

## Factors affecting trade and investment relations between Thailand and the LAO People's Democratic Republic\*

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### Abstract

**Background :** Compare to 2009, the trade value between Thailand and the Laos PDR in 2010 has been increased by 27.16 per cent. So far, Thailand has been the most important trade partner for the Laos PDR with the share of 54.5 per cent, followed by China and Vietnam. The border trade was the main channel of trade with the 95.25 per cent of total trade value between these two countries. For the Laos PDR, the share of private investment to GDP was greater than this share of public sector, 20 per cent to 9 per cent. Most of the FDI value from 2001-2009 was the projects on electricity generation, accounted for 33.97 per cent of total FDI. The project on mining and services were the second and third most of important in terms of FDI, with the share of 25.86 and 11.47 per cent.

**Objectives :** To study the cooperation framework and the trade and investment cooperation between Thailand and the LAO People's Democratic Republic. To study the trend of trade and investment pattern between Thailand and the LAO People's Democratic Republic cooperation, and to do the policy suggestion for the sustainable development in Thailand and the LAO People's Democratic Republic's cooperation.

**Result :** Currently, Thailand was facing challenging issues concerning trade and investment in Laos market which were the higher competition from other countries in Laos market, lacks of clear-cut Thai trade policies, different custom posts applying different custom procedures which were substandard internationally, and inadequate in number of custom posts and custom facilities at the posts.

**Discussion and Conclusion :** For the key positive factors affecting trade and investment relations were the rich in the Laos natural resources and the positive Laos investment promotion policies.

**Key words:** Trading and Investment

## Introduction

### 1. Statement of the Problem

Greater Mekong Sub-region is one of the important economic areas in Asia. This area has showed its potential for economic development because of its abundant natural resources. Territories of countries in the Greater Mekong Sub-region that are

connected to each other through the Mekong River, are Thailand, the Laos PDR, Cambodia, Vietnam, Myanmar, and Southern China (Yunnan province). Recently, this region has played an important role economically and culturally in the world, influenced by globalization and integration.

The development in the Greater Mekong Sub-region cannot be done by any individual country,

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so cooperation among these countries is very necessary, such as cooperation in social and economic development, and cooperation in environmental development. Currently, there are the guidelines for these kinds of cooperation such as the principle of good neighbors—involved community in the Greater Mekong Sub-region for sharing and exchanging the natural resources in the most efficient way, the principle on the unity, harmony, and prosperity in this sub-region, including efforts to reduce poverty, and the guideline on promoting sustainable development by encouraging interaction and competition between them.

## *2. Research Objectives*

The objective of this research on Greater Mekong Sub-region Trade and Investment Cooperation was to study the framework of cooperation and cooperative development in trade and investment of the Greater Mekong Sub-region, and also to study the results of the development on cooperation and trends of the development in the trade and investment under the cooperation between the countries in the Greater Mekong Region. From the result of this study, it proposed policy recommendations which led to the sustainable development of the Greater Mekong Sub-region in the future.

This article focused on the current situation of trade and investment between Thailand and Laos PDR, and on factors affecting trade and investment. The article also proposed the policy recommendation for future trade and investment development between these two countries.

## *3. Scope of the Study*

This article was aimed to investigate the economic cooperation between two countries in the Greater Mekong Sub-region which were the Laos PDR and Thailand. The study was on the cooperative development in trade and investment between them. In addition, it show the result generated from this development process and its trends in the development of the trade and investment under the cooperation between these two countries in the Greater Mekong Sub-region.

Research methods of this article were based on the survey primary data, including field survey and in-depth interviews. The secondary data was collected from literature review, government agencies database, and internet.

## *4. Theory, Hypothesis and Conceptual Framework*

World System Theory of Immanuel Wallerstein from 'The Modern World-System: Mercantilism and the Consolidation of the European World Economy' is presented through the development under the stream of global capitalism system, which demonstrates that benefits to all parties and sharing with equality do not exist. Center countries will pull the wealth from periphery or third world countries. In addition, Dependency Theory of Cadoso and Faleto presents the development of capitalism under the guidance of third world countries, and reflects on the development of underdeveloped or economic dependence of the third world countries had to rely on first world countries and the world market consisted of unequal relationship in the trade and investment. As the result of the circumstances, it will be endless dependence, and then most of benefits are belonged to the first world countries.

The article stated that comparative advantage, which was the ability in producing products at lower cost than others, could make one country had advantage in production of some products over others. This created international trade which aimed to exchanges comparative advantage products and services among countries. It can be explained how the trade between Thailand and the Laos PDR occurred with their differences of the comparative advantage in different products and services.

## **The factors affecting trade and investment relations between Thailand and the LAOS People's Democratic Republic (Laos PDR)**

Laos People's Democratic Republic (Laos PDR) has been transformed from a socialist economy to a market economy since 1986 under the policy "New Economic Mechanism: NEM" emphasized on market mechanisms, and it is still in use today.

