Table 5.5 Johansen and Juselius Cointegration Test for Cambodia

A. Cointegration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
10 observations from 1993 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$ Trend
List of eigenvalues in descending order:
.95795 .80691 .43331

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	31.6901	24.3500	22.2600
r<= 1	r = 2	16.4460	18.3300	16.2800
r<= 2	r = 3	5.6795	11.5400	9.7500

B. Cointegration LR Test Based on Trace of the Stochastic Matrix
10 observations from 1993 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$ Trend
List of eigenvalues in descending order:
.95795 .80691 .43331

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	53.8155	39.3300	36.2800
r<= 1	r>= 2	22.1254	23.8300	21.2300
r<= 2	r = 3	5.6795	11.5400	9.7500

C. Estimated cointegrating vectors and normalized coefficients are in parentheses

Vector	Xt	P_t	$GDPX_t$
1	1.7310	-1.9463	-.68569
	(-1.000)	(1.1244)	(.96720)

Notes: r denotes the number of cointegrating vectors.

Table 5.6 Johansen and Juselius Cointegration Test for Lao PDR

A. Cointegration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
12 observations from 1991 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$
List of eigenvalues in descending order:
.96570 .76604 .47570 .0000

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	40.4709	25.4200	23.1000
r<= 1	r = 2	17.4312	19.2200	17.1800
r<= 2	r = 3	7.7482	12.3900	10.5500

B. Cointegration LR Test Based on Trace of the Stochastic Matrix
12 observations from 1991 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$
List of eigenvalues in descending order:
.96570 .76604 .47570 .0000

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	65.6503	42.3400	39.3400
r<= 1	r>= 2	25.1794	25.7700	23.0800
r<= 2	r = 3	7.7482	12.3900	10.5500

C. Estimated cointegrating vectors and normalized coefficients are in parentheses

Vector	Xt	P_t	$GDPX_t$	Trend
1	-.58837	-2.1800	.3.1834	-.10738
	(-1.000)	(-3.7052)	(.54105)	(-.18251)

Notes: r denotes the number of cointegrating vectors.

Table 5.7 Johansen and Juselius Cointegration Test for Myanmar

A. Cointegration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
10 observations from 1992 to 2001. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$
List of eigenvalues in descending order:
.84228 .62819 .14248

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	18.4692	17.6800	15.5700
r<= 1	r = 2	9.8937	11.0300	9.2800
r<= 2	r = 3	1.5371	4.1600	3.0400

B. Cointegration LR Test Based on Trace of the Stochastic Matrix

10 observations from 1992 to 2001. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$
List of eigenvalues in descending order:
.84228 .62819 .14248

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	29.9000	24.0500	21.4600
r<= 1	r>= 2	11.4308	12.3600	10.2500
r<= 2	r = 3	1.5371	4.1600	3.0400

C. Estimated cointegrating vectors and normalized coefficients are in parentheses

Vector	Xt	P_t	$GDPX_t$
1	-.024674	.53609	2.1860
	(-1.000)	(21.7270)	(88.5970)

Notes: r denotes the number of cointegrating vectors

Table 5.8 Johansen and Juselius Cointegration Test for Thailand

A. Cointegration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
11 observations from 1992 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$ Intercept
List of eigenvalues in descending order:
.93097 .90709 .45997 .0000

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	29.4052	22.0400	19.8600
r<= 1	r = 2	26.1368	15.8700	13.8100
r<= 2	r = 3	6.7775	9.1600	7.5300

B. Cointegration LR Test Based on Trace of the Stochastic Matrix

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	62.3195	34.8700	31.9300
r<= 1	r>= 2	32.9143	20.1800	17.8800
r<= 2	r = 3	6.7775	9.1600	7.5300

C. Estimated cointegrating vectors and normalized coefficients are in parentheses

Vector	Xt	P_t	$GDPX_t$	INPT
1	-.061469	1.7107	-1.0230	6.4600
	(-1.0000)	(27.8308)	(-16.6429)	(105.0943)

Notes: r denotes the number of cointegrating vectors

Table 5.9 Johansen and Juselius Cointegration Test for Viet Nam

A. Cointegration LR Test Based on Maximal Eigenvalue of the Stochastic Matrix
12 observations from 1991 to 2002. Order of VAR = 1.
List of variables included in the cointegrating vector:
Xt P_t $GDPX_t$ Intercept
List of eigenvalues in descending order:
.99268 .68535 .26914 0.00

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	59.0025	25.4200	23.1000
r<= 1	r = 2	13.8755	19.2200	17.1800
r<= 2	r = 3	3.7624	12.3900	10.5500

B. Cointegration LR Test Based on Trace of the Stochastic Matrix

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r>= 1	76.6404	42.3400	39.3400
r<= 1	r>= 2	17.6379	25.7700	23.0800
r<= 2	r = 3	3.7624	12.3900	10.5500

C. Estimated cointegrating vectors and normalized coefficients are in parentheses

Vector	Xt	P_t	$GDPX_t$	Trend
1	-.44425	-1.3179	-1.0350	.17843
	(-1.0000)	(-2.9666)	(-2.3297)	(.40163)

Notes: r denotes the number of cointegrating vectors

5.3 Estimation Result

The export demand equation has been estimated for five GMS countries except Yunnan Province of China using OLS. The short-run effect of price and foreign income are captured by β_3 and β_4 in Equation 5.1. According to the coefficient estimates, the income effect is positive in all the specifications, implying that an increase in major trading partners' income boosts demand for GMS exports. The results in Table 5.1 exhibit the presence of non-stationarity in the data. For most countries, the unit root hypothesis cannot be rejected for all three variables in the export demand equation, and for all countries the unit-root hypothesis can be rejected for only one of the three variables.

The long-run price elasticities of Cambodia, Laos, Myanmar, Thailand and Viet Nam are found to be -.311, -2.38, -.51, -.43 and -.91 respectively. Moreover, long-run income elasticities indicate 0.49 for Cambodia followed by Laos (0.61), Myanmar (0.77), Thailand (0.43) and Viet Nam (0.75). Thus, exports do react to both the trade partners' income and to relative prices. Thailand indicates the lowest price and income elasticities for its exports, while Viet Nam has both the highest income and price elasticities. The price and income elasticity estimates in all equations have good statistical properties.

In sum, the selected variables in our model explain the GMS countries' exports quite well. Most of the significant variables have the expected signs. The R^2 statistics, which measure the goodness-of-fit, of the GMS countries export demand equations are in the range of 0.38 to 0.65. However, the effects of these economic factors on the volume of exports vary across countries.

It is assumed that the dominant relative price competition occurs among exporters.

As shown in Tables 5.9 through 5.12, the price elasticities of GMS exports have the negative signs but their value is less than one. This result matches with differences in trade patterns between both regions of integration. Muscatellli, Srinivasan and Vines (1992) highlight that income elasticity of export demand of most fast-growing economies is high whether it is in the developed or developing world.

Table 5.10 Export Demand Equation: Cambodia
Dependent variable is X_t : 1990-2002

Regressor	Coefficients	t-Ratio
β_0	3.0426	1.5961
P_{t-1}	-0.31128	-7.7228
W_{t-2}	0.4857	3.2938

R^2 = 0.6643; F-statistic F(3, 6) = 5.9356
LM test for serial correlation: CHI-SQ(2) = 2.3911
RESET test for functional form : CHI-SQ(1) = 0.2255
Heteroscedasticity: CHI-SQ(1) = 0.8598
DW-statistics = 1.6312

Figure 5.1 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Cambodia

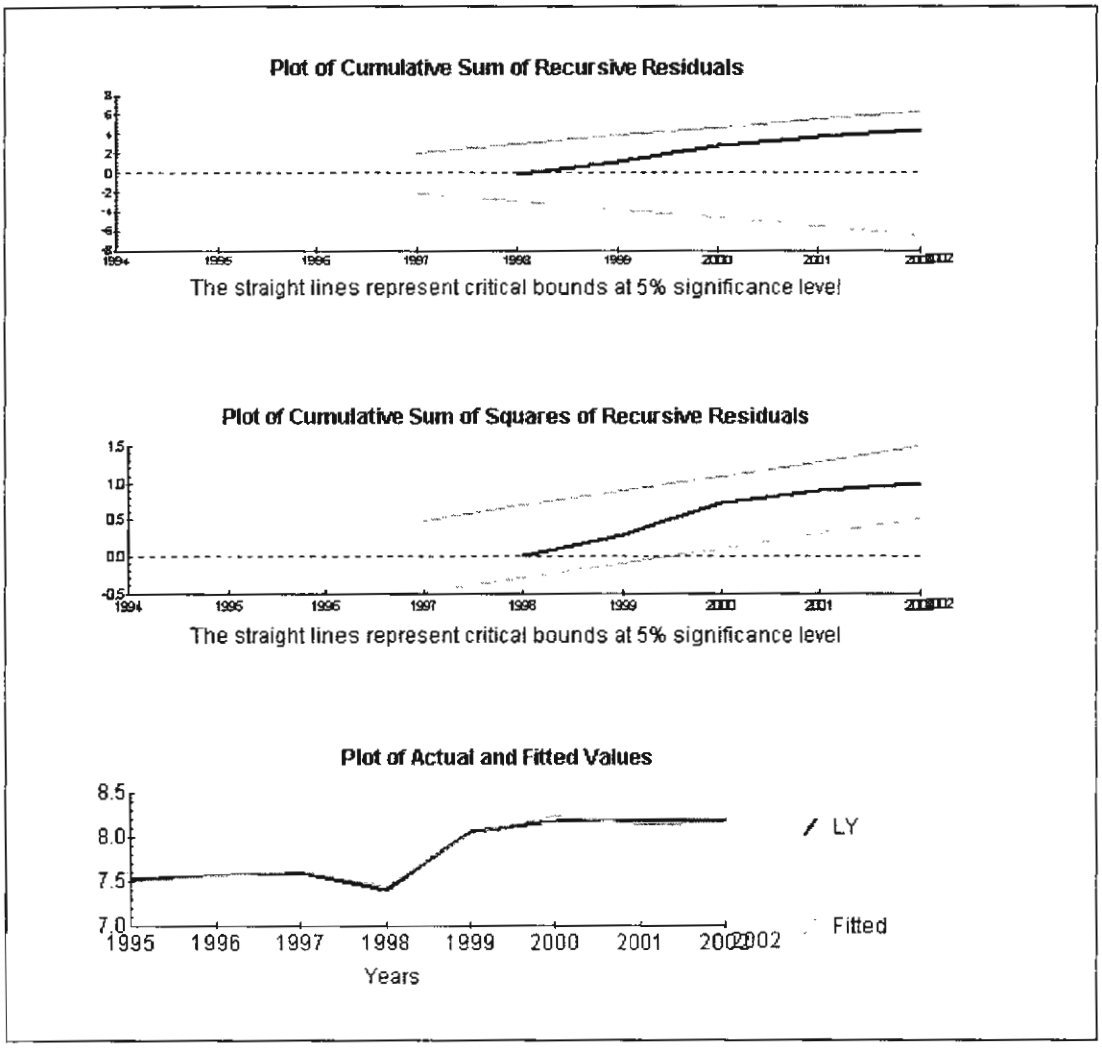


Table 5.11 Export Demand Equation: Lao PDR
Dependent variable is X_t : 1990-2002

Regressor	Coefficients	t-Ratio
βo	18.6473	4.3356
X_{t-1}	0.4042	2.5733
P_t	-2.3848	-3.8717
P_{t-1}	-2.5525	-2.7158
W_{t-1}	0.6053	2.9577
R^2 = 0.9739;	F-statistic F(3, 4)	= 46.73
LM test for serial correlation:	CHI-SQ(2)	= 5.4629
RESET test for functional form :	CHI-SQ(1)	= 2.2340
Heteroscedasticity: CHI-SQ(1)		= 2.2094
DW-statistics		= 2.3640

Figure 5.2 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Lao PDR

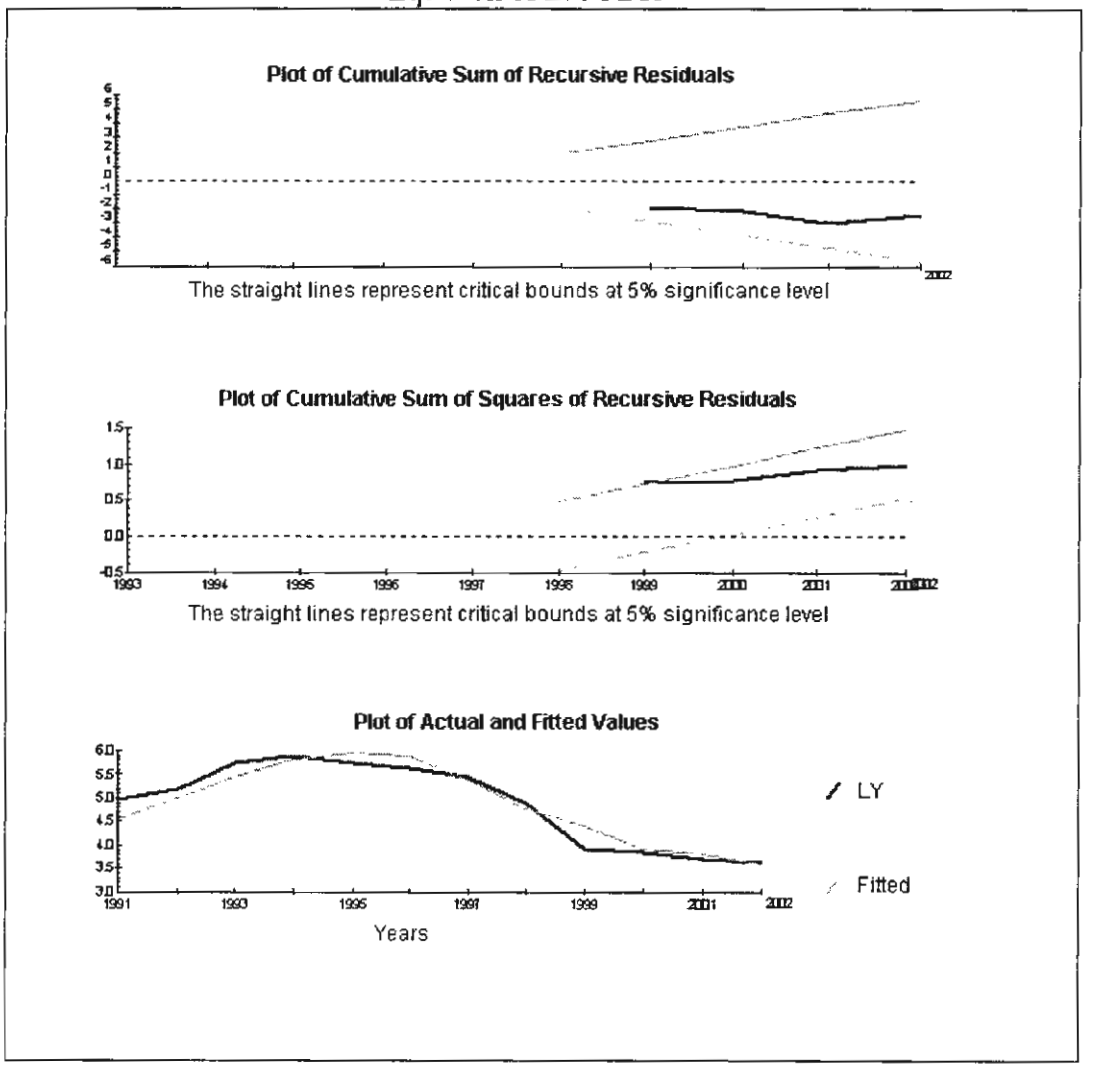


Table 5.12 Export Demand Equation: Myanmar
Dependent variable is X_t : 1990-2001

Regressor	Coefficients	t-Ratio
βo	-2.2668	-1.5129
X_{t-2}	0.2419	2.9465
P_{t-2}	-.7448	-3.6593
W_{t-1}	0.7983	6.1180

R^2 = 0.9752;	F-statistic F(4, 3)	= 91.5451
LM test for serial correlation:	CHI-SQ(1)	= 0.0107
RESET test for functional form :	CHI-SQ(1)	= 8.4031
Heteroscedasticity: CHI-SQ(1)		= 1.8824
DW-statistics		= 1.8012

