "Laos Durian Dreams Grow as Plantations Rise to Feed China." Nikkei Asia, 18 Oct. 2024, <https://asia.nikkei.com/Spotlight/Big-in-Asia/Laos-durian-dream%20s-grow-as-plantations-rise-to-feed-China>. Accessed 7 Nov. 2024.

The railway has become a durian express railway for Thai Durians. Firstly, the railway has made it faster and cheaper for Thai durians to reach China.⁶ Thailand is one of the world's top durian exporters, with most of its produce going to China, where demand is enormous. This demand has surged in recent years, driven by a growing Chinese consumer interest in exotic and tropical fruits that cannot be grown in China due to the weather conditions. Durian farming supports thousands of Thai farmers and workers, as its labor-intensive nature, from planting and cultivating to harvesting, creates jobs not only on farms but also in processing, packaging, and logistics.⁷



To meet the rising export demand, Thailand has invested in agricultural technologies to improve yield, pest control, and durian quality, boosting the efficiency of production and maintaining competitiveness in the global market.⁸ Additionally, durian farming has significantly benefited

⁶ Xinhua News Agency. 2023. "Thai Durian Shipments to China Surge as China-Laos Railway Boosts Trade." <https://www.bangkokpost.com/business/general/2630505/thai-durian-shipments-to-china-surge-as-china-laos-railway-boosts-trade>.

⁷ Chi, Quynh. 2024. "Thai Expert Shares Insights into Cultivating and Advancing the Durian Industry." Vietnamagriculture.nongnghiep.vn. February 6, 2024. <https://vietnamagriculture.nongnghiep.vn/thai-expert-shares-insights-into-cultivating-and-advancing-the-durian-industry-d375868.html>.

⁸ Tantrakonnsab, Wannarat, and Nattapon Tantrakoonsab. Impact of China's Increasing Demand for Agro Produce on Agricultural Production in the Chapter 5 Thai Export of Durian to China. Research Report Bangkok Research Center, 2018.

rural economies, allowing many households to improve their living standards and support local economies through increased spending on goods and services. Between the period between February and November 2022, Thailand exported over 779,000 tons of durian, generating around 82.8 billion baht (approximately 2.2 billion USD) in revenue.⁹

Previously, transporting durians by road involved lengthy transits across borders with various logistical hurdles and higher costs due to fuel, labor, and time. Trains, however, have cut the journey significantly. Previously, the transportation of Thai durians to China via sea routes took between eight to ten days; however, the rail connection has cut this duration to a mere four days.¹⁰ This reduction in travel time not only enhances the freshness of the fruit upon arrival but also lowers the risk of spoilage, thereby improving the overall quality of the exported product and increasing its marketability. For Thailand, this is advantageous in terms of cost and freshness, as durians are highly perishable.

According to the Thai Ministry of Commerce, China accounted for over 60% of Thailand's fruit exports by value in 2022, driven by high demand for tropical fruits.¹¹ Traditional export routes relied heavily on road and sea transport, both of which had significant limitations in terms of speed and cost. This good and time-saving logistical route on transnational railways, such as the Laos-China line, has indicated potential trade boosts for partner nations due to reduced transit times, improved logistics, and reduced spoilage risk for other goods.

From a Laos-centered perspective, this development holds immense potential for economic growth. The high-speed railway's speed has spurred a lot of investment in Laos, especially in regions where land is now converted into durian farms. The ease of access to China's consumer base has encouraged Laos to expand its agricultural sector and consider durian as a viable export product. By establishing plantations domestically, Laos aims to diversify its economy, reduce dependency on transit revenue, and strengthen its agricultural export potential.

⁹ Bayer Crop Science. A Global Qualification with Local Benefits Case Study: The Thailand Durian Initiative. 2022. https://www.baygap.bayer.com/content/dam/bayer/baygap/pdf/case-studies/Thailand_Durian.pdf

¹⁰ Ibid. see 6.