## **The Trade Value between Thailand and the Laos PDR**

The total trade value in 2010 was 91,542 Million Baht, increased by 27.16 percent from that in 2009. The import value of Thailand from Laos PDR was 23,936 Million Baht, had been increased by 50.12 percent, and the export value of Thai

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products to Laos PDR was 67,606 Million Baht, had been increased by 20.63 percent. As a result, Thailand experienced a trade surplus with Laos PDR at 43,671 Million Baht. It had increased by 8.9 percent, compare

to that in 2009. (Information and Communication Technology Center, Office of Permanent Secretary, Ministry of Commerce, under the cooperation of the Customs Department, 2011). (see Table 1)

**Table 1** The Trade Value between Thailand and the Laos PDR in 2009 - 2010

The Trade Value between Thailand and Laos PDR		2010 (Million Baht)	% change	2009 (Million Baht)	% change
Total of Trade Value		91,542	27.16	71,989	-8.83
Import		23,936	50.12	15,944	-22.5
Export		67,606	20.63	56,045	-4.02
Trade Balance		43,671	8.9	40,101	6.03

Source: Information and Communication Technology Center, Office of Permanent Secretary, Ministry of Commerce under the cooperation of the Customs Department (2011)

Regarding to the top 5 trade partners of the Laos PDR in 2010, it was found that Thailand was the most important trade partner for the Laos PDR, accounted for 54.5 percent of the total trade value. The second most important trade partner was China with

the share of 18.5 percent, and the third was Vietnam with the share of 7.6 percent (*LAOS TRADE WITH MAIN PARTNERS (2010)* , Laos , EU BILATERAL TRADE AND TRADE WITH THE WORLD , ,2011, (See Table 2).

**Table 2** Top 5 Trade Partners in Imports-Exports of the Laos PDR, 2010

The Main Importing Countries			The Main Exporting Countries			The Main Trade Partner Countries		
Ranking	Million Euros	Proportion (Percent)	Ranking	Million Euros	Proportion (Percent)	Ranking	Million Euros	Proportion (Percent)
<b>World</b>	<b>2,638.7</b>	<b>100</b>	<b>World</b>	<b>1,571.5</b>	<b>100</b>	<b>World</b>	<b>4,210.2</b>	<b>100</b>
1 Thailand	1,774.0	67.2	1 Thailand	521.2	33.2	1 Thailand	2,295.3	54.5
2 China	393.2	14.9	2 China	384.7	24.5	2 China	778	18.5
3 Vietnam	144.6	5.5	3 Vietnam	175.8	11.2	3 Vietnam	320.4	7.6
4 The European Union 27	74.4	2.8	4 The European Union 27	154.6	9.8	4 The European Union 27	229	5.4
5 Japan	52.0	2	5 USA	42.6	2.7	5 Japan	77.7	1.8

Source: LAOS TRADE WITH MAIN PARTNERS (2010), Laos, EU BILATERAL TRADE AND TRADE WITH THE WORLD, DG TRADE, 8 Jun 2011

It can be said that the border trade between Thailand and the Laos PDR is the main channel of trade. According to the statistical data in 2010, it

showed that the border trade value was 87,190.97 million Baht with the share of 95.25 percent. (See Table 3)

**Table 3** The Border Trade Value between Thailand and the Laos PDR, 2010

	Total (Million Baht)	Border Trade (Million Baht)	Share to Total Trade (Percent)
<b>Total</b>	<b>91,542</b>	<b>87,191</b>	<b>95.25</b>
Export	67,606	64,117	94.84
Import	23,936	23,074	96.40
Trade Balance	43,671	41,044	93.98

**Source:** Information and Communication Technology Center, Office of Permanent Secretary, Ministry of Commerce under the cooperation of the Customs Department, and Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

In 2010, Thailand's total import from the Laos PDR through the border posts was 23,073.60 million Baht. That was 96.4 percent of the total import value in the same year. The main products were copper and products with the import value of 10,122.05 million Baht, or 43.8 percent of the total import value.

The industrial machinery and components came in second with the value of 1,861.88 million Baht or 8.07 percent of the total import value. The third one was lumber with the value of 1,536.50 million Baht or 6.66 percent of the total import value. (See Table 4)

**Table 4** Top Five Main Laos Products imported to Thailand in 2010

Rank	Product Items	Value (Million Baht)	Share of the Total (Percent)
1	Copper and Products	10,122.05	43.87
2	Industrial Machinery and Components	1,861.88	8.07
3	Lumber	1,536.50	6.66
4	Garments	1,293.99	5.61
5	Vegetables and Seasoning of Vegetables	1,017.93	4.41

**Source:** Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

In 2010, Thailand's total border-export to Laos was 64,117.37 million Baht, accounted for 94.84 percent of the total export value in the same year. The important export items were as diesel fuel, with the value of 9,931.44 million Baht or 15.49 percent of the total export value, and followed by cars, equipments and components with the value of

6,533.72 million Baht or 10.19 percent of the total export value, and machinery for construction and components with the value of 4,004.26 million Baht or 6.25 percent of the total export value in 2010 (Thai-Laos Border Trade Statistical Report (Monthly) (Million Baht), Department of Foreign Trade, Ministry of Commerce, 2011) (See Table 5).