Figure 5.3 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Myanmar

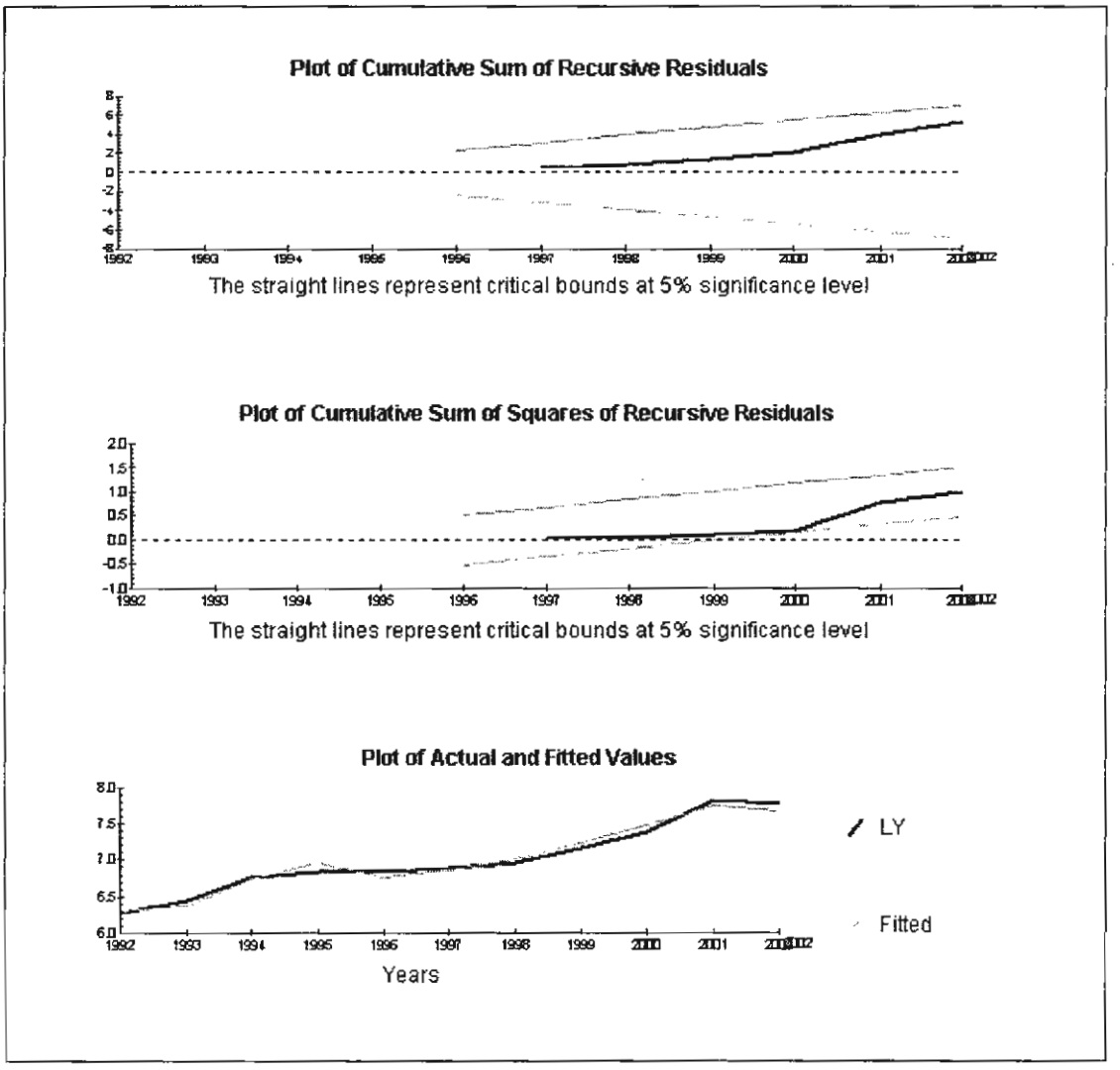


Table 5.13 Export Demand Equation: Thailand
Dependent variable is X_t : 1990-2002

Regressor	Coefficients	t-Ratio
βo	-3.9682	-1.0656
X_{t-1}	0.9949	5.9586
P_{t-1}	-0.4289	-1.5595
W_{t-1}	0.4252	1.64789

R^2 = 0.9461; F-statistic F(3, 4) = 40.9533
LM test for serial correlation: CHI-SQ(1) = 1.8751
RESET test for functional form : CHI-SQ(1) = 2.0931
Heteroscedasticity: CHI-SQ(1) = 3.5520
DW-statistics = 2.2835

Figure 5.4 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Thailand

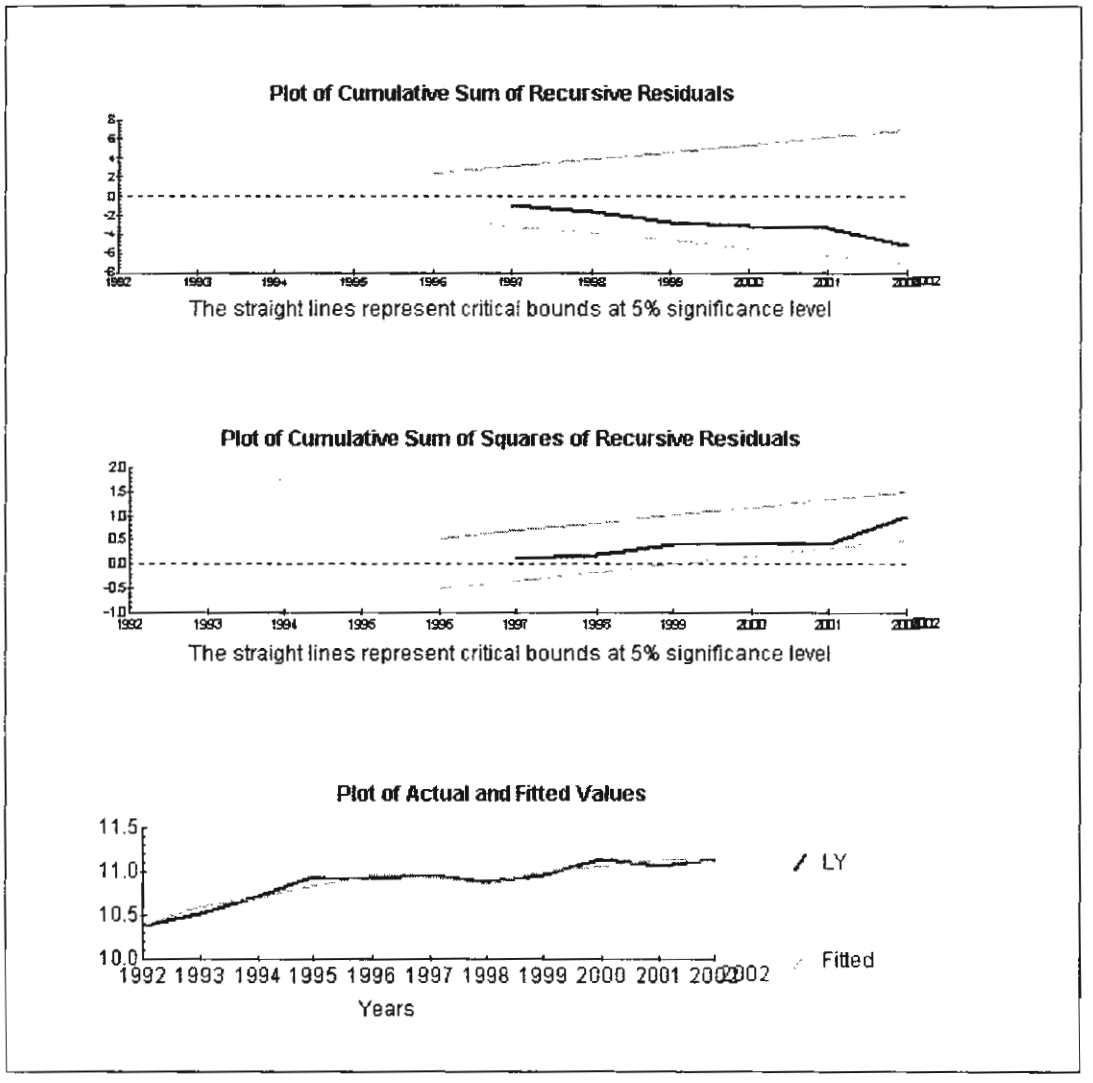


Table 5.14 Export Demand Equation: Viet Nam
Dependent variable is X_t : 1990-2002

Regressor	Coefficients	t-Ratio
β_0	-6.0467	-2.0072
X_{t-1}	1.0069	12.8939
P_t	-0.9109	-1.8945
$GDPX_t$	0.7504	2.7987

R^2 = 0.9897; F-statistic F(3, 8) = 342.30
LM test for serial correlation: CHI-SQ(1) = 1.4058
RESET test for functional form : CHI-SQ(1) = 4.7294
Heteroscedasticity: CHI-SQ(1) = 0.6374
DW-statistics = 2.1115

Figure 5.5 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Viet Nam

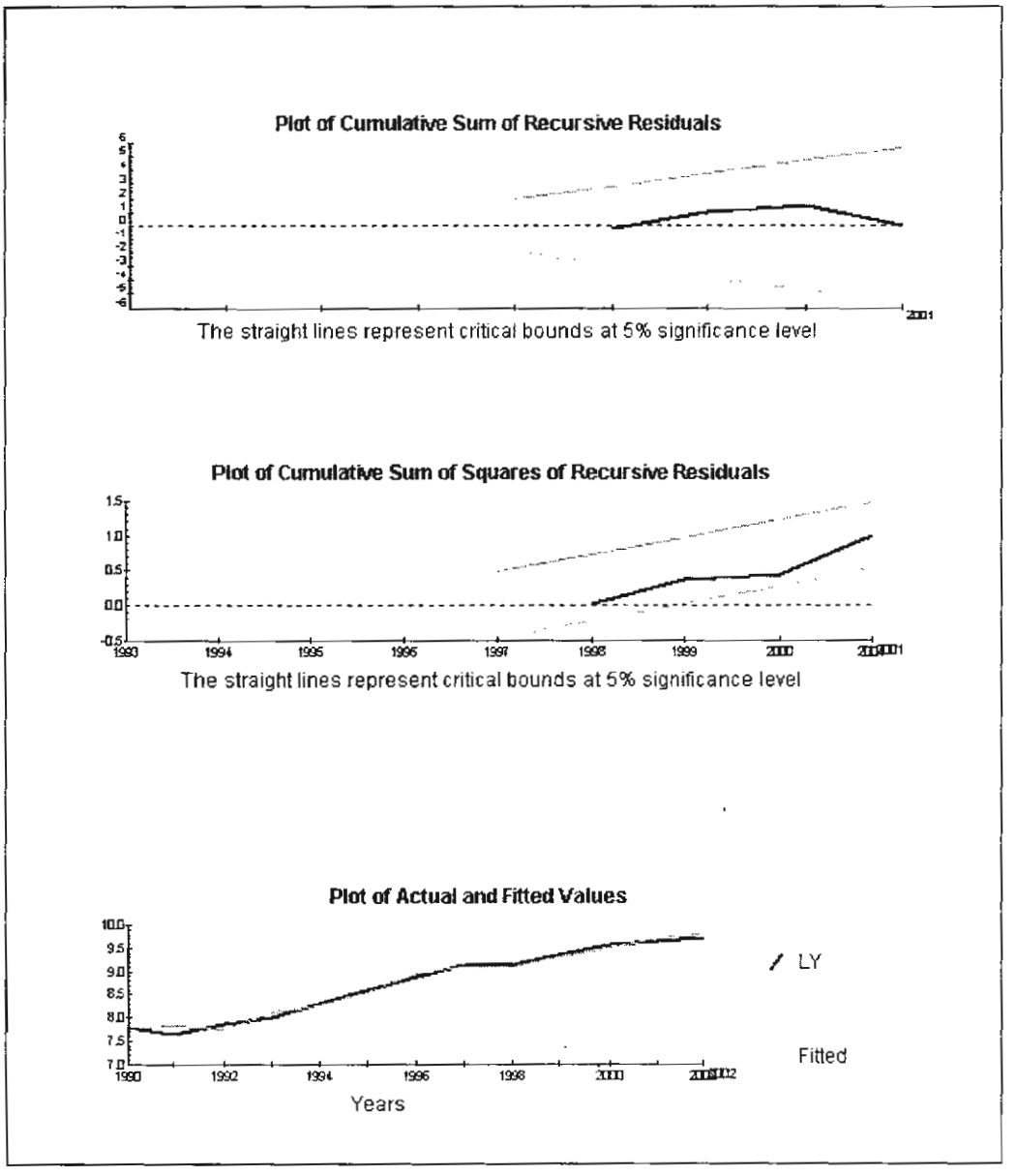


Table 5.9 states that the price elasticities vary from –0.43 (Thailand) to –0.91 (Viet Nam). The long-run price elasticties vary from –0.02 (Cambodia) to–4.72 (Thailand). Exports are much more responsive to relative prices in the long run than in the short run. The short-run income elasticities vary from 0.02 (Laos) to 1.15 (Viet Nam).

5.4 The Error Correction Model of the Export Price

The different statistics indicate that the constructed model obtained form this resrach can provide a valid explanation of the short-run dynamics of GMS exports. The obvious issue is which one of the cointegrating vectors gives the relevant information.We use the significance the error correction term in the subsequent error correction estimation to select the relevant cointegrating vector. It turns out that only the Thailand's export equation has two significant error correction terms. For this case, the price variable has the correct sign in the first cointegrating vector and the income variable has the correct sign in the second vector. The error correction term EC_{t-1} is expected to be negative.

$$\Delta X_t = \phi_{1t} + \sum_{i=0}^{k} \phi_{2i} \Delta X_{t-i} + \sum_{i=0}^{k} \phi_{3i} \Delta P_{t-i} + \sum_{i=0}^{k} \phi_{4i} \Delta GDPX_{t-i} + \sum_{i=0}^{k} \phi_{5i} RES_{t-i} + u_t \qquad \text{....(5.3)}$$

Thus, the income elasticity estimates are in the ranges of 2.2 to 2.7 for Cambodia and 0.0 to 3.4 for Laos. The error correction term RES_{t-1} has the expected negative sign in each of the cointegrated cases. The Q-statistics indicate that the estimated residuals in all the specifications in Table 5.15 are free of serial correlation . These specifications have a

good explanatory power. The adjusted R^2 statistic is in the range of 0.37 to 0.55. For each export type, the aggregate export equation earners the highest R^2 statistics. Overall, the error correction model.