¹¹ Yang, Wanli. "China-Thai Deal Set to Bear Fruit." Chinadailyhk, 2024, www.chinadailyhk.com/hk/article/383058. Accessed 7 Nov. 2024.

However, this rapid durian expansion brings complex challenges, particularly regarding environmental sustainability. The demand for land to grow durians has already led to deforestation and forest fragmentation, raising concerns about biodiversity loss and ecosystem disruption.¹² The environmental costs of this durian-driven agricultural expansion are substantial, and without careful land management policies, Laos risks compromising its rich natural resources for short-term economic gain.¹³

As Laos embarks on its "durian race," balancing economic opportunity and environmental protection is crucial. Sustainable farming practices and regulations on land conversion could help mitigate the environmental impact of this durian boom. The Laos-China railway has opened new doors, but for Laos to benefit fully, a strategic approach is essential, one that prioritizes sustainable development and ensures that this economic transformation supports long-term growth rather than fleeting gains.

For Laos, the benefits are both direct and indirect. Directly, Laos gains revenue through transit fees and logistic services at terminals along the railway. In 2023, the Lao section of the Laos-China Railway (LCR) facilitated the transport of over 4 million tons of cargo, marking a year-on-year increase exceeding 83%. This volume includes goods moving in both directions: (1) cargo imported from China into Laos, and (2) exported from Laos to China.¹⁴ The construction of the railway has also created jobs, especially in transport and logistics, and spurred growth in industries like warehousing, cold storage, and customs handling. This infrastructural development has helped Laos integrate better into the ASEAN supply chain, attracting interest from local and foreign investors looking to leverage Laos' strategic location.¹⁵

¹² Tan, Audrey. 2019. "The Link between Durian and Climate Change: IPCC Report Says How We Use Land Affects Planet." The Straits Times. August 8, 2019. <https://www.straitstimes.com/singapore/environment/the-durian-link-between-agriculture-and-climate-change>.

¹³ Ibid. See 5.

¹⁴ Chheng, Niem. 2024. "Laos-China Railway Revolutionises Travel and Boosts Socio-Economic Growth." The Star. July 4, 2024. <https://www.thestar.com.my/aseanplus/aseanplus-news/2024/07/04/laos-china-railway-revolutionises-travel-and-boosts-socio-economic-growth>.

¹⁵ Meung, Chansomanita, and Cheamara Lim. 2023. "From Landlocked to Land Linked: The Belt and Road Initiatives in Laos." Center for Southeast Asian Studies. https://rupp.edu.kh/iispp/cseas/cseas_analysis/documents/CSEAS_Analysis_11_From_Landlocked_to_Land_Linked_The_Belt_and_Road.pdf.

Indirectly, however, the impact of the Laos-China railway on Laos itself has mixed consequences. Increased trade traffic has prompted investments in Laotian infrastructure and transportation, and there's potential for Laos to export its agricultural products to China more efficiently. Yet, there's also a risk of Laos becoming heavily dependent on transit-related revenues rather than developing its agricultural export sector.¹⁶ Moreover, the railway was financed largely through Chinese loans, adding to Laos's high external debt. While the economic benefits are apparent, the financial obligations to China raise concerns about long-term debt sustainability and potential dependency.

In summary, while the Laos-China railway has made train transport the most reliable and cost-effective option for exporting Thai durians to China, it represents a double-edged sword for Laos. The railway brings economic and strategic gains, reshaping Laos as a regional trade hub, yet it also necessitates careful debt management and a balanced approach to economic dependence. As Laos embraces its new connectivity, a long-term strategy focused on sustainable development and economic diversification will be key to maximizing the possible risks.

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¹⁶ GIZ Laos. 2014. "Transport and Logistics in Lao PDR: Impact of the ASEAN Economic Community Final Report on Behalf of GIZ." Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) GmbH. https://www.giz.de/en/downloads/giz2014-en-Study_on_Transport_and_Logistic_in_Lao_PDR_-_Impact_of_the_AEC.pdf.

aims to be an alternative to ad-hoc research, training, and policy dialogue arrangements with limited or short-lived national and regional impacts.