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**Table 5** Top 5 Main Thai Products Exported to Laos PDR in 2010

Rank	Product Items	Value (Million Baht)	Share of the Total (Percent)
1	Diesel Fuel	9,931	15.49
2	Cars, Equipments and Components	6,534	10.19
3	Machinery for Construction and Components	4,004	6.25
4	Gasoline	3,626	5.66
5	Iron and Steel	2,695	4.20

**Source:** Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

In 2010, the statistical study of the border trade value between Thailand and Laos PDR reported NongKhai Custom Post (RC2) in NongKhai province was the most important custom post with the value of 38,039.96 million Baht or 43.63 percent of the total border trade value. The import value at this post was 2,899.62 million Baht with the share of 12.57 percent compared with the total border import value of the same year.

The top 3 main import items were metal products made of steel (489.29 million Baht in value or 16.87 percent of the total import value), wire and coaxial cable (374.42 million bath in value or 12.91 percent of the total import value), and industrial machinery and components (362.75 million Baht in value or 12.51 percent of the total border import). Compare to the export value of other posts in 2010, the export at Nongkhai Custom Post had the most value at 35,140.34 million Baht with the share of

54.81percent compared with the total border export value of the same year.

The top 3 main export items were diesel fuel that had value at 5,978.95 million Baht with 17.01 percent of the total export value at Nongkhai Custom Post in 2010. Followed by cars, equipments and components that had value at 4,879.69 million Baht with the share of 13.89 percent, and cloth and yarn that had value at 2,192.61 million Baht with the share of 6.24 percent compared with the total export value of the Custom in the same year.

In addition, Nongkhai Customs got the most trade balance from the Laos PDR at 32,240.72 million Baht with the share of 78.55 percent compared with the total trade balance value of the year 2010 (Thai-Laos Border Trade Statistical Report (Monthly), Department of Foreign Trade, Ministry of Commerce Department of Foreign Trade, 2011). (See Table 6 - 8)

**Table 6** The Border Trade between Thailand and Laos PDR at Customs (RC2) in Nong Khai Province, 2010

	Border Trade (Million Baht)	Trade at Nongkhai Custom Post (Million Baht)	Share (Percent)	% change from last year (Percent)
Total Value	87,191	38,040	43.63	14.69
Export	64,117	35,140	54.81	14.04
Import	23,074	2,900	12.57	23.25
<b>Trade Balance</b>	<b>41,044</b>	<b>32,241</b>	<b>78.55</b>	<b>13.28</b>

**Source:** Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

**Table 7** The Top 5 Laos Products imported to Thailand at Customs Post in Nong Khai Province, in 2010

Rank	Product Item	Value (Million Baht)	Share (Percent)	% change from last year
1	Metal Products made of Steel	489.29	16.87	12.9
2	Wire and Coaxial Cable	374.42	12.91	4.34
3	Industrial Machinery and Components	362.75	12.51	0.37
4	Lumber	306.99	10.59	-6.82
5	Garments	202.89	7	-3.47

**Source:** Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

**Table 8** The Top 5 Thai Products Exporting to Laos PDR at Customs, Nong Khai Province, in 2010

Rank	Product Items	Value (Million Baht)	Share (Percent)	% change from last year
1	Diesel Fuel	5,978.95	17.01	1.98
2	Cars, Equipments and Components	4,879.69	13.89	-1.5
3	Cloth and Yarn	2,192.61	6.24	-0.4
4	Gasoline	2,001.56	5.7	0.59
5	Machinery for Construction and Components	1,651.98	4.7	0.02

**Source:** Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

The Mukdahan Custom Post (RC2) in Mukdahan province was the second most important custom post. Its total trade value was 22,300.97 million Baht or 25.58 percent of the total border trade value in 2010. And in the same year, this Post had record in the highest import value at 13,024.43 million Baht with the share of 56.45 percent compared to the total border import value in 2010.

The important top 3 of import items were copper and products that had the value of 10,120.05 million Baht, accounted for 77.7 percent of the total import value of this Post in 2010. The second most important was industrial machinery and components that had the import value at 1,080.72 million Baht or the share of 8.3 percent. The garments came in third with the import value of 350.91 million Baht or 2.69

percent of the total import value of this customs in the same year.