Table 5.15 The Error Correction Model of the Export Price: Cambodia
Dependent variable is ΔX_t : 1990-2002

Regressor	Coefficients	t-Ratio
ΔP_{t-1}	-.64639	-2.5945
$\Delta GDPX_t$	.31773	1.9864
RES_{t-1}	-.69303	-1.3219

R^2 = .59233; F-statistic F(7, 84) = 5.8119
LM test for serial correlation: CHI-SQ(12) = 2.3319
RESET test for functional form : CHI-SQ(1) = .34141
Heteroscedasticity*CHI-SQ(1) = 1.6102

Figure 5.6 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Cambodia

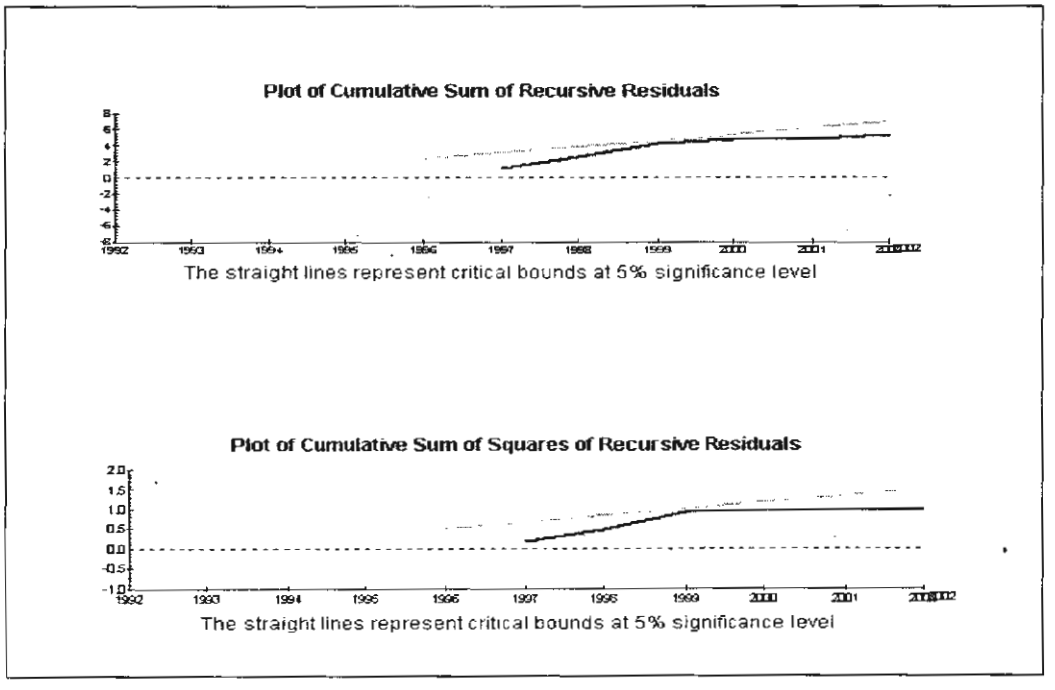


Table 5.16 The Error Correction Model of the Export Price: Laos
Dependent variable is ΔX_t : 1990-2002

Regressor	Coefficients	T-Ratio
ΔP_{t-2}	-.66164	-3.5928
$\Delta GDPX_{t-1}$	.56923	3.3677
RES_{t-1}	-1.1379	-2.6045

R^2 = .86359; F-statistic F(7, 84) = 10.5510
LM test for serial correlation: CHI-SQ(12) = 1.5523
RESET test for functional form : CHI-SQ(1) = 3.6256
Heteroscedasticity*CHI-SQ(1) = .0014549

Figure 5.7 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Laos

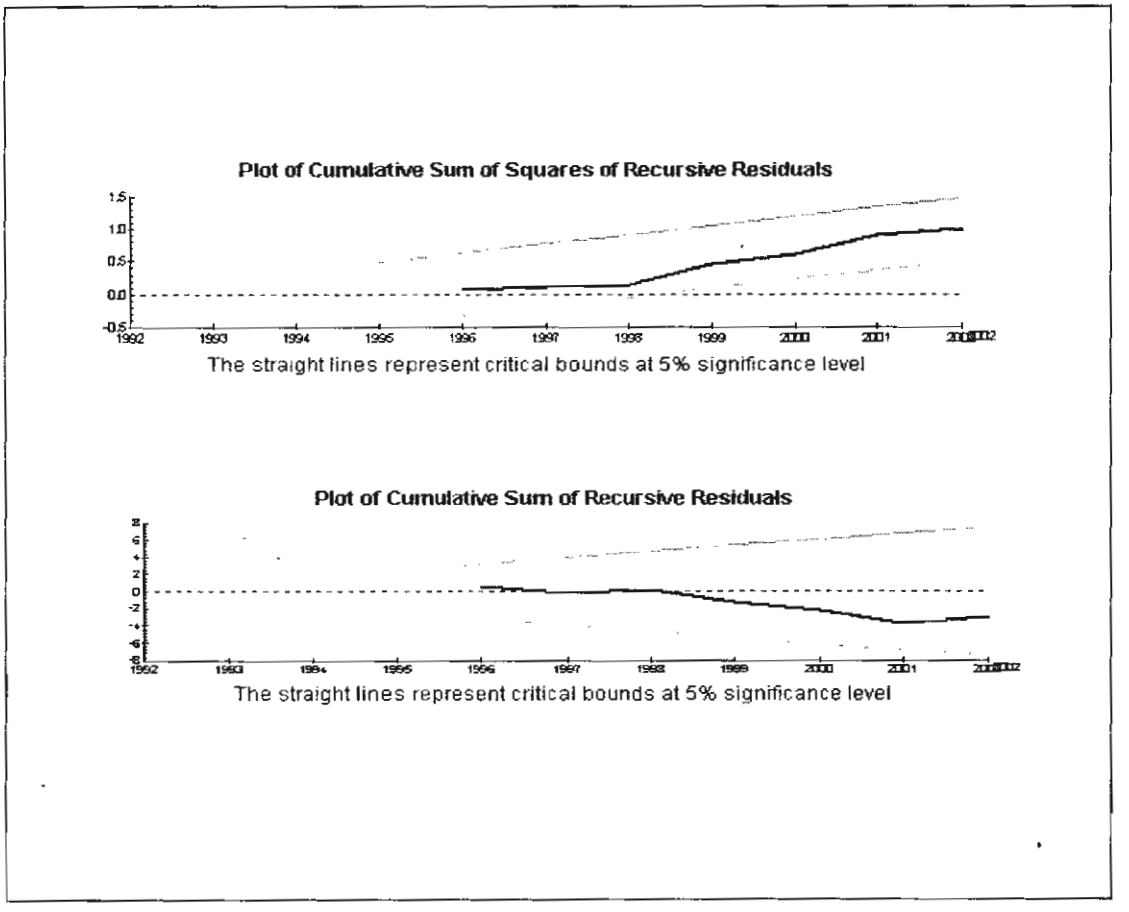


Table 5.17 The Error Correction Model of the Export Price: Myanmar
Dependent variable is ΔX_t : 1990-2001

Regressor	Coefficients	T-Ratio
ΔX_{t-1}	1.8327	5.4913
ΔP_{t-2}	-.3387	-1.8369
$\Delta GDPX_{t-3}$	.3212	2.1646
RES_{t-1}	-.4145	-1.8392

R^2 = .872; F-statistic F(7, 84) = 6.8113
LM test for serial correlation: CHI-SQ(12) = 4.6001
RESET test for functional form : CHI-SQ(1) = NA
Heteroscedasticity*CHI-SQ(1) = .161

Figure 5.8 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Myanmar

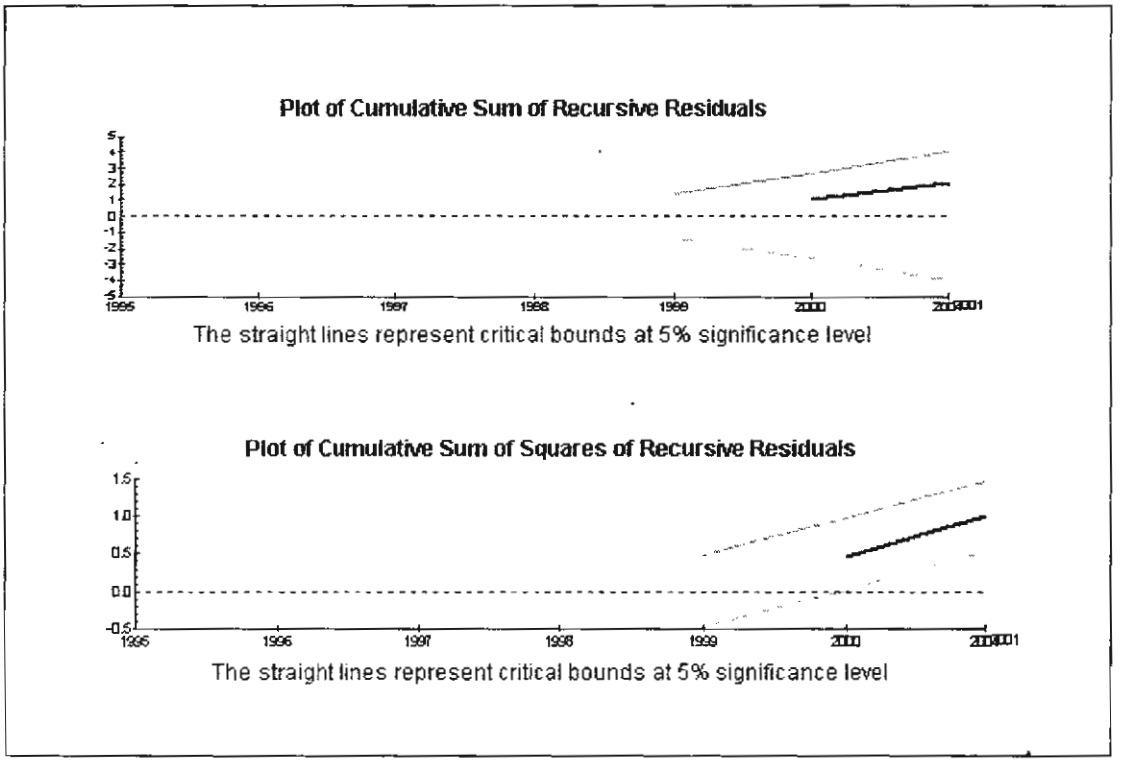


Table 5.18 The Error Correction Model of the Export Price: Thailand
Dependent variable is ΔX_t : 1990-2002

Regressor	Coefficients	T-Ratio
ΔP_{t-3}	-1.5227	-3.4253
$\Delta GDPX_t$	1.2441	3.5106
RES_{t-1}	-.54776	-2.8979
RES_{t-3}	1.0585	3.8494

R^2 = .8115; F-statistic F(7, 84) = 5.7391
LM test for serial correlation: CHI-SQ(12) = .2885
RESET test for functional form : CHI-SQ(1) = 0.4958
Heteroscedasticity*CHI-SQ(1) = .0622

Figure 5.9 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Thailand

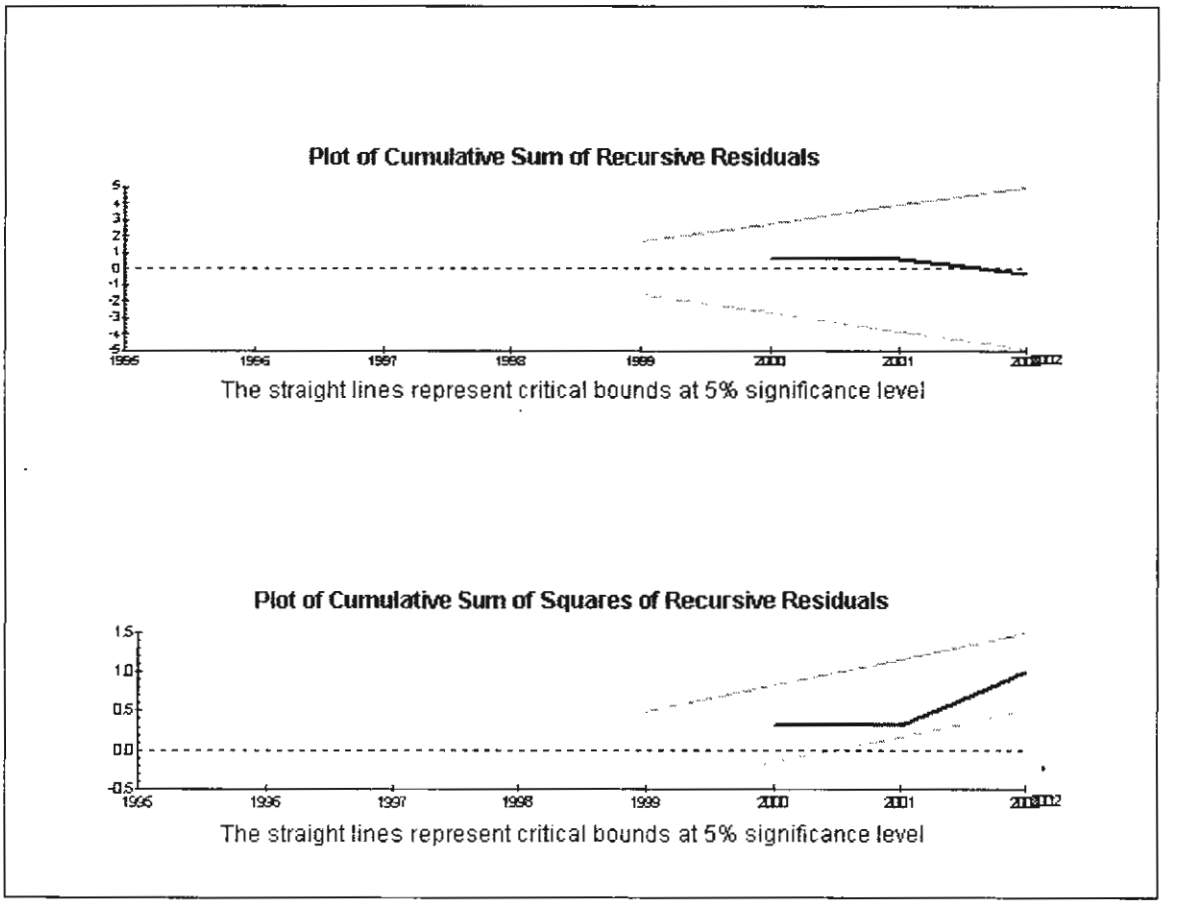
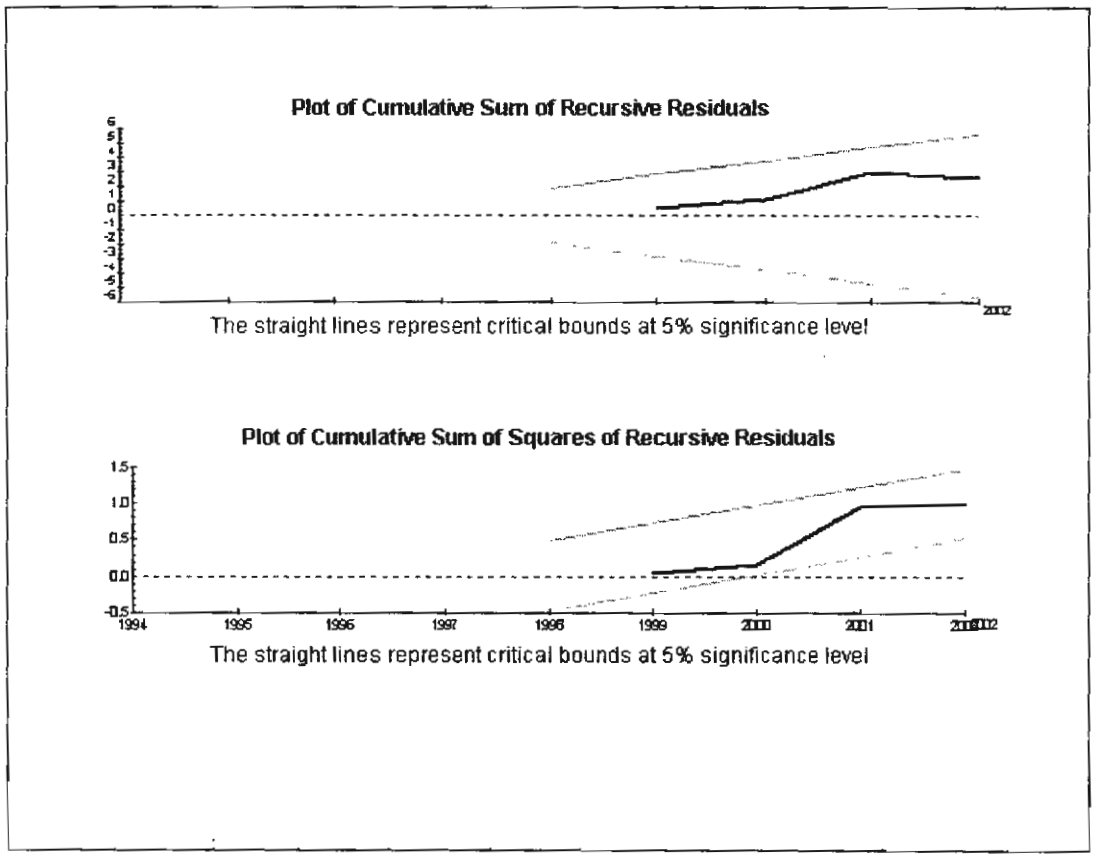


Table 5.19 The Error Correction Model of the Export Price: Viet Nam
Dependent variable is ΔX_t : 1990-2002

Regressor	Coefficients	T-Ratio
ΔX_{t-3}	1.3079	4.3507
ΔP_{t-1}	-2.3634	-1.5481
$\Delta GDPX_t$	.56310	1.7414
RES_{t-1}	-.41088	-2.5352

R^2 = .4268; F-statistic F(7, 84) = 1.2408
LM test for serial correlation: CHI-SQ(12) = .0361
RESET test for functional form : CHI-SQ(1) = 2.5995
Heteroscedasticity*CHI-SQ(1) = 1.0376

Figure 5.10 Cumulative Sum and Cumulative Sum of Squares Tests for Export Demand Equation of Viet Nam



The results obtained from ECM provide evidence of equilibrium in the short run, in terms of the export demand function of GMS countries. The error correction model appears to predict the adjustment of variables to long-run equilibrium reasonably well. The coefficient of the error correction term is expected to be negative. The closer to unity this coefficient is, the greater the adjustment speed in the existing disequilibrium between each country's exports and the rest of variables in the CM will be. Thus the long-run equilibrium is achieved through the short run adjustments. Table 5.15 shows that the error correction term, RES_{-1} in Equations (5.3) has the expected sign and its magnitude is really significant in both cases (-0.85 and -0.63, respectively). Prices have the expected

negative sign whereas income has a positive effect. All the variables included in the error correction model were individually significant and had the expected sign.