Compare with other Customs, export value at the Mukdahan Customs in 2010 was 9,276 million Baht with the share of 14.47 percent which was not so high. The important products were machinery for construction and component (1,743.95 million Baht in value or 18.8 percent compared with the total export value of this Customs in 2010), diesel fuel and gasoline that had value at 1,131.11 million and 432.88 million Baht or 12.19 percent and 4.67 percent respectively (Thai-Laos Border Trade Statistical Report (Monthly), Department of Foreign Trade, Ministry of Commerce (2011), (See Table 9 - 11)

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**Table 9** The Border Trade Value between Thailand and Laos PDR at Custom Post in Mukdahan province (RC2), in 2010

	Border Trade (Million Baht)	Trade at Mukdahan Customs (Million Baht)	Share (Percent)	% change from last year
The Total Trade of whole Year	87,191	22,301	25.58	42.12
Export	64,117	9,277	14.47	37.27
Import	23,074	13,024	56.45	45.78
Trade Balance	41,044	- 3,748	-9.13	-72.2

Source: Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

**Table 10** The Top 5 Products of Thailand's Import Value from Laos PDR at Customs, Mukdahan Province, in 2010

Rank	Product Item	Value (Million Baht)	Share of the Total (Percent)	% change from last year
1	Copper and Products	10,120.05	77.7	-12.07
2	Industrial Machinery and Components	1,080.72	8.3	7.31
3	Garments	350.91	2.69	-0.81
4	Miscellaneous	250.6	1.92	1.71
5	Scientific, Medical Equipments, and Other Tests	187.05	1.44	-

Source: Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

**Table 11** The Top 5 Thai Products Exported to Laos PDR at Custom Post, Mukdahan Province, in 2010

Rank	Product Items	Value (Million Baht)	Share (Percent)	% change from last year
1	Machinery for Construction and Components	1,743.95	18.8	17.02
2	Diesel Fuel	1,131.11	12.19	1.92
3	Gasoline	432.88	4.67	0.8
4	Iron and Steel Products	391.6	4.22	2.04
5	Cars, Equipments and Components	385.96	4.16	0.87

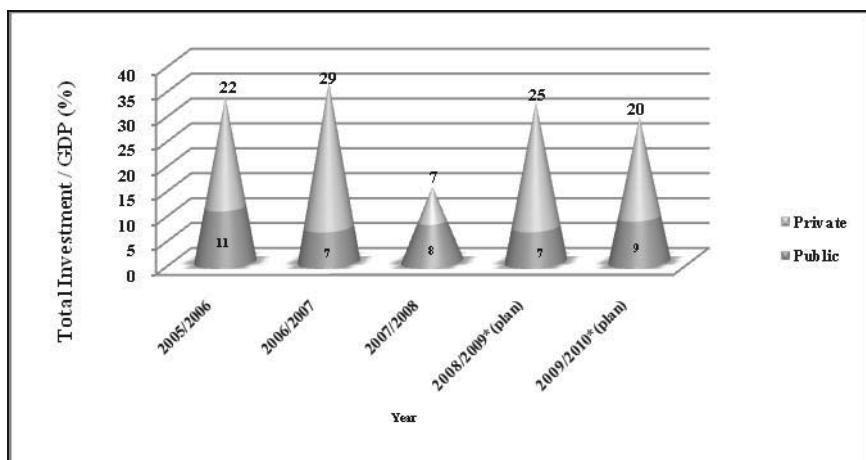
Source: Thai-Laos Border Trade Statistical Report, Department of Foreign Trade, Ministry of Commerce (2011)

Regarding to an observation of the total trade figures of the two Customs, it showed that comparing to 2009 the diversification of products was increased whereas the growth rate of some main products was decreased.

public sector. In 2009 – 2010, the value of private investment project in Laos PDR was 20 percent of GDP while that by public sector was only 9 percent (Department of East Asia, Ministry of Foreign Affairs, 2011). (See Figure 1)

### Foreign Direct Investment in Laos PDR

For the FDI in Laos PDR, the share of investment by public sector was greater than that by



Source: INVESTMENT OPPORTUNITIES IN LAO PDR (the landlinked country)  
: “Laos PDR is ready for business” as of June 10<sup>th</sup>, 2010

**Figure 1** The Investment Overview of Laos PDR since 2005 to 2010

From 2001 to 2009(at the end of December), consider by investment project type, it was found that the most important investment project was the project on electricity generation which accounted for 47 projects at the value of US\$4,153 million or 33.97 percent of total FDI.

The second most important investment projects was mining with the number of projects of 202 approved projects with US\$ 3,162 million project value, or 25.86 percent. The third was investment

project on services with 226 projects at US\$ 1,402 million project value, or 11.47 percent.