5.5 Concluding Remarks

Income and price elasticities of the export demand function for GMS countries are estimated in a consistent manner by tackling the nonstationarity in the data into account. It is found that GMS countries' export performance varies across countries. In general, their exports are positively influenced by major trading partners' income, and are adversely affected by the real exchange rate. The lagged export variable, foreign income, and real exchange rate provide most of the explanatory power. The other lagged variables contribute only marginally in explaining the variability of these countries exports.

The long-run price and income elasticities generally have the expected sign and, in most cases, are statistically significant. The price elasticity is close to zero in the short run but states -1.5 to -3.4 in the long run. Almost all countries in the sample have point estimates of long – run price elasticity larger than one.

The short–run income elasticities are on average less then 0.5, while the long–run income elasticities range from 1.7 (Viet Nam) to 3.5 (Thailand). Thailand and Viet Nam have point estimates of long–run income elasticity that are larger than one, and for three countries the unit–income elasticity cannot be rejected. Thus, exports do significantly react to both movements in the activity variable and the relative price, though slowly.

The evidence shows how the behaviour of GMS exports is adjusted over time. The existence of this link, stemming from the two estimated export demand functions, is sustained by the effects of the different relative price and income variables upon trade.

Trade pattern differences are reflected in the respective countries export demand equation and income elasticities. Trading partners' income have a positive impact on the exports of Thailand and Viet Nam. In contrast, for Cambodia's equation of Cambodia and Viet Nam, a much lower income elasticity would suggest a high consolidation of trade flows.

The estimated error correction model for short-run changes in GMS exports seems to provide reasonable predictive explanations as regards long-run equilibrium. Any short-run disequilibria trade can be rapidly adjusted. In this model, the real exchange rate and trade partners' income are the significant variables, which would confirm that trade of GMS countries is influenced by the real exchange rate and major trade partners of GMS in a robust manner.

CHAPTER SIX

FOREIGN DIRECT INVESTMENT AND TRADE LINKAGES IN GMS ECONOMIES

This chapter compares and contrasts foreign direct investment (FDI) laws of GMS countries, analyzes the FDI and trade linkages for the period 1990-2002. The policy implications of this study are also provided.

6.1 Special Features of Foreign Investment Laws in GMS

An analysis of the FDI laws of GMS countries provides the areas in which foreign investment can be made, the incentives and privileges offered in priority sectors and specific locations such as export processing zone.

Foreign Investment Law in Cambodia

Incentives and privileges under foreign investment law include the exemption, in whole or in part, of custom duties and taxes as follows:

1. A corporate tax rate of 9 per cent is set. The tax rate on the exploration and exploitation of natural resources, timber, oil, mines, gold, and precious stones which are set in separate laws.
2. A corporate tax exemption of up to 8 years depending on the characteristics of the project and the priority given by the government. It shall take effect from its first year profit and a 5-year loss-carried forward shall be allowed. If the profits are reinvested in the country, such profits shall be exempted from all corporate tax.
3. Non-taxation on the distribution of dividends or profits or proceeds of investments.

4. 100 per cent import duties exemption on construction materials, means of production, equipments, intermediate goods, raw materials and spare parts used by: (a) an export-oriented project with a minimum of 80 per cent of the production set apart for export, (b.) located in a designated special promotion zone (SPZ), (c.) tourism industry, (d.) labor-intensive, processing, and agro-industries; and (e.) physical infrastructure and energy industry.

6.1.2 Foreign Investment Law in Lao PDR

Tax incentives regime in the foreign investment law of Laos comprises the following.

1. Tax holidays constitute (2-4 years, depending on the projects)
2. Net profit tax indicates (20 per cent at a uniform flat rate)
3. Import duty tax maximum rate states 1 per cent (For raw materials, equipment, etc.)
4. Personal income tax rate shows (10 per cent)
5. Long term lease permit for 30 years and renewable.

6.1.3 Foreign Investment Law in Myanmar

Tax Incentives in foreign investment law in Myanmar include

1. A flat tax rate of 30 per cent for an enterprise.
2. Exemption from income tax for 3 consecutive years beginning with the year in which the operation commences and a further tax exemption or relief for an appropriate period offered by the State.
3. Relief from income tax on profit which is reinvested within one year.
4. Relief from income tax up to 50 per cent on the profit from exports.

5. Right to pay income tax on behalf of the foreign employees and to deduct the same from the accessible income of the enterprise.

6. Right to accelerate depreciation.

7. Right to pay income tax of the foreign employees at the rate applicable to the citizens of Myanmar.

8. Right to carry forward the losses sustained within two years after the tax holidays and set off the same in the following three consecutive years.

6.1.4 Foreign Investment Law in Thailand

Exemption and incentives under foreign investment law of Thailand (2000)[1] are summarized below.

1. Under "Treaty of Amity and Economic Relative between the United States and Thailand" an American-owned Thai company or a branch office of an American company is permitted to do almost anything a Thai company does except: attempting to own land; to engage in business of inland communications; inland transportation; fiduciary functions; banking; exploit land or other natural resources; and domestic trade in indigenous agricultural products.

2. Industrial operators within the EPZ are granted additional tax-based incentives and privileges, including:

(a) Exemption from special fees under the investment promotional law, import duty, value added tax, and excise tax on necessary machinery, equipment, including raw

[1] The foreign Business Act of 1999, which became effective on March 4, 2000 in replace of the 1972 Executive Council Announcement 281.

materials or any other items used in the manufacture of goods which are imported and taken into the EPZ;

(b) Exemption from export duties, value added tax, and excise tax on products and byproducts derived from the production if they are exported.

(c) Exemption from or refund of taxes, if goods are taken into another EPZ as if they have been exported. Exports are free from any exchange restriction, but export proceeds exceeding Baht 500,000 in value must be collected within 120 days from the date of export and surrendered to an authorized bank or deposited in a foreign currency account with an authorized bank in Thailand within 15 days from the date of receipt. Imports may freely purchase or draw foreign exchange from their own foreign currency account for import payments. Letters of credit may also be opened without authorization.

6.1.5 Foreign Investment Law in Viet Nam

Foreign investment law of Viet Nam can be expressed as follows:

(1) Enterprises with foreign owned capital and foreign parties shall be subject to corporate income tax at a rate of twenty five per cent on the profits; where investment is encouraged, the rate of corporate income tax shall be twenty per cent on the profits. If the investment satisfies many investment promotion criteria, the rate of corporate income tax shall be fifteen to ten per cent on the profits.

(2) Enterprises which suffer losses shall be permitted to carry their losses forward to the following year, but shall not exceed five years.

(3) From the remaining profits for the establishment of a reserve fund, a welfare fund, a fund for expansion of production and other funds shall be decided by the enterprise.

(4) A foreign investor shall, pay an amount of tax equal to three per cent, five per cent or seven per cent of the profits transferred abroad, depending on the scale of capital contribution of such foreign investor to the legal capital of the enterprise.

(5) Vietnamese permanently residing overseas investing in Vietnam shall be entitled to a 10 per cent to twenty per cent reduction of corporate income tax and they shall be entitled to a withholding tax rate of three per cent on the profits transferred abroad.

Table 6.1 Comparison of Foreign Investment Laws in the GMS

Country	Income tax incentives	Profit tax rate	Import tariff exemption	Notes/ conditions
Cambodia	Up to 8 years tax exemption	9 per cent	The 100 per cent on raw material and profit if exporting 80 per cent of production	. Incentives apply to a wide areas of priority: tourism, processing industry, agro-industry, physical infracture and energy industry
Lao, PDR	Up to 4 years tax holidays	20 per cent	Fully exemption for machinery and spare parts, re-exported raw materials/ intermediate components	. Import duty max 1% for raw material and equipments
Myanmar	3 years tax holiday;	30 per cent	Exemption or relief on machinery and spare parts; 3 year exemption or relief on raw materials	.Relief from income tax up to 50% on the profit from export .exemptions are considered for individual project not explicitly stated
Thailand	3-8 years tax holiday	30 per cent	Up to full exemption on machinery and five years on raw materials and essential materials	. exemption from export duties, value added tax and excise tax . industries in EPZ are granted additional tax-based incentives and privileges
Viet Nam	1-4 year tax holiday, plus extensions at 50 per cent	10-25 per cent	Fully exemption for machinery, raw materials, parts and components used for export	. 3-7 percent of the profits applies if transferring profit overseas .Vietnamese permanently residing overseas investing in Viet Nam shall be entitles 10% to 25% reduction of income tax
Yunan Province of China	2 years tax holiday, plus 3 year at 50 per cent	10-30 per cent	Fully exemption for Equipment, building materials and raw material receive	projects in industrial zones optimal incentives are given

Source: (i) Nation Assembly (1994). Law on investment of the Kingdom of Cambodia, (ii)Foreign investment management committec (1997) "Excutive summary on foreign investment in Lao PDR"; (iii)Foreign investment commission (1990) "Foreign investment Law in Myanmar, Ministry of Trade,Yangon; (iv) Board of investment (1999) (the foreign Business Act B.E. 2542 CAD. 1999) Bangkok, Thailand; (v)National Assembly (2000) "Law on foreign investment.in 1996 and Law on Amendments of and Additions to a Numberof Articles of the Law on Foreign Investment in Viet Nam in 2000," the Socialist Republic of Viet Nam and (vi) Nation People's Congress (1991) "Income Tax Law of the People's Replublic of China for Enterprises with Foreign Investment and Foreign Enteprises".

6.2 FDI Trends in GMS

Flows of FDI have seen a dramatic rise from 1990 to 2002 due to increasing openness of GMS economies. In principle, FDI inflows depend primarily on the host country factors: technological advancement, emergence of globally integrated production and marketing networks, existence of bilateral investment treaties, prescriptions from multilateral development banks, and open-door policy of the country.

Table 6.1 provides FDI flows of GMS countries. FDI surged in the early 1990s and peaked in 2002 in most countries.In growth terms, more GMS countries have attracted rapidly increasing FDI.

Figure 6.1 Pattern of FDI in GMS
(US$ Million)

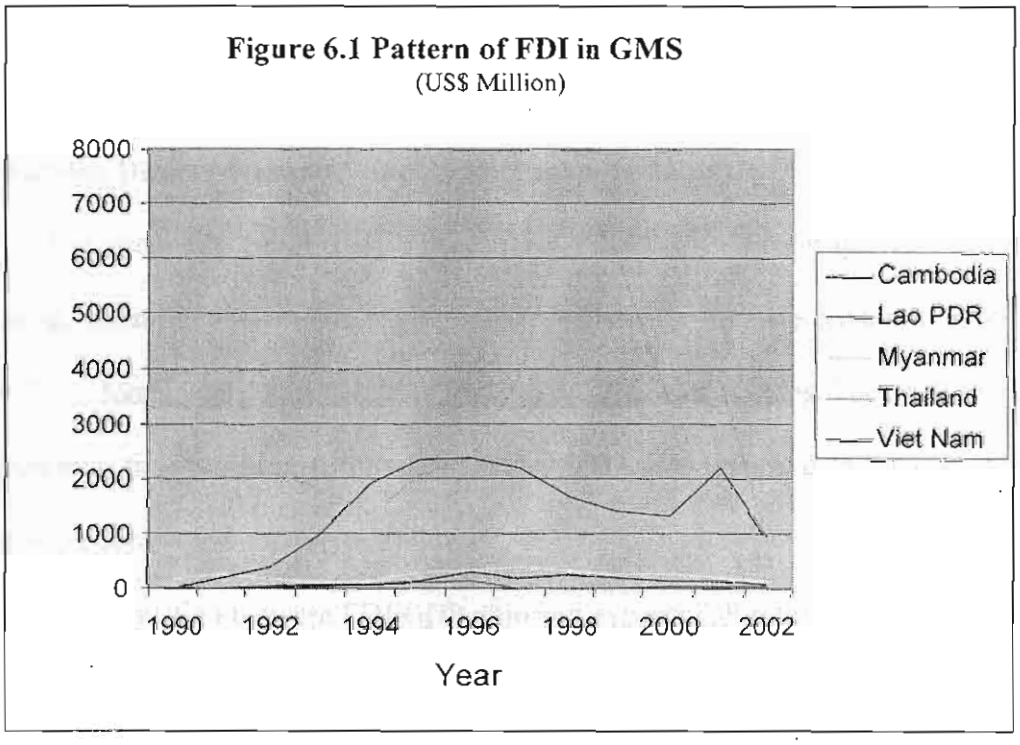
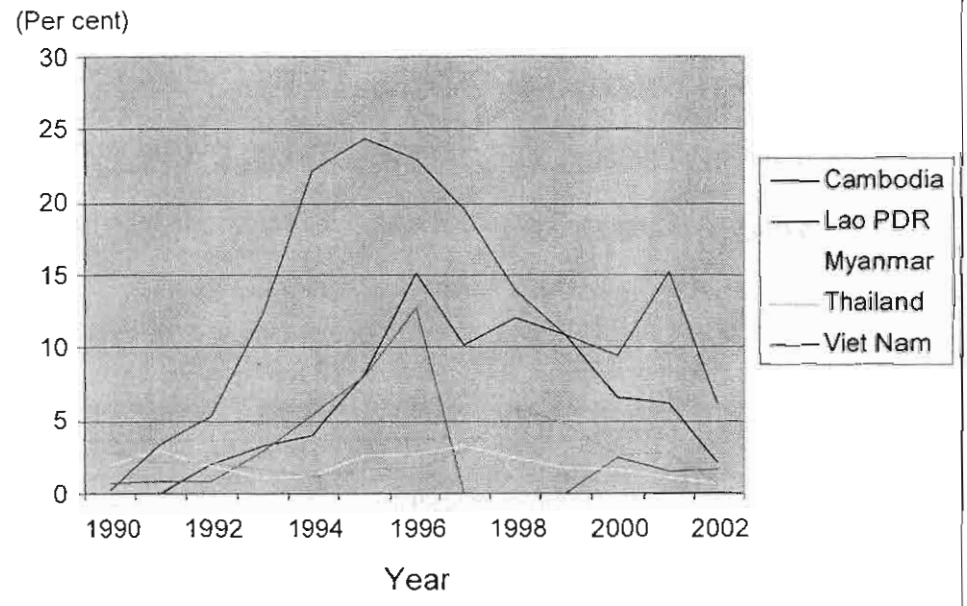


Figure 6.2 FDI/GDP Ratio



6. 3 Foreign Direct Investment and Trade Linkages Analysis

The economic benefits of FDI can be classified in two ways. First, FDI can encourage countries if domestic savings are insufficient to finance economic expansion; secondly, a foreign corporate presence leads to positive externalities. The analysis begins by exploring time series data for each country and cross-section data for each year by performing correlation analysis as follows:

(i) Correlation between FDI/GDP ratio and export/GDP ratio, and

(ii) Correlation between FDI/GDP ratio and rGDP.

Average FDI/GDP ratio for the 1990-2002 period stood at 4.14 per cent ranging between 6.19 per cent in Cambodia and 2.84 per cent in Laos, while growth rates of GDP were ranging between 4.87 percent in Cambodia and 1.97 per cent in Laos. Average

FDI/GDP ratio of Myanmar point to the lowest share, that is, 1.91 per cent compared to 12.75 per cent for Viet Nam for the same period. Growth was most stable in Myanmar and most unstable in Cambodia and Viet Nam. Correlation coefficients between growth and corresponding FDI are negative in out of the five countries and positive in Cambodia; if data are pooled, the simple correlation coefficient remains negative.

Table 6.1 FDI/GDP Ratio

Year	Cambodia	Lao PDR	Myanmar	Thailand	Viet Nam
1990	0.00	0.69	1.96	2.86	0.25
1991	0.00	0.77	2.91	2.17	3.34
1992	2.00	0.81	1.93	2.11	5.17
1993	3.26	2.93	1.11	1.66	12.45
1994	4.00	5.37	1.24	1.16	22.11
1995	8.20	8.05	2.56	1.61	24.36
1996	15.13	12.66	2.69	1.71	22.84
1997	10.23	0.00	3.18	2.91	19.57
1998	12.05	0.00	2.46	5.94	13.93
1999	10.88	0.00	1.80	4.79	10.88
2000	6.51	2.46	1.65	2.58	9.46
2001	6.11	1.50	1.06	2.86	15.23
2002	2.12	1.65	0.62	0.66	6.21
Average	6.19	2.84	1.94	2.54	12.75
Standard Deviation	4.838	3.771	0.790	1.444	7.840

Source : Calculations based on Appendix Table 6.1

Table 6.2 Growth Rate of GDP (rGDP)

Year	Cambodia	Lao PDR	Myanmar	Thailand	Viet Nam
1990					
1991	7.62	3.93	-0.66	8.60	5.81
1992	7.01	7.11	9.67	8.04	8.69
1993	0.67	5.81	6.04	8.38	8.09
1994	3.92	8.14	7.47	8.94	8.83
1995	6.67	7.07	6.95	8.90	9.55
1996	5.49	6.86	6.44	5.93	9.33
1997	2.63	6.89	5.65	-1.74	8.15
1998	1.26	4.00	4.95	-8.04	5.80
1999	5.00	7.27	10.00	3.40	8.15
2000	7.70	-8.32	10.00	2.40	5.76
2001	6.30	15.30	27.00	2.40	4.77
2002	4.50	-3.13	5.00	2.40	6.75
Average	4.90	5.08	8.21	4.13	7.47
Standard Deviation	2.39	5.90	6.59	5.18	1.61

Source: Calculations based on Appendix Table 6.1

Table 6.3 Correlation Coefficient (1990-2002)

Countries	FDI/GDP and rGDP	FDI/GDP and EXP/GDP
Cambodia	-.37562	-.53989
Laos	.10639	.41229
Myanmar	-.3281	-.53227
Thailand	-.75543	.24177
Viet Nam	.63459	-.24886

Source: Calculations based on Appendix Table 6.1 and 6.2

As can be seen in Table 6.1, Myanmar which has the smallest share of foreign direct investment in GDP has lower export/GDP ratio. One could claim that economic growth and earlier liberalization of the country would be even faster with more foreign direct investment as can be seen in the case of Thailand.

6.4 Conclusion

The evidence suggests that the most dominant long-run determinants of FDI in GMS Are market growth, export-orientation policy and FDI liberalization. These are followed yy real exchange rates market size and openness. Further econometries analysis is needed to detect the size and the direction of the relationship among the variables concerned. The long-run implication is that GMS countries can improve their FDI positions by improving their macroeconomic management, liberalizing their FDI regimes and broadening their export bases.

CHAPTER SEVEN

SILENT FEATURES OF BORDER TRADE IN GMS

The border trade of GMS countries is examined in this chapter with an emphasis on the existing transit and transport system, the patterns of border trade, composition of trade, trade and non-trade barriers, and the future perspectives of the border trade. The policy and operational measures are evaluated with suggestions on measures for future cooperation among these countries. Finally, a set of policy recommendations is provided.

7.1 Thailand's Trade with GMS Countries

The study begins with an overview of bilateral trade trends in Thailand-GMS trade and trade flow over the period 1997-2002.

Table 7.1 Thailand Trade with GMS Countries

	1997	1998	1999	2000	2001 r	2002 r	2003 p
(A) Thailand's Exports to GMS Countries (Per cent)							
Cambodia	18.8	18.8	20.4	16.7	23.0	23.6	24.3
Laos	23.1	23.1	23.7	18.4	20.2	18.2	16.0
Myanmar	24.6	21.3	22.8	24.3	17.5	14.9	15.4
Viet Nam	33.4	36.8	33.1	40.6	39.3	43.3	44.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(B) Thailand's Imports from GMS Countries (Per cent)							
Cambodia	18.07	6.94	3.55	1.17	1.00	0.90	0.91
Laos	14.21	8.92	13.67	11.10	7.22	7.47	7.68
Myanmar	20.76	17.82	27.25	38.59	65.29	72.45	66.59
Viet Nam	46.96	66.32	55.53	49.14	26.49	19.19	24.82
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
(C) Thailand's Trade Surplus(+)/Deficit(-) with GMS Countries (Million Baht)							
Cambodia	7,414	11,401	12,825	13,598	20,223	21,657	28,171
Laos	10,082	13,969	13,427	12,371	14,292	13,082	14,621
Myanmar	10,039	11,536	10,672	9,768	-20,044	-24,989	-19,016
Viet Nam	11,311	14,731	13,008	20,534	20,921	30,319	38,524
Total	38,846	51,637	49,932	56,271	35,392	40,069	62,300

Source: Calculation based on Appendix Table 7.1.

Thailand's exports increased from 51050 million in 1997 to 118189 million, a 2.3 time increase, while its imports rose from 12204 million in 1997 to 55889 million, a fivefold increase as shown in Appendix table 7.1. Bilateral trade flows between Thailand and each GMS country are shown in Table 7.1. Panel A in this table exhibits the share of each country's total exports in Thailand's bilateral tarde flows. Thailand's exports to Viet Nam showed an increase from 33.4 per cent of Thailand's exports to GMS in 1997 to 43.3 per cent in 2002. In comparison, Thailand's imports from Viet Nam declined from 46.96 per cent of Thailand's imports from GMS to 19.1 per cent in 2002. Similarly, the share of Thailand's exports to Cambodia, Laos and Myanmar represented 23.6 per cent, 18.2 per cent and 17.5 per cent in 2002 respectively. The share of imports from Cambodia, Laos and Myanmar showed 1 per cent, 7.47 per cent and 72.45 per cent in 2002 respectively.

Thailand's merchandise trade-surplus with GMS countries increased from baht 38846 million in 1997 to baht 62300 million in 2002, an improvement of baht 1223 million. The main trading partner contributors were Viet Nam, Cambodia and Laos in which Thailand had achieved trade surplus while Thailand faced trade deficit with Myanmar. In particular, 8m increase in the surplus with Cambodia, a $580m increase in the surplus with Laos a $646m decrease in the deficit with Myanmar and a $575m surplus with Vietnam.

In analyzing the border trade flows among GMS Countries, the focus has been made from the point of view of Thailand, in particular, Thailand's exports and imports through the selected borders of Thailand and its neighbouring countries. The existing

transit and transport systems are examined to identify constraints and suggest the effective measures to enhance the trade are highlighted.

7.2 Transport and Transit Systems in the Border Trade

The border trade outposts under study include Mae Sai, Mae Sod, Ranong, Prachuapkhirikhan, Chiang Sean, Nong Khai, Mukdahan, Arlun Yaprathed and Klong Yai all of which constituted 30 per cent of the border trade outposts along the border of Thailand and her neighboring countries viz.: Cambodia, Laos, and Myanmar. Thailand does not share physically with Viet Nam and Yunnan Province of China, Thailand's trade with these two countries have been conducted via Thai-Laos and Thai-Myanmar border trade outposts respectively.

Table 7.1 The Distance between Bangkok and Selected Border Outposts

	Destination	Trade Route	Kilometer
1	Mae Sai	Thai-Myanmar	835
2	Mae Sod	Thai-Myanmar	426
3	Ranong	Thai-Myanmar	568
4	Prachuapkhirkhan	Thai-Myanmar	281
5	Chiang Saen	Thai-Laos-Myanmar	800
6	Nong Khai	Thai-Laos	564
7	Mukdahan	Thai-Laos	642
8	Arlun Yaprathed	Thai-Cambodia	237
9	Klong Yai	Thai-Cambodia	315

Source: Calculation based on *Thailand Road Atlas*, Bangkok Guide Ltd., Bangkok., Thailand

Bilateral trade flow between Thailand and its neighboring countries are reported in Table 7.2. Thailand's exports to Cambodia, Myanmar, Laos, Viet Nam, constitute 10 per cent, 40 per cent, 30 per cent, and 20 per cent respectively in 2002. Except for

Myanmar, this share is below 5 per cent for all these countries. The share for Myanmar was 12 per cent in 1990 and 14 per cent in 2002.

It points to the fact that regional cooperation would strengthen intraregional trade with the help of border trade and thus contribute to the development of the border regions. Thailand's total border export (per cent of its total exports) was quite low from 1999 to 2000. Policy and operational measures may be needed to foster border and intraregional trade.

7.3 The Patterns of Border Trade

7.3.1 Trade with Cambodia

Thailand's major exports to and imports from Cambodia are shown in Tables 7.2 and 7.3 respectively. The goods listed in Table 7.2 accounted for over 70 per cent of Thailand's total exports to Cambodia in 1999. The products listed in Table 7.3 accounted for 89 per cent of Thailand's total imports from Cambodia in the same period.

Table 7.2 Thailand's Exports to Cambodia by Major Border Trade Outposts (Per cent)

	1999	2000	2001	2002	2003
1. Arlun Yaprathed	36.7	43.7	40.1	59.2	69.8
2. Klong Yai	31.7	41.4	52.0	35.1	23.4
3. Junthaburi	3.51	12.1	6.6	5.2	6.4
4. Chong Jorm	0.1	2.8	1.3	0.5	0.3
Total	100	100	100	100	100

Source: Calculations based on Table 7.2.

The value of total exports from Thailand to Cambodia increased substantially from 2641 million baht in 1999 to 5611 million baht in 2003. Arlun Yaprathed and Klong Yai constituted two major trade outposts that account for over 90 per cent of the total exports. The trade activity between Thailand and Cambodia is therefore highly concentrated and localized.

With respect to the composition of trade, food items and live animals (mainly cattle) accounted for more than 50 per cent of exports from Thailand followed by consumer goods (15 per cent).

Table 7.3 Thailand's Imports from Cambodia by Major Trade Outposts, 2003

Border Trade outpost	VALUE (Thousand baht)	PERCENT
1. Arlun Yaprathed	162,664	81.7
2. Klong Yai	11,375	5.7
3.Junthaburi	9,090	4.6
4. Others	15,881	8.0
Total	199,010	100.0

Source: Department of Customs, Bangkok.

The exports through Mae Sareing doubled while the export at Mae Hong Sorn increased 4.7 times between 1990 and 2003. The export through Prajoubkerekhun increased from 32 per cent in 1999 to 53 per cent in 2003 while that of the export of Ranong rose 15 per cent in 1999 to 10 per cent in 2002. However the export through Mae Sai declined from 12 per cent in 1999 to 10 per cent in 2003.Over the 1991-2002 period, rice, machinery and equipment accounted for 48 per cent of Thailand's export.

Figure 7.1 Thailand's Export to Cambodia
(Thousand Baht)

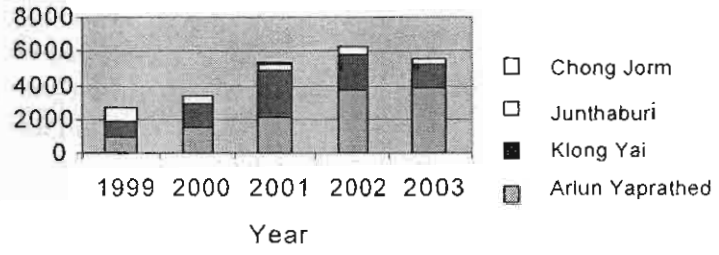


Figure 7.2 Thailand's Export to Laos PDR
(Thousand Baht)

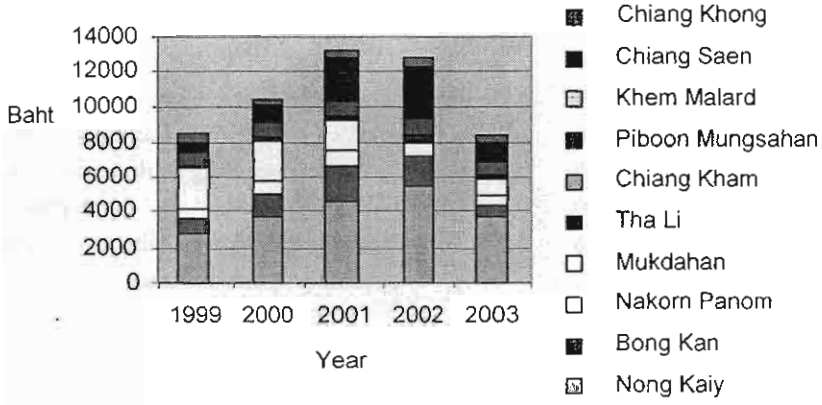


Figure 7.3 Thailand's Export to Myanmar
(Thousand Baht)

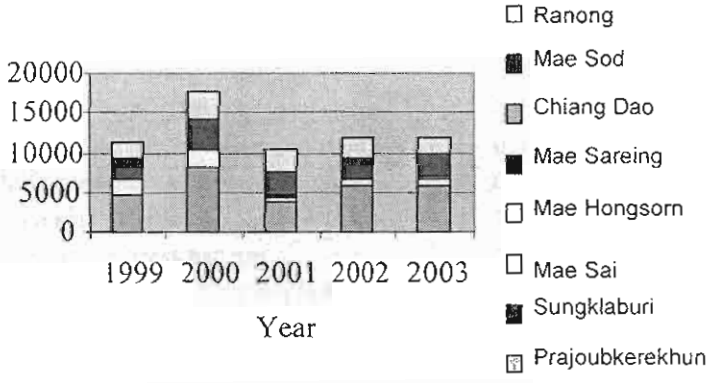


Table 7.4 Thailand's Export to Cambodia by Commodity (Per Cent)

DESCRIPTION	1999	2000	2001	2002	2003
Other milk and cream concentrated	0.0	0.0	1.6	1.4	0.9
Husked (brown) rice (cargo rice) 100 %	10.9	6.6	9.1	0.0	0.0
Husked (brown) rice (cargo rice) 5 %	34.4	46.1	45.7	0.0	0.0
Husked (brown) rice (cargo rice) 10 %	0.0	0.0	0.4	0.0	0.0
White non-glutinous rice 100 %	16.0	25.5	21.2	0.0	0.0
White non-glutinous rice 5 %	8.9	0.5	0.3	0.0	0.0
White non-glutinous rice 10 %	0.0	0.0	1.8	0.0	0.0
White non-glutinous rice 15 %	4.1	2.0	1.8	0.0	0.0
Broken non-glutinous rice a1 special	1.1	0.0	0.0	0.0	0.0
White crystal or granulated sugar	0.4	0.0	0.0	9.5	3.1
Other food preparations not elsewhere specified or included	11.4	0.0	0.0	0.9	0.0
Other flavoured and other non alcoholic beverage	0.5	0.0	0.0	1.2	1.8
Beer made from malt	0.0	0.0	0.0	2.3	1.5
Other porland cement	0.0	0.0	0.0	5.1	3.7
Benzine regular	0.0	0.0	0.0	1.8	1.2
Benzine premium	0.0	0.0	0.0	2.2	2.5
Solar or diesel gas oil (high speed diesel oil)	0.0	0.0	0.0	6.8	4.5
LPG (liquefied petroleum gas)	0.0	0.0	0.0	1.0	0.9
Glutamic acid and monosodium glutamate	0.0	0.6	0.0	0.0	0.0
Monosodium glutamate	0.0	0.0	0.0	1.3	1.3
Other medicaments, consisting of mixed or unmixed	0.0	0.0	0.0	1.9	1.7
Other beauty make-up preparations and preparations	0.0	0.8	0.0	0.0	0.0
Shampoo	0.0	0.0	0.0	1.0	1.0
Other preparations for perfuming or deodorizing rooms	0.7	0.0	0.0	0.0	0.0
The organic-phosphorus insecticides, put up in forms	0.0	1.6	0.0	0.0	0.0
Tableware and kitchenware of other plastics.	0.0	0.5	0.0	0.0	0.0
Other articles of plastics	0.0	1.8	0.0	0.0	0.0
Other new pneumatic tyres, of rubber, of a kind used	0.0	0.0	0.0	1.3	0.9
Toilet paper.	0.8	0.0	0.0	0.0	0.0
Nylon fishing nets	0.0	0.0	0.0	0.0	0.7
T-shirts, singlets and other vests, of cotton, knitted	0.0	1.6	0.6	0.0	0.0
Boys' ensembles of cotton, not knitted or crocheted	0.0	0.7	0.7	0.0	0.0
Men's trousers, bib and brace overalls, breeches and shorts	0.0	0.0	1.7	0.0	0.0
Boys' trousers, bib and brace overalls, breeches and shorts	0.0	0.7	0.0	0.0	0.0
Flexible intermediate bulk containers of man-made textile	0.3	0.0	0.0	0.0	0.0
Other sacks and bags, of a kind used for the packing of good	1.0	0.6	0.0	0.0	0.0
Other made up articles, including dress patterns	0.0	0.0	3.4	0.0	0.0
Slipper, with outer soles and uppers of rubber or plastics,	0.0	0.7	0.0	0.0	0.0
Other slipper, with upper soles and upper of rubber or plastic	0.0	0.7	0.0	0.0	0.0
Other footwear, with upper soles and upper of rubber/plastic	0.0	1.3	2.2	0.0	0.0
Other glazed ceramic flags and paving, hearth or wall tiles	0.0	1.1	0.7	0.0	0.0
Ceramic sinks, wash basins, baths, bidets, water closet pans	1.6	0.0	0.0	0.0	0.0
Ceramic sinks, wash basins, baths, bidets, water closet pans	0.8	0.0	0.0	0.0	0.0