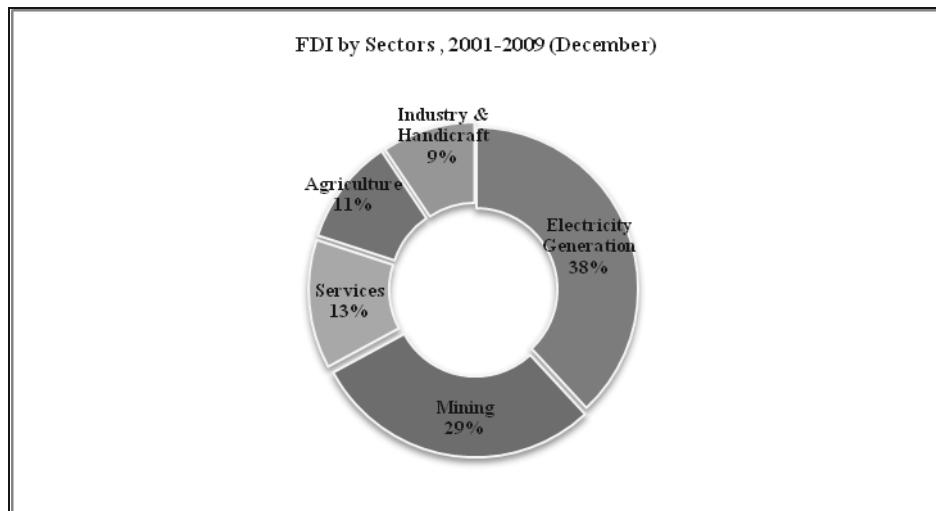
The followed investment was agriculture had 211 projects with US\$ 1,555 million by the share of 9.45 percent, and the fifth rank was industry and handicraft had 262 projects with US\$ 1,025 million by 8.39 percent of total FDI (Mr.Humpeng Sulalai,Investment Promotion Department: MPI, Laos PDR, 2011). (See Table 12 and Figure 2)

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**Table 12** Top 5 of Foreign Direct Investment (FDI) Projects by Type, from 2001 to 2009 (at the end of December).

Rank	Sector Investment	Projects	Investment Value (US\$)	Share (Percent)
1	Electricity Generation	47	4,153,051,585	33.97
2	Mining	202	3,162,124,956	25.86
3	Services	226	1,402,287,005	11.47
4	Agriculture	211	1,155,164,225	9.45
5	Manufacturing and Handicraft	262	1,025,642,679	8.39
<b>Total</b>		<b>1,387</b>	<b>12,226,000,190</b>	

**Source:** INVESTMENT OPPORTUNITIES IN LAO PDR (the landlinked country): “Laos PDR is ready for business” as of June 10<sup>th</sup>, 2010



**Source:** INVESTMENT OPPORTUNITIES IN LAO PDR (the landlinked country): “Laos PDR is ready for business” as of June 10<sup>th</sup>, 2010

**Figure 2** Foreign Direct Investment (FDI) Projects Categorized by Type, 2001 to 2009 (at the end of December)

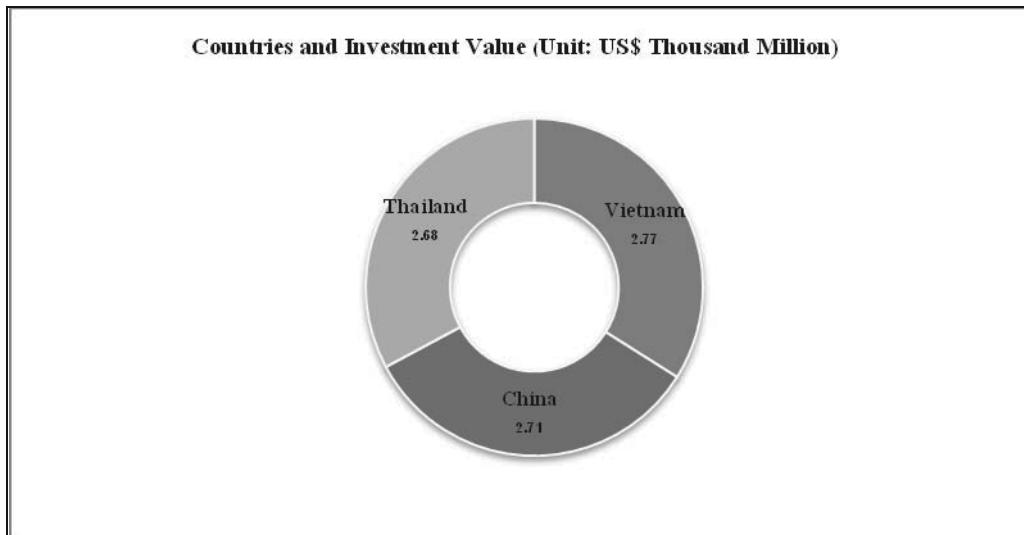
From 2001 to 2009, the most important investors in Laos PDR were investors from Vietnam (252 approved projects with the investment value of US\$ 2.77 thousand million), followed by those from China (397 projects with US\$ 2.71 thousand million investment project value), and Thai investors (276 projects with US\$ 2.68 thousand million investment value).

In addition, other countries that reported having significant value of FDI in Laos PDR were South Korea and France with US\$ 512 and 459 million respectively. The rest included Japan, India, Australia, Norway, and Malaysia. ([www.Business-in-Aisa.com](http://www.Business-in-Aisa.com), 2011). (See Table 13 and Figure 3)

**Table 13** The Top 3 Most Important Investors in Laos PDR from 2000 to 2010

Rank	Investor	No. of Projects	Investment Value (US\$ Thousand Million)
1	Vietnam	252	2.77
2	China	397	2.71
3	Thailand	276	2.68

**Source:** [www.Business-in-Aisa.com](http://www.Business-in-Aisa.com)



**Source:** [www.Business-in-Aisa.com](http://www.Business-in-Aisa.com)

**Figure 3** The Most important Foreign Investors in term of Investment Value in Laos PDR, from 2000 to 2010

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In general, the Laos authorities have allowed foreign investors to invest in any type of industries. The laws have explicitly protected the foreign investors' assets, including protect foreigners' assets from government confiscation. The laws applied National Treatment over doing business in the Laos PDR, except for some activities that may be threat to national security or may negative effects on country environment, or those activities may have negative effects on Laos public health and Laos culture (Office of Trade Policy, *Lao*, Ministry of Commerce, 2011)

However, China has been increasing its role in this country. Currently, China is becoming the most important investors in the Laos PDR, mainly on the investment in infrastructure development projects. Most of these projects were got funding by Chinese government in term of financial assistance. So far, 70 percent of China's funding was soft loan and the rest 30 percent of the fund was financial support by Chinese government to the Laos PDR. (Data from interviewing Mr Thanin Pha-em (Deputy secretary-general of the National Economic and Social Development) and Ms Piyanuch Wutson (Assistant NESD), National Economic and Social Development Board, June 13, 2011).

The Chinese government financial assistance to the Laos PDR actively has showed that Chinese government would like to increase its role in the Greater Mekong Sub-region, politically and economically. Chinese financial assistance for improving transportation routes especially North-South Economic Corridor: NSEC etc. will be the great benefits for China to increase the trade and investment relations between China and this Sub-region. According to international political aspect, it can be said that containment and balance of power have blocked influence of Japan in this region as well.

### **Issues on Trade and Investment Relations between Thailand and the Laos PDR**

It is necessary to consider negative factors that might create problems and barriers involve trade and investment. The past studies on this issue showed that tendency of trade competition between Thailand and other countries such as China, Vietnam, Singapore, Malaysia and Taiwan in Laos market has been increasing in various forms of trade strategies.

Considering price of products, it was found the products from Thailand set prices higher than those of

other competitors about one-fold due to higher cost of Thailand's product. As the result, Thailand has lost market share in Laos PDR. The increasing in product smuggling across the border of Thailand and Laos PDR, due to the lower prices than the products passed through Customs, lowered down the official record of cross-border trade. Moreover, Thai products have been imitated by other countries such as component parts of cars copied by China and Vietnam, and then they were sold at the cheaper prices than the original Thai products. In some cases, it was found that some Thai exporters destroyed this relation by exporting low quality products such as selling expired products in Laos market. This dishonest trading conduct created negative effects on reputation of Thai products in Laos market. (Manual of Trade and Investment in Laos PDR, under cooperation between the Foreign Trade Promotion Office at Vientiane, Laos PDR and School of Business, University of the Thai Chamber of Commerce, April, 2008, site by Department of Foreign Trade : DFT, Ministry of Commerce). The strict on law enforcement by Thai authorities may be one necessary condition to enhance competitiveness of Thai products in Laos market.

The other problem and barrier on the trade and investment in the Laos PDR is the Laos trade policy. Currently, the trade policies of Laos PDR focus on increased strengthening relationships with China and Vietnam. Thailand is not the country-target for the Laos trade policy. Moreover, the policies on reducing and limiting the number of import-export companies in Laos PDR to be only 150 companies today would affect the new Thai traders who wants to enter this market. In addition, the legal systems concerning international trade of Laos PDR has not met the international standards and, as well, has created uncertainty to traders. So far, the policies and regulations have kept changing frequently. The import tax rates and the processes to collect in each district have been different. These cause exporters confused and could not predict or plan in long term.