Flat-rolled producte of iron or non-alloy steel	0.0	0.0	0.8	0.0	0.0
Other bars and rods of iron or non-alloy steel	0.0	0.0	0.0	0.9	0.0
Coated electrodes of base metal, for electric arc-welding	0.3	0.0	0.0	0.0	0.0
Lead-acid electric accumulators of a kind used for starting	0.0	0.0	0.0	1.3	1.0
Other electro-thermic appliances	2.7	0.0	0.0	0.0	0.0
Other passenger cars, of a cylinder capacity exceeding 1,000	0.0	0.0	0.4	0.0	0.0
Other passenger cars, of a cylinder capacity exceeding 1,500	0.0	0.0	0.0	1.4	0.9
Other passenger cars of a cylinder capacity exceeding 2,500	0.0	0.0	0.4	0.0	0.0
Motorcycles (including mopeds) and cycles fitted	0.0	0.0	0.0	4.8	1.7
Ckd of 8711200	0.0	0.0	0.0	1.3	3.1
Bicycles and other cycles (including delivery tricycles)	0.0	0.8	0.0	0.0	0.0
Other parts and accessories of motorcycles	0.0	0.0	0.0	1.7	0.8
Floating or submersible drilling or production platforms	0.0	0.0	0.0	0.0	26.8
Other instruments and appliances used in medical, surgical	0.4	0.0	0.0	0.0	0.0
Parts of seats, whether or not convertible into beds	0.0	0.0	0.3	0.0	0.0
Other wooden furniture	0.3	0.0	0.0	0.0	0.0
Samples of merchanise, fit only to be used	0.0	0.0	1.2	0.0	0.0
Sundries	1.0	2.0	2.8	0.0	0.0
Total	97.7	96.1	97.1	49.1	60.0
Other	2.3	3.9	2.9	50.9	40.0
Grand total	100.0	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

Table 7.5 Thailand's Imports from Cambodia by Commodity (Per Cent)

DESCRIPTION	1999	2000	2001	2002
Live ballocks and cow, not for pure-bred breeding	18.1	2.4	4.5	1.9
Live buffaloes and cow, not for pure-bred breeding	2.4	1.8	1.1	0.0
Other fish meal, but not dried or smoked and fish in brine	2.1	1.5	0.0	1.7
Shrimps and prawns, dried, salted or in brine	0.7	0.0	1.2	0.0
Squid, dried, salted or in brine	5.2	0.0	0.0	0.0
Other milk and cream concentrated	1.7	16.2	8.5	0.0
Edible soya beans whether or not broken	7.1	0.0	0.0	0.0
Other plants and parts of plants, seeds and fruit	0.0	0.6	1.5	0.0
Bamboos	1.3	1.3	0.0	1.8
Rattans	2.7	2.1	2.7	0.0
Whole hides and skins of cattle, of weight per skin	0.0	0.0	0.0	5.2
Other hides and skins of cattle,ohterwise preserve	14.1	12.7	16.7	0.0
Other hides and skins of buffalo, otherwise preserve	0.0	0.0	1.4	0.0
Whole hides and skins of cattle	0.0	0.0	0.0	10.0
Whole hides and skins of buffalo, of weight exceeding	0.0	0.0	0.0	3.7
Railway or tramway sleepers (cross-ties) of wood	0.0	0.0	1.3	2.7
Of tropical wood, wood sawn or chipped lengthwise	3.0	0.0	0.0	0.0
Keruing (yang), sawn or chipped lengthwise, sliced or peeled	7.3	5.1	2.6	1.3
Wood sawn or chipped lengthwise, sliced or peeled	0.0	10.0	0.0	0.0
Wood sawn or chipped lengthwise, sliced or peeled	5.0	2.3	1.4	0.0
Wood sawn or chipped lengthwise, sliced or peeled	2.5	4.8	0.0	0.0
Wood sawn or chipped lengthwise, sliced or peeled	0.9	3.3	0.0	0.0
Wood sawn or chipped lengthwise, sliced or peeled	3.9	3.5	2.8	4.8
Waste and scrap of paper or paperboard made mainly of mechanic	0.0	2.4	1.7	1.5
Other pile fabrics, including terry fabrics, of cotton	0.0	0.0	0.0	1.7
Ferrous waste and scrap of other alloy steel	8.2	13.9	21.7	19.1
Tanks, casks, drums, cans,boxes and similar containers	0.0	1.8	3.6	0.0
Other lead alloys, unwrought	0.0	1.3	0.0	0.0
Other boring or sinking machinery for earth mineral or ores	0.0	1.5	0.0	1.8
Generating sets with compression-ignition internal combustion	0.0	1.4	0.0	0.0
Ckd of 8525200	0.0	0.0	0.0	2.4
Other machines and apparatus.	0.0	0.0	0.0	1.8
Track-laying tractors	0.0	0.0	2.2	0.0
Vans and pick up trucks which g.v.w. exceeding 5 tonnes	0.0	0.0	3.5	0.0
Other special purpose motor vehicles	1.0	0.0	0.0	0.0
Other trailers and semi-trailers	0.0	0.0	0.0	2.2
Tankers	0.0	0.0	1.1	0.0
Fishing vessels: factory ship and other vessels for processing	1.0	0.0	0.0	0.0

Contd:-

Parts and accessories of apparatus and equipment	0.0	0.0	3.8	5.7
Exported goods including re-exports which are re-imported wine	5.0	0.0	2.6	5.0
Goods, covers by priviledges according to agreement	0.0	0.0	0.0	1.6
Sundries	0.0	0.0	0.0	3.5
Total	93.3	90.0	85.8	79.4
Other	6.7	10.0	14.2	20.6
Grand total	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

Figure 7.4 Thailand's Import from Cambodia

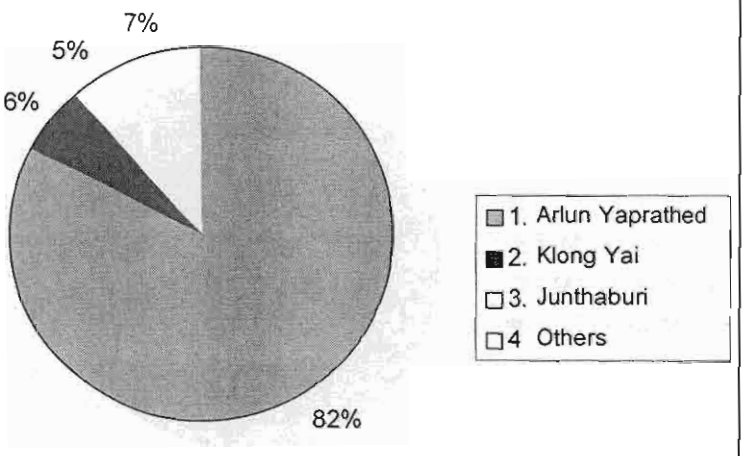


Figure 7.5 Thailand's Import from Lao PDR

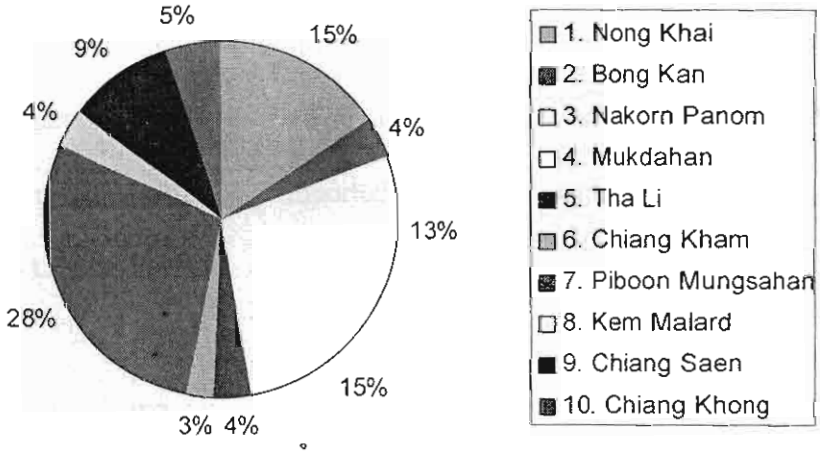
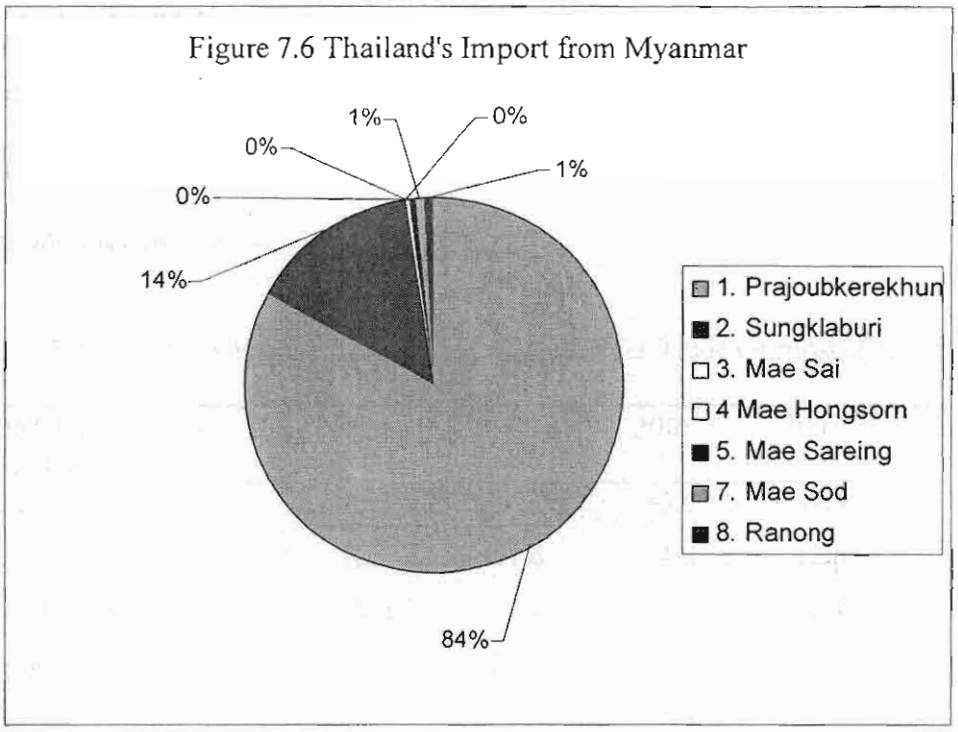


Figure 7.6 Thailand's Import from Myanmar



The major products imported from Cambodia are: gold jute, coconut oil, palm oil, clothes, alcoholic products and electronic goods. These facts suggest that promotion of border trade would make total bilateral trade flows more diversified, and additional trade would likely be generated. There are also some instances of reversal of trade in fish, which has been an item traditionally imported from Cambodia, but is now being exported from Thailand to Cambodia.

7.3.2 Trade with Lao PDR

Thailand's major exports to Laos are shown in Table 7.8. These items together accounted for about 20 per cent of Thailand's total exports to Laos. Thailand's exports to Laos appear to be highly diversified. Thailand's major imports from Laos are listed in Table 7.7. These items together accounted for over 90 per cent of total imports from

Laos. The major products exported formally to Laos vai Nong Khai are: rice, yarn, sugar, aluminum goods and clothes. As in the case of exports, imports are highly diversified. Thailand's major imports from Laos via Nong Khai are: alcoholic beverages, kerosene, footwear and electrical goods.

Table 7.6 Thailand's Exports to Laos by Major Border Trade Outposts (Per cent)

BORDER OUTPOST	1999	2000	2001	2002	2003
1. Nong Khai	33.4	36.5	35.6	43.9	45.7
2. Bong Kan	10.2	11.6	14.8	12.6	7.9
3. Nakorn Panom	5.2	7.1	5.9	6.1	5.6
4. Mukdahan	27.9	21.9	12.8	1.4	11.9
5. Tha Li	1.6	1.5	1.4	1.4	1.3
6. Chiang Khan	0.1	0.2	0.6	0.6	0.5
7. Piboon Mungsahan	8.6	7.2	6.3	7.5	8.8
8. Kem Malard	0.3	0.5	0.4	1.1	2.4
9. Chiang Saen	7.2	8.8	18.5	22.3	11.2
10. Chiang Khong	5.6	4.5	3.6	3.1	4.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Calculations based on Table 7.5

There has traditionally been free trade and commerce between Thailand and Laos. Commercial transactions are carried out in Thai baht and Laos keps. As mentioned earlier, Laos provides unhindered transit facilities to Viet Nam to facilitate trade with a third country.

Table 7.7 Thailand's Export to Laos by Commodity (Per cent)

DESCRIPTION	1999	2000	2001	2002	2003
White crystal or granulated sugar	1.2	0.0	2.6	1.4	0.8
Other bread, pastry, cakes, biscuits and bakers'wares	0.0	0.8	0.0	0.0	0.0
Other flavoured and other non alcoholic beverage	2.7	2.7	3.7	2.2	2.3
Other preparations of a kind used in animal feeding	0.0	0.7	0.0	0.8	0.0
Other porland cement	2.8	2.6	2.8	2.1	2.1
Benzine regular for engine	3.5	4.4	5.0	0.0	0.0
Solar or diesel gas oil (high speed diesel oil) for engine	5.8	8.7	9.2	0.0	0.0
Lubricating oil	1.1	0.8	1.0	1.0	1.1
Benzine regular	0.0	0.0	0.0	5.3	6.0
Solar or diesel gas oil (high speed diesel oil)	0.0	0.0	0.0	10.0	12.7
Petroleum bitumen	0.0	0.0	0.0	0.0	0.9
Glutamic acid and monosodium glutamate	1.7	1.8	0.9	0.0	0.0
Monosodium glutamate	0.0	0.0	1.0	1.8	1.6
Other madicament consisting of mixed or unmixed	0.0	0.8	0.0	0.0	0.0
Mineral or chemical fertilisers containing the three fertili	0.7	0.0	0.0	0.0	0.0
Soap in other form	0.0	0.0	0.0	1.5	0.0
Other new pneumatic tyres, of rubber	0.8	0.0	0.7	0.0	0.0
Other woven fabrics of cotton , containing 85%	0.0	0.0	1.3	1.7	1.7
Other woven fabrics of cotton , containing 85%	0.0	1.0	1.1	0.8	0.0
Corrugated sheets of asbestos-cement	0.7	0.7	0.7	0.0	0.8
Other glazed ceramic flags and paving, hearth or wall tiles	0.7	1.3	0.9	1.3	1.4
Flat-rolled products of iron or non-alloy steel	0.0	0.0	0.0	0.0	1.3
Stranded wire, cables, plaited bands and the like	0.7	0.0	0.0	0.0	0.0
New engines of a kind used for the propulsion of vehicles	0.0	0.0	0.0	0.9	0.0
Compression-ignition internal combustion pistion engines	0.0	0.0	0.7	0.0	0.8
Refrigerator, household type and compression-type	0.8	1.7	3.0	2.7	1.6
Other ovens,cookers,cooking plates,boiling ring,grillers	1.2	3.0	3.1	2.8	2.6
Other electro-thermic appliances	1.9	0.0	0.0	0.0	0.0
Colour television recicvers,whether or not incorporating	0.0	2.4	3.9	3.2	1.6
Ckd of 8701100	0.0	0.0	0.0	0.9	1.3
Other passenger cars, of a cylinder capacity exceeding 1,500	0.0	0.8	0.0	0.0	0.0
Dumpers with compression ignition external combustion piston	0.8	0.8	0.0	0.0	0.9
Vans and pick up trucks which g.v.w. not exceeding 5 tonnes	1.1	1.4	1.7	2.2	2.6
Motorcycles (including mopeds) and cycles	13.2	7.1	1.3	0.0	0.0
Other parts and accessories of motorcycles	16.9	9.3	5.3	1.8	0.0
Exported goods including re-exports which are re-imported	1.2	0.0	0.0	1.4	1.2
Total	59.4	52.7	49.8	45.7	45.4
Other	40.6	47.3	50.2	54.3	54.6
Grand total	100.0	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

Table 7.8 Thailand's Imports from Laos by Commodity (Per Cent)