Moreover, import measures by setting condition that import companies must hold the proportion of imports to exports of 60:40 percent are hard to follow. The procedure for getting import license is very complicated. The traders must apply for licenses from several agencies such as Postal Department, Ministry of Transport, Ministry of Finance, Trade of Vientiane City, Tax Department, and Taxation Department etc. In order to get import license, the traders are required to put money deposit for

guarantee. Regarding to documents, it is complex and complicated because the import license must be applied after the products have arrived at the port only. Traders are facing the problem of product-delivery delay. In addition, the regulation on limited quota for some import products such as gasoline, all kinds of cement, rice, steel and trucks that have to be exchanged to be US dollars.(Manual of Trade and Investment in Laos PDR, under cooperation between the Foreign Trade Promotion Office at Vientiane, Laos PDR and School of Business, University of the Thai Chamber of Commerce, April, 2008).

According to the agreement on ASEAN Free Trade Area (AFTA), ASEAN member countries committed to set zero % import tax rates on some certain products, such as coffee, corn and soybeans etc. However, the Members still levy these products at the rate of 5 percent. Moreover, the Members are still practicing the quota system, in order to protect domestic producers. The quota would be applied to limit the import quantity during the period of high domestic production (Khunrasri Kaewboonpun, Economy and Commercial Counselor, Interview Data, on July 22, 2011, Embassy of the Laos PDR, Bangkok).

The lack in the number of custom posts is one of the problems of the border trade between Thailand and the Laos PDR, as well. It is found that the number of international custom posts along Thai-Laos border today is not enough as the volume of border trade has been increasing. Among these Posts, some of them are reported the lack of trade facilities and some of them are the temporary border posts. To improve the trade relations, the increase in number of 24-hour permanent posts equipped with high standard facilities is the necessary condition. Secondly, to improve the border trade, the international banking system is very important. Currently there is no financial system up to international standards. Therefore, traders need to carry cash for transactions. The payment system for this border trade would smooth the trade transaction and would be the sufficient condition for border trade development(Khunrasri Kaewboonpun, Economy and Commercial Counselor, Interview Data, on July 22, 2011, Embassy of the Laos PDR, Bangkok).

Considering the issues on investment, it is found that the basic infrastructure system cannot meet the demand in the Laos market such as tap water system and telecommunication systems unable to cover all areas. The lack of these public utilities

may cause in high investment costs. The sub-standard and inadequate transportation network and logistic system increase the delivery times and percentage of product damage. As a result, operating costs are unnecessarily high. In addition, there is a shortage of skilled labor in the Laos market. Therefore, investors have to spend time and money to train basic work skill to Laos labors as well.

The central government policies and local government policies are not complement in some districts, for example, the policy of central government to promote some industries when the policy of local government has no specified industries in the same direction, and this would affect the approval process of the trader(The Border Trade Thai and Laos PDR, Office of Trade and Investment Cooperation, Department of Foreign Trade : DFT), Ministry of Commerce, 2011).

### **Factors affecting Trade and Investment Relations between Thailand and the Laos PDR**

The trade between Thailand and the Laos PDR are resulted from comparative advantage in different products and services of both countries. It can be explained by the concept of comparative advantage said that any countries who had capacity to produce products at lower cost than any other countries do, had a comparative advantage in producing them. This global division of labor leads them the international trade which countries export their comparative-advantage products and services to each other.

The Laos PDR has advantage in abundant important natural resources such as copper mineral and timber etc. The topography of the Laos PDR that is safe from natural disasters such as Tsunamis, exhibits Laos advantage as well. The country also has positive conditions that can stimulate trade and investment relation between these two countries, such as the similar economic growth rate in 2009 (ADB, 2011), and the political and economic stability in the Laos PDR.

The other supporting factor was the Laos PDR government policy that provided an opportunity for trade and investment. So far, the government has supported and promoted projects on infrastructure development such as the project on development of economic corridor links in the Greater Mekong Sub-region especially the highway number 9 from Thai Friendship Bridge – Laos PDR (Mukdahan – Savannakhet), and projects on the development of

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the designated areas for Special Economic Zone and Trade Zone, Savan Seno Special Economic Zone project, for example. The government has supported investment projects relating to construction, machinery and equipment production, power generating, hydropower generating, and textile industry etc. (Kissana Vongsay, Business and Investment Opportunities in Lao PDR, Lao National Chamber of Commerce and Industry by [www.laocci.com](http://www.laocci.com), online database, June 11, 2011). At the same time the government promoted tourism sector and services sector. The development plan in Zone A of Savan Seno Special Economic Zone focused on services sector i.e. hotels, shops, golf courses and amusement parks etc. (Thoughts in Business and Thoughts from Thai Businessman, Manual of Trade and Investment in Laos PDR, under cooperation between the Foreign Trade Promotion Office at Vientiane, Laos PDR and School of Business, University of the Thai Chamber of Commerce, April, 2008).

### **Factors Supporting the Trade and Investment in the Laos PDR**

Since the Laos PDR is categorized as a less-developed country, the EU provided special privilege to products imported from the Laos PDR. The import tax rates for all Laos products, except firm-arm products, imported to the EU is zero tax rate. In order to apply for this privilege, the exporters must show the proof of original products, according to the rule of origin by the WTO.

To guarantee the foreign interests in the Laos PDR, the domestic laws has protected foreign assets that there is no government confiscation over any property of foreigners. The foreigners who were property-owners or investors in the Laos PDR were under this protection as long as there was no illegal activities against the domestic laws.

In addition, the Laos PDR has signed Bilateral Investment Agreement with 20 countries. As the results, the foreigner investors were able to do business in the Laos PDR. However, their businesses have to be the joint venture with Laos investors and doing business is under the each countries 'agreements'.

The abundant natural resources, the country location that can connect to several GMS Members and the improving land transportation network were the supporting factors for development the trade and investment relations between Thailand and the Laos PDR. The complete transportation network of the

country in the near future would make this country even more attractive to foreign investors in the near future (Office of Trade Policy, Ministry of Commerce, June, 2011)

### **Conclusion and Recommendations**

At the present, the government of the Laos PDR puts the priority in the development of domestic infrastructure networks, promoting the tourism industry, and giving more incentives to foreigner doing businesses in the country. It can be said that this is a great opportunity for Thai investors to invest and doing business in Laos market, especially small and medium sized business (SMEs). The article showed that business with high potential is service business, such as restaurants and beauty business etc. The nature of this business was small and medium in size that had comparative advantage and Thai investors may have potential enough to compete in the market. According to the data of FDI in the Laos PDR as the mentioned above, it was found that the investment value of service sector was in the second rank. It is also showed that the size of service business has been increasing continuously in Laos market.

The recommendations are, in order to do business or to invest successfully, Thai investors should looking for local partnership. Secondly, Thai investors must understand the business law and regulation. Third issue is that all kinds of business agreements should be made in writing, especially agreement on accountability and benefit sharing. These written documents may be useful as document in case of trade dispute.

The other important recommendation that the businessman from Thailand should be considered is before doing business in the Laos PDR, they should inform to the government office. All the business negotiations made with Lao businessman should be informed to the Thai Embassy in the Laos PDR at Savannakhet district including the Office of Commercial Diplomacy for getting the movement of information continuously. It will be benefits on before making contact, updating information to support a decision in proceeding business (Thoughts in Business and Thoughts from Thai Businessman, Manual of Trade and Investment in Laos PDR, under cooperation between the Foreign Trade Promotion Office at Vientiane, Laos PDR and School of Business, University of the Thai Chamber of Commerce, April, 2008).

For the government to government relations involving trade and investment, Thai authorities should carry this issue on the basic principle of equal treatment and mutual benefit. The program that may sensitive to this relation must be conduct carefully under the approval of both parties. The investment projects that may be harmful to the Laos culture should not be promoted. The projects under government support should be able to reduce the economic gap

or other differences of these two countries. To avoid conflict that may happen in the future, the development plan should be discussed by both sides on the principle of transparency and mutual understanding. In other words, it can be said that the relationship between Thailand and the Laos PDR especially economic facilities in the trade and investment should be in the form of partnership for the development together on the basis of trust and equality.

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## Study of the Determinants Affecting Health Status of Health Care Providers in Thailand\*

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### Abstract

**Background:** Health care providers are one of the important resources of the health service system whereas their health status might be affected by health service system and other determinants related to health. Understanding of the factors/determinants affecting their health status is an important aspect to improve the health service system and the health status of the Thai population. The samples were selected from three hospitals using multi-stage random sampling. The questionnaires included a socio-demographic data form, assessment of internal and external determinants, and a health status assessment during last 4 weeks. Data were collected over a one-month period. Analyses included descriptive statistics, Pearson product moment correlation, and stepwise multiple regression.

**Objective:** The purposes of this research were to study: 1) the external and internal determinants affecting health status of health care providers in Thailand, 2) the relationship between the external and internal determinants and their health status, and 3) the factors that best predict the health status of Thai health care providers.

**Result:** The major findings were the following: 1) trade and investment, and the living and working environment were significantly correlated with the health status of health care providers with correlation coefficients equal to .292 and .303, respectively, and 2) an effective determinant for predicting health status of the health care providers was the living and working environment with prediction power equal to 11.0% ( $R^2$  change = 0.110,  $\beta$  = 0.332), and statistical significance ( $F$  = 7.166,  $p$  = .010).

**Discussion and Conclusion:** The results of this study revealed that the external determinant, the living and working environment most greatly affects health status of health care providers in Thailand. This finding may indicate the need to review and expand the policy planning and strategies for improvement of living and working environment, including safety procedures in the Thai workplaces as well as requiring appropriate personal protective equipments. A further comparative study is recommended to determine whether the living and working environment or other effective determinants could affect the health status of health care providers in the Greater Mekong Sub-region countries.

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**Keywords:** Determinants affecting health status, Health care provider, Thailand

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