DESCRIPTION	1999	2000	2001	2002
Keruing (yang), sawn or chipped lengthwise, sliced or peeled	17.4	24.2	21.6	21.4
Keruing (yang) in the rough, whether or not stripped of bark	9.5	14.4	5.9	0.0
Live buffaloes and cow, not for pure-bred breeding	8.5	7.1	4.8	5.1
Wood sawn or chipped lengthwise, sliced or peeled	6.7	5.6	12.0	20.9
Coniferous wood sawn or chipped lengthwise, sliced or peeled	6.3	2.7	2.6	3.3
Tin ores and concentrates	5.4	3.4	3.2	1.6
Other wood in the rough, whether or not stripped of bark	4.9	3.9	1.1	0.0
Wood sawn or chipped lengthwise, sliced or peeled	3.7	3.5	6.1	7.3
Wood sawn or chipped lengthwise, sliced or peeled	3.3	1.6	3.2	7.0
Edible ground nuts, shelled, whether or not broken	0.0	0.0	0.0	1.0
Other inductors	0.0	0.0	0.0	0.8
Teak in the rough, whether or not stripped of bark	0.0	0.0	2.4	0.6
Zinc ores and concentrates	0.0	0.0	2.1	0.0
Other coal, whether or not pulverised, but not agglomerated	3.0	1.8	1.9	1.5
Other non-industrial diamonds	0.0	0.0	0.0	1.4
Exported goods including re-exports which are re-imported	2.3	2.0	1.8	1.3
Wood sawn or chipped lengthwise, sliced or peeled	2.2	4.9	6.2	9.0
Takien in the rough, whether or not stripped of bark or sapw	2.2	8.4	4.6	0.0
Other veneered panels and similar laminated wood	2.1	1.5	0.0	0.0
Dumpers with compression ignition external combustion piston	0.0	0.0	1.5	0.0
Wood sawn or chipped lengthwise, sliced or peeled, of a thic	2.0	1.1	1.4	2.3
Other tanned hides and skins of bovine	0.0	0.0	0.0	1.2
Other non-coniferour wood continuously shaped	1.4	0.0	0.0	1.1
Krabak in the rough, whether or not stripped of bark	1.4	1.2	0.0	0.0
Pra-du in the rough, whether or not stripped of bark	1.2	1.4	0.0	0.0
Ma-ka in the rough, whether or not stripped of bark	1.2	1.2	1.5	0.0
Wood sawn or chipped lengthwise, sliced or peeled	0.9	1.0	1.4	1.2
Fuel wood, in logs, in billets, in twigs, in faggots	0.0	0.8	0.0	0.0
Teak, scantlings of a thickness exceeding 6 mm not planed	0.0	0.0	1.1	2.2
Live ballocks and cow, not for pure-bred breeding	0.0	0.0	0.0	0.6
Total	85.7	91.7	86.2	90.9
Other	14.3	8.3	13.8	9.1
Grand total	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

7.3.3 Trade with Myanmar

There exists eight major border trade outposts through which the two countries trade has taken place in large scale. Thailand's trade with Myanmar had been increasing in accordance with mutral interest and cooperation although the border has sometimes been closed. The total trade flow between the two countries amounted to 2000 million baht in 2002. Thailand's export to Myanmar totaled 250 million baht and Thailand's import from Myanmar total 300 million baht in 2002.

Thailand export to Myanmar though Prajoubkerekhun and Mae Sod accounted for 61 per cent and 70 per cent in 2001. Thailand's export through Prajoubkerekhun increased substantially from 4.7 billion baht in 1999 and 5.6 billion baht in 2003. The total exports through Ranong increased from 2500 million baht in 1991 to 2600 and 2750 million baht in 2001 and 2002 respectively. This compares with the export at Mae Sod, where total exports increased from 406.0 million baht in 1991 to 750 million baht in 2003. The export through Mae Sai increased from 1.8 billion baht in 1999 to 2.1 billion in 2000 and fell to 1.0 billion in 2002. As can be seen in the table, Thailand's major exports to Myanmar (via Prajoubkerekhun) are medicines, diamonds, paints, rice milling machinery, urea (fertilizer), clothes, bicycles and parts, and stationaries.

Thailand's major commodities to Myanmar are exported in Table 7.17. The major imports into Thailand from Myanmar in 1994 were reported to be rice, teakwood, electronic goods, cigarettes and cosmetics. This group of items together accounted for about 95 per cent of Thailand's total exports to Myanmar. Cotton yarn is an important export item from Thailand to Myanmar as there is a shortage of cotton yarn in Myanmar due to the development of Garment factories in the private sector. Thailand's major

imports from Myanmar are shown in Table 7.19. The items in the table together accounted for 90 per cent of Thiland's total imports from Myanmar.

Table 7.9 Thailand's Exports to Myanmar (Per cent)

BORDER OUTPOST	1999	2000	2001	2002	2003
1. Prajoubkerekhun	41.2	45.5	35.9	47.1	46.9
2. Sungkłaburi	0.6	0.3	0.5	0.6	1.9
3. Mae Sai	15.7	12.3	7.0	8.5	8.7
4 Mae Hongsorn	0.1	0.0	0.2	0.3	0.2
5. Mae Sareing	0.4	0.1	0.5	0.2	0.7
6. Chiang Dao	1.7	1.4	1.0	0.4	0.0
7. Mae Sod	21.3	22.7	29.9	22.6	25.1
8. Ranong	19.1	17.7	25.2	20.2	16.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Calculations based on Table 7.8

There also exists unofficial trade at some borders. Major factors responsible for the unofficial trade between Thailand and Myanmar is the gaps between supply and demand ranges on the one hand, and on the another hand the existence of huge difference between Myanmar official exchange rates and shadow rates. Other factors which encourage unofficial trade include the local demand at the border cultural and linguistic similarities, and weak law enforcement due to the long border between two countries.

Table 7.10 Thailand's Exports to Myanmar by Commodity (Per cent)

DESCRIPTION	1999	2000	2001	2002	2003
Glutamic acid and monosodium glutamate	9.9	6.6	2.4	0.0	0.0
Other porland cement	5.4	3.7	5.4	1.8	0.0
Palm oil , and its fractions party or wholly hydrogenate	5.2	2.5	0.0	1.2	1.6
Other new pneumatic tyres, of rubber, of a kind used	3.4	2.7	2.6	2.7	2.4
Other flavoured and other non alcoholic beverage	2.8	3.0	2.2	2.5	1.9
Lubricating oil	2.7	2.0	2.5	2.7	2.2
Polypropylene, in primary forms	2.6	2.9	4.1	3.9	2.9
Other slipper, with upper soles and upper of rubber	2.0	1.6	1.3	1.4	1.2
Cigarettes containing tobacco	1.9	0.0	0.0	0.0	0.0
Solar or diesel gas oil (high speed diesel oil) for engine	1.8	2.2	1.6	0.0	0.0
Other milk and cream concentrated	1.6	1.6	1.6	1.0	0.0
Woven fabrics of cotton	1.4	0.0	1.0	0.0	1.3
Lead-acid electric accumulators	1.4	1.1	2.2	2.7	1.4
Other madicament consisting of mixed or unmixed products	1.4	1.6	1.9	0.0	1.7
Bicycles and other cycles (including delivery tricycles)	1.3	0.0	0.0	0.0	0.0
Made up fishing nets of nylon	1.3	0.0	1.7	2.0	1.2
Benzine regular for engine	0.9	1.1	1.1	1.0	1.3
Other food preparations not elsewher specified	0.9	0.9	0.0	0.0	0.0
Table, kitchen or other household article and parts	0.9	0.0	0.0	1.2	0.0
Polyethylene, in primary forms, having a specific gravity	0.9	0.0	0.0	0.0	0.0
Parts of machinery of heading no 84.38	0.0	1.9	1.5	0.0	0.0
Palm oil and its fractions, whether or not refined	0.0	1.5	1.6	2.5	6.0
White crystal or granulated sugar	0.0	1.3	0.0	0.0	0.0
Flat-rolled products of iron or non-alloy steel	0.0	1.0	1.3	0.0	0.0
Polyethylene, in primary forms, having a specific gravity	0.0	1.0	1.6	0.0	0.0
Other woven fabrics of cotton , containing 85% or more	0.0	0.9	0.0	0.0	0.0
Monosodium glutamate	0.0	0.0	1.9	3.2	4.6
Generating sets with compression-ignition internal combustio	0.0	0.0	0.8	0.0	0.0
Parts of heading no 85.15	0.0	0.0	0.0	2.0	0.0
Other medicaments, consisting of mixed or unmixed	0.0	0.0	0.0	1.9	0.0
Solar or diesel gas oil (high speed diesel oil)	0.0	0.0	0.0	1.4	2.1
Polyethylene, in primary forms	0.0	0.0	0.0	1.3	1.6
Poly(vinyl chloride), not mixed with any other	0.0	0.0	0.0	1.0	0.0
Other glazed ceramic flags and paving, hearth	0.0	0.0	0.0	1.0	0.0
Motorcycles (including mopeds) and cycles fitted	0.0	0.0	0.0	0.0	1.7
Flat-rolled products of iron or non-alloy steel	0.0	0.0	0.0	0.0	3.3
Flat-rolled products of iron or non-alloy steel	0.0	0.0	0.0	0.0	1.5
Colour television recicvers,whether or not incorporating	0.0	0.0	0.0	0.0	1.3
Other vegetable oils and their fractions boiled, oxidised	0.0	0.0	0.0	0.0	1.2
Total	49.8	40.9	40.1	38.5	42.4
Other	50.2	59.1	59.9	61.5	57.6
Grand total	100.0	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

Table 7.11 Thailand's Imports from Myanmar by Commodity (Per cent)

DESCRIPTION	1999	2000	2001	2002
Natural gas, in gaseous state	0.0	41.8	80.7	82.3
Teak in the rough, whether or not stripped	42.7	24.8	5.2	5.4
Cathodes and sections of cathodes, unwrought	12.4	9.8	2.8	2.6
Wood sawn or chipped lengthwise, sliced or peeled	0.0	0.0	0.0	1.3
Live buffaloes and cow, not for pure-bred breeding	9.7	2.9	1.5	1.0
Shrimps and prawns, frozen	4.0	1.8	0.8	0.3
Live buffaloes and cow, not for pure-bred breeding	2.7	0.7	0.4	0.3
Coniferous wood sawn or chipped lengthwise, sliced or peeled	0.0	0.0	0.0	0.9
Teak, scantlings of a thickness exceeding 6 mm not planed	2.4	1.0	0.2	0.6
Other, of the tropical wood specified in subheading note 1	2.0	0.0	0.2	0.0
Other coal, whether or not pulverised, but not agglomerated	1.6	4.1	2.1	1.6
Tin ores and concentrates	0.0	0.5	0.2	0.0
Tin ores and concentrates	0.0	0.0	0.3	0.0
Other wooden furniture	0.0	0.0	0.2	0.3
Other fish, excluding livers and roes, fresh or chilled	0.0	0.0	0.2	0.0
Wood sawn or chipped lengthwise, sliced or peeled	0.0	0.0	0.9	0.0
Other fish, excluding livers and roes, fresh or chilled	1.4	0.4	0.8	0.0
Wood sawn or chipped lengthwise, sliced or peeled	0.0	0.0	0.0	0.2
Other tanned hides and skins of bovine	0.0	0.0	0.0	0.2
Other non-coniferour wood continuously shaped	1.4	0.5	0.3	0.1
Rubies, unworked or simply sawn or roughly shaped	1.3	0.0	0.0	0.0
Skipjack or stripe-bellied bonits, excluding livers and roes	1.3	0.0	0.0	0.0
Cotton, not carded or combed	1.3	0.0	0.0	0.0
Teak, scantlings of a thickness exceeding 6 mm not planed	0.0	0.0	0.0	0.5
Tin ores and concentrates	1.2	0.6	0.6	0.4
Other hides and skins of cattle,fresh or wet-salted, whether	1.1	0.9	0.4	0.0
Other flat fish, excluding livers and roes, frozenrozen	0.9	0.6	0.0	0.0
Shrimps and prawns, frozen	0.7	1.5	0.5	0.0
Sundries	0.7	1.6	0.0	0.0
Other of tropical wood, wood sawn or chipped lengthwise slic	0.7	0.0	0.0	0.1
Spool, cops, bobbins, sewing thread rells and the like of tu	0.6	0.0	0.0	0.0
Fruits of the genus capsicum or of the genus pimenta	0.0	0.4	0.0	0.0
Wood charcoal (including shell or nut charcoal)	0.0	0.4	0.0	0.0
Other builders'joinery and carpentry of wood	0.0	0.4	0.3	0.0
Other inductors	0.0	0.0	0.0	0.1
Teak in the rough, whether or not stripped of bark or sapwoo	0.0	0.0	0.0	0.1
Live ballocks and cow, not for pure-bred breeding	0.0	0.0	0.0	0.1
Total	89.9	95.3	98.4	98.2
Other	10.1	4.7	1.6	1.8
Grand total	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

7.3.4 Trade with Viet Nam

Table 7.11 provides Thailand's major exports to Viet Nam, which accounted for about 80 per cent of Thailand's total exports. Thailand's major imports from Viet Nam are presented in table 7.14. In 1993, these items accounted for 83 per cent of Thailand's total imports from Viet Nam and 95 per cent in 2003.

The trade is limited to 578 items at present. The trade between Thailand and Viet Nam was 115 million baht in 1994 and was estimated to have increased to 250 million baht in 2003. Factors affecting the trade volume and composition of trade are shortage of essential goods, import restrictions, and high tariffs.

Table 7.12 Thailand's Exports to Viet nam by Commodity (Per Cent)

DESCRIPTION	1999	2000	2001	2002	2003
Other flavoured and other non alcoholic beverage	0.7	0.0	0.0	0.0	0.0
Other preparations of a kind used in animal feeding	2.4	3.1	1.9	1.6	2.0
Petroleum oils and oils obtained from bituminous minerals	1.3	0.8	0.0	0.0	0.0
Benzine regular for engine	2.9	5.5	1.5	0.0	0.0
Kerosene and similar oils for lighting, other than kerosene	1.4	0.0	2.8	0.0	0.0
Lpg (liquefied petroleum gas)	1.7	0.9	2.2	4.4	6.7
Petroleum bitumen	0.7	0.8	0.0	0.0	0.8
Other madicament consisting of mixed or unmixed products	2.1	1.9	1.5	1.5	1.2
Polyethylene, in primary forms, having a specific gravity	1.9	1.8	0.0	1.0	0.9
Polyethylene, in primary forms, having a specific gravity	2.0	1.8	2.3	2.0	2.4
Polypropylene, in primary forms	6.8	6.0	5.4	4.3	2.1
Polyvinyl chloride, not mixed with any other substances	1.9	2.6	1.7	2.0	1.8
Plates, sheets, film, foil and strip, non-cellular	1.0	1.0	0.0	0.9	0.0
Wood sawn or chipped lengthwise, sliced or peeled	1.6	0.0	0.0	0.0	0.0
Polyester filament yarn, put up for retail sale	0.7	0.0	0.0	0.0	0.0
Flat-rolled products of iron or non-alloy steel	1.1	1.6	2.0	1.1	0.0
Other articles of iron or steel wire	0.9	0.0	0.0	0.0	0.0
Other parts suitable for use solely or principally with spar	1.8	1.9	1.9	2.6	0.9
Motorcycles (including mopeds) and cycles	7.3	5.7	1.3	0.0	0.0
Other parts and accessories of motorcycles	8.7	9.4	7.1	5.4	2.8
Longons, dried	0.0	4.3	0.0	0.0	0.0
Solar or diesel gas oil (high speed diesel oil) for engine	0.0	3.7	1.9	0.0	0.0
Kerosene j.p.1	0.0	1.0	1.2	2.6	0.0
Parts of appliance of heading no. 8483	0.0	0.9	0.0	0.0	0.0
Bars, rods and profiles, of aluminum, not alloyed	0.0	0.7	1.0	0.0	0.0
Cement clinkers	0.0	0.0	2.4	5.3	5.0
Cane molasses, not flavoured or coloured	0.0	0.0	2.0	0.0	0.0
White crystal or granulated sugar	0.0	0.0	1.3	0.0	0.0
Other parts of invalid carrages	0.0	0.0	1.2	1.7	1.1
Soya-bean oil and its fractions, whether or not refined	0.0	0.0	1.1	1.0	0.0
Other kerosene and similar oils for lighting	0.0	0.0	0.0	2.2	2.2
Solar or diesel gas oil (high speed diesel oil)	0.0	0.0	0.0	1.9	0.0
Cane molasses, not flavoured or coloured	0.0	0.0	0.0	1.4	1.0
Whole hides and skins, Grain splits, Leather	0.0	0.0	0.0	1.3	1.4
Cathode-ray television picture tubes,colour	0.0	0.0	0.0	0.8	0.0
Exported goods including re-exports which are re-imported	0.0	0.0	0.0	0.0	6.4
Kerosene J.P.1	0.0	0.0	0.0	0.0	1.9
Heavy fuel oil for use will boiler furnace	0.0	0.0	0.0	0.0	1.3
Parts and accessories of the machines of heading no. 8471	0.0	0.0	0.0	0.0	1.3
Other Leather further prepared	0.0	0.0	0.0	0.0	0.9
Total	48.8	55.3	43.7	45.1	44.1
Other	51.2	44.7	56.3	54.9	55.9
Grand total	100.0	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

Table 7.13 Thailalnd's Imports from Viet Nam by Commodity (Per cent)

DESCRIPTION	1999	2000	2001	2002
Switchboard control panels	64.2	59.1	47.0	25.3
Petroleum oils and oils obtained from bituminous minerals	0.0	8.8	12.7	13.5
Other boards,panels (including numerical control panel)	5.0	5.0	5.7	3.4
Other hides and skins of buffalo, fresh or wet-salted	4.8	0.8	0.0	0.0
Other hides and skins of buffalo, fresh or wet-salted	1.9	1.8	2.3	0.0
Giant black tiger prawn, frozen	0.0	0.0	0.0	3.2
Dentifrices	0.0	0.0	0.0	2.8
Self-adhesive plates, sheets, film, foil, tape, strip	0.0	0.0	1.5	2.7
Electric motors of an output not exceeding 37.5 w	0.0	0.0	1.3	4.6
Other electric conductors,for a voltage not exceeding 80 v	0.0	0.0	1.1	0.0
Other raw hides and skins of bovine (including buffalo)	0.0	0.0	0.0	1.0
Crab,prepared or preserved,not in airtight containers	0.0	2.5	1.0	1.0
Edible ground nuts, shelled, whether or not broken	0.0	2.5	3.9	4.9
Anthracite, whether or not pulverised	1.7	1.8	2.4	6.7
Shrimps and prawns, frozen	1.6	1.5	2.3	0.0
Trunks, suit-cases, vanity-cases, executive-cases	1.3	0.8	0.7	0.0
Cuttle fish frozen	1.1	0.8	0.0	0.8
Parts suitable for use solely or principally with the machine	1.0	0.0	0.0	0.0
Other yarn of polyester staple fibres mixed	0.0	0.8	0.7	0.7
Other structures (excluding prefabricates building of heading	0.0	0.6	0.5	0.7
Mosquits sticks, put up in forms or packings for retail sale	0.0	0.5	0.0	0.0
Other hides and skins of cattle,fresh or wet-salted	0.8	0.5	0.6	0.0
Other articles of aluminum other than. Cloth, grill,netting	0.8	0.0	0.0	0.0
Glassware of a kind used for table or kitchen purpose	0.7	0.0	0.5	0.0
Other inductors	0.7	0.0	0.0	0.0
Prepared or preserved crab	0.6	0.8	0.0	0.0
Electrical parts of machinery or apparatus	0.6	0.0	0.0	0.0
Fuses,for a voltage not exceeding 1,000 v	0.6	0.0	0.0	0.0
Parts and accessories of the machines of heading no. 8471	0.6	0.0	0.0	0.0
Other fans	0.5	0.0	0.0	0.0
Starter motors and dual purpose starter generators	0.5	0.0	0.0	0.0
Squid, dried, salted or in brine	0.5	0.8	1.7	0.9
Printed circuits	0.0	0.0	0.5	0.8
Fish fillets, frozen	0.0	0.4	0.5	0.0
Maize seed	0.0	0.4	0.0	0.0
Whole hides and skins of buffalo, of weight exceeding	0.0	0.0	0.0	1.3
Zinc ores and concentrates	0.0	0.4	1.0	1.2
Other shrimps and prawns, frozen	0.0	0.0	0.0	0.6
Other articles of iron or steel wire, not forged nor stamped	0.0	0.0	0.0	0.6
Total	89.5	90.6	87.9	77.0
Other	10.5	9.4	12.1	23.0
Grand total	100.0	100.0	100.0	100.0

Source: Department of Customs, Bangkok.

7.3.5. Trade with Yunnan Province of China

As mentioned in the previous section, Thailand does not share the border with China. Thailand's major exports to and import from Yunnan are being conducted through Chiang Saen and Mae Sai via Minlar at Myanmar-China border trade outpost. Thailand's exports to Yunnan include fruit, tyre, and vehicles while major exports from Yunnan indicates fruits, textiles, electrical goods and electronics.

Summerizing this section, Myanmar is a major trading partner of Thailand followed by Viet Nam, Laos, China and Cambodia. Some major characteristics of border trade between Thailand and neighboring countries are the differences in the trade policy implementation, lack of suitable transit transport infrastructure and insurance system, the presence of significant volumes of informal trade, and the minimal use of banking facilities such as invoicing, trade finance and electronic payment system in the border trade. The research highlights the nature and volume of border trade that have been conducted in association with trade-oriented policies in the presence of regional cooperation and globalization. It also points to the needs of cooperation in implementation of border trade policy and trade facilitatation at both national and regional levels in most consistent manner, which would contribute promoting volume of border trade and strengthening existing provisions in trade agreements. It will also enhance a potential for exports to third countries.

Efforts should also aim at creating economic conditions in border areas. Projects could be chosen with backward and forward linkages in mind to fulfil local requirements as well as to meet demand in the rest of the economy. There may also be a potential for

exports to third countries. Such projects could also bring informal trade flows into mainstream trade flows, if informal traders get adequate prices for their products.

CHAPTER EIGHT

SURVEY ON ENHANCING TRADE PERFORMANCE OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

The firm and market-specific factors influencing border trade are examined by conducting surveys on the organizational structure, trade performances and management practices of micro, small and medium-sized enterprises (SMEs) engaging in the border trade at the border towns of Thailand. In fact, the enterprises involved in border trade are not necessarily located in border towns. The emphasis has been made on enhancing micro and SMEs in the border towns focusing on the local and regional policy issues for trade efficiency through trade facilitation and promotion as well as export processing zone. Surveys were conducted at selected border towns in Thailand during June – December 2003.

8.1 Research Methodology

There are five Regional Offices under the Department of Customs, including 53 Regional Customs Houses throughout Thailand, of which seventeen[1] are responsible for border trade with GMS countries. Since Thailand does not share geographic border by land and/or waters with Viet Nam and Yunnan Province of China, Thailand's border trade with these two countries are being conducted through Klong Yai in Laos, and Tarchileik and Tha Li in Myanmar respectively. Of seventeen border trade outposts, the survey covers the micro and SMEs located in eight border towns and districts. With respect to the sample size and survey

[1] These include Mae Sai, Mae Sod, Ranong, Chiang Saen, Tha Li, Chiang Khan, Prachuab Kirikan, Nong Khai, Mukdahan, Mae Sariang, Chiang Khong, Aranyaprathet, Nakhon Phanom Khemmarat, Chiang Dao, Chiang Mai Airport and Klong Yai based on The Department of Custom (2002), *The Thai Customs Department: Rules and Responsibl;ities*, Bangkok Thailand.

design, the list of the companies and SMEs involved in border trade are obtained from various Regional Offices of the Department of Customs. The systematic sampling method has been used for this focus group, in particular, the micro and SMEs since the samples contain the SME only involved or being involved in the border trade during the last three years. The sample size and border towns covered in this survey are provided in Table 8.1. Excluding untraceable firms the overall response rate of 56 per cent was well received.

Table 8.1 Sample Size and Location of SME in the Survey

	Border Towns and Districts	Distance between respective border-town and Bangkok (Kilometer)	Trade Route	Sample Size
1	Mae Sai	835	Thai-Myanmar	10
2	Mae Sod	426	Thai-Myanmar	15
3	Ranong	568	Thai-Myanmar	17
4	Chiang Saen	800	Thai-Myanmar-Yunnan	2
5	Nong Khai	564	Thai-Laos	11
6	Mukdahan	642	Thai-Laos	19
7	Aranyapathet	237	Thai-Cambodia	14
8	Klong Yai (Trad)	315	Thai-Cambodia	11
	Total			99

Source: Compilation of the author.

The personal interviews were conducted at the business sites located in the selected border towns as mentioned in Table 8.1. Among them, 99 enterprises responded to the questionnaire containing about 73 questions. They might be considered as representative samples of enterprises engaged in the border trade with the neighboring countries although some enterprises involved in border trade are located in the Metropolitan Areas. For questions

regarding the sources of information on the problems faced by the micro and SME, plural answers were permitted. Survey questionnaires contain the information on firms characteristics, business performance, marketing and distribution channels, use of banking facilities and payment systems, e-commerce assistance from the government and the trade link through the niche market. The results obtained from the surveys are discussed below.

8.2 Research Findings

8.2.1 Firm Characteristics

Information on firm characteristics include the number of new firms, year of operation, size of the firm in terms of number of workers and capital, and type of ownership. The new firms in the border trade are defined as the ones who have less than one year of operation as shown in Table 8.2. The ratio of new entrant as per cent of total existing firms in Ranong indicates 11.8 per cent followed by Mukdahan (11.1 per cent), Mae Sod (6.7 per cent) and Nong Khai (5.6 per cent). Thus existence of new entrants in four out of eight border towns under study, that represent average of 4.4 per cent of existing micro and SMEs point to the growing nature of trade, investment and employment opportunity in the border trade.

Average number of year in operation of the enterprises in Klong Yai indicates 6 to 10 years (10 per cent), in Ranong (29.4 per cent), Mae Sai (20 per cent) and Aranyaprathet (30.8 per cent). Many of the companies in this survey started the business more than six to ten years ago, that constituted about 55.8 to 66 per cent. The ratio for Klong Yai indicates 80 per cent.

According to the survey, about 68 per cent of the enterprises were found to be micro-enterprises employing less than 10 workers, while medium-size enterprises employing less than 200 workers accounted for about 21 per cent of total enterprises. Only about 3.7 per cent of

these enterprises were large with employment exceeding 200 workers. The details can be seen in Table 8.3. The small-scale industries were textile and garment, food processing, wood and wood products, furniture, construction materials, metal products, and electrical machinery and equipment. Medium-sized enterprises were textiles, chemicals and chemical products, plastic materials, agricultural machinery and equipment, electric wire and cable, and precision instruments. Finally, large enterprises indicate canned foods, beverages, paper and paper products, rubber and rubber products, nonferrous metal products, electronic parts and components and, electrical appliances and equipment.

In the group of micro and SMEs, about 51 per cent had capital less than 100 thousand baht; 40 per cent had capital of 50 to 100 thousand baht; and the rest exceeded 10 million baht.

Micro enterprises are defined as having between one and ten workers while SME is defined as a business, which employed between 10-200 workers[2]. In terms of capital employed, 32.7 per cent of enterprises acquired 50-100 thousand baht. The enterprises that employed 10 to 50 million baht indicate over 41.2 per cent in Nong Khai. By contrast, 17.6 per cent of firms employed domestic capital: 5 to 10 million baht. In Mukdahan, the enterprises that employed 5 to 10 million baht indicate 33 per cent and the same percentage applies to the enterprises with capital of 1 to 5 million baht.

[2] Details classification of SME can be seen in Paitoon Wiboonchutikula (2000) "The Role of SMEs in Thailand's Economic Development," *Chulalongkorn Journal of Economics*, Vol. 12(3).

Table 8.2 Type of Business, Ownership and Establishments

(Per cent)

	Aranya prathet	Klong Yai	Chiang Saen	Mukda-han	Nong Khai	Mae Sai	Mae Sod	Ranong	Average
(I) Business entry									
< 1year	0	0	0	11.1	5.6	0	6.7	11.8	4.4
1-5 years	7.7	10	50	11.1	5.6	0	0	17.6	12.8
6-10 years	30.8	10	50	27.8	22.2	20	26.7	29.4	27.1
10+ years	61.5	80	0	50.0	66.7	80	66.7	41.2	55.8
total	100	100	100	100	100	100	100	100	100
(ii) Ownership									
private	91.7	100	50	94.4	83.3	100	91.7	76.5	85.9
Cooperative/collective firms	0	0	0	0	0	0	0	0	0.0
joint venture	8.3	0	50	0	16.7	0	8.3	23.5	13.4
foreign subsidiaries	0.0	0	0	5.6	0	0	0	0	0.7
total	100	100	100	100	100	100	100	100	100
(iii) Type of business									
domestic sales only	31.3	50	50	61.9	57.1	60	53.3	57.1	52.6
export only	43.8	50	0	28.6	23.8	20	26.7	38.1	28.9
import only	0	0	0	4.8	9.5	0	0	0	1.8
both export & import	25.0	0	50	4.8	9.5	20	20	4.8	16.8
total	100	100	100	100	100	100	100	100	100
(iv) Establishments									
domestic	93.8	100	100	86.7	92.9	100	100	94.1	95.9
foreign	6.3	0	0	13.3	7.1	0	0	5.9	4.1
total	100	100	100	100	100	100	100	100	100

Source: Calculations based on Appendix Table 8.1

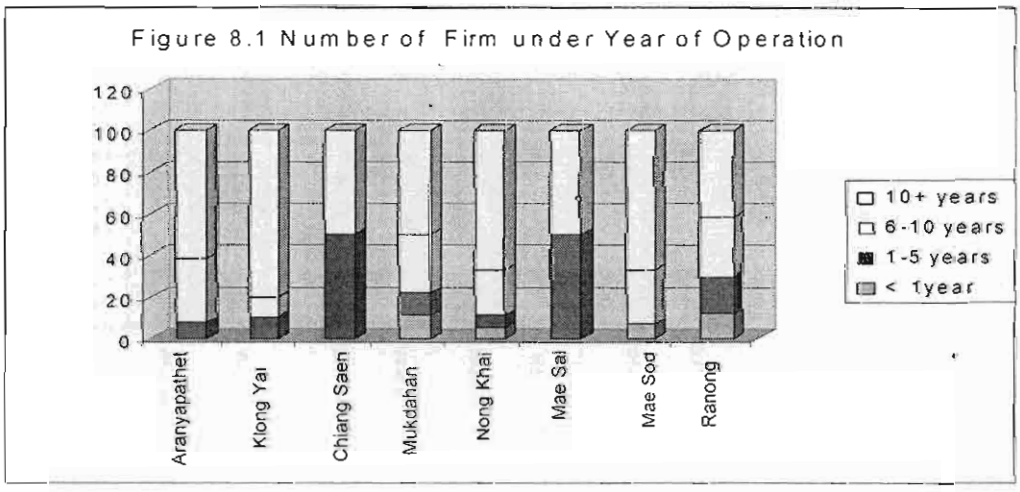


Table 8.3 Firm Size in Terms of Labour and Capital (Per cent)

	Aranya prathet	Klong Yai	Chiang Saen	Mukda-han	Nong Khai	Mae Sai	Mae Sod	Ranong	Average
(a) Number of workers (unit)									
1-4	16.7	54.5	100	58.8	33.3	80	14.3	29.4	48.4
5-9	33.3	0	0	11.8	16.7	0	14.3	17.6	11.7
10-19	33.3	18.2	0	17.6	22.2	10	21.4	11.8	16.8
20-49	8.3	27.3	0	5.9	11.1	10	28.6	17.6	13.6
50-99	8.3	0	0	5.9	11.1	0	14.3	5.9	6
100-199	-	0	0	0	5.6	0	7.1	17.6	3.8
total	100	100	100	100	100	100	100	100	100
(b) Domestic Capital(thousand baht)									
50-100	0	22.2	100	5.6	5.9	100	15.4	12.5	32.7
100+ -500	0	22.2	0	5.6	5.9	0	15.4	31.3	10.0
500+ -1000	27.3	22.2	0	16.7	17.6	0	23.1	6.3	14.1
1000+ -5000	36.4	11.1	0	33.3	11.8	0	23.1	12.5	16.0
5000+ -10000	27.3	11.1	0	33.3	17.6	0	0	31.3	15
10000+ -50000	9.1	11.1	0	5.6	41.2	0	23.1	6.3	12.0
total	100	100	100	100	100	100	100	100	100
(c) Foreign Capital(thousand baht)									
50-100	-	-	-	0	40	-	0	-	5.0
100+ -500	-	-	-	0	20	-	0	-	2.5
500+ -1000	-	-	-	0	40	-	0	-	5.0
1000+ -5000	-	-	-	0	0	-	0	-	0.0
5000+ -10000	-	-	-	100	0	-	0	-	13
10000+ -50000	-	-	-	0	0	-	100	-	12.5
total	-	-	-	100	100	-	100	-	100

Source: Calculations based on Appendix Table 8.2