



## Barriers to Border Trade along the East-West Economic Corridor: The Case of Thailand-the Lao PDR Trade on the Border of Mukdahan Province

Pensri Jaroenwanit and Saran Ratanasithi

**Abstract**— *The objective of this research is to study the barriers impeding trade along the East-West Economic Corridor. The border trade activities between Thailand and the Lao PDR occurring on the border of Mukdahan Province was chosen for this study since this area has been widely accepted as a major entrance not only to Lao PDR but Vietnam basically owing to its geographically advantages. This research employs both qualitative and quantitative research techniques to collect and analyze its data so that the research questions can be answered. It started with compiling qualitative data from various sources and activities prior to operationalizing them via questionnaire survey. Findings show that barriers affecting trade between Thai and Lao PDR can be categorized into three main groups based on sources of these impediments, i.e. barriers induced by overseas economic and political conditions, those derived from factors related to Thai government, and barriers influenced by factors internal to the trading firm. It can be concluded that major sources of border trading barriers are failure of both Thai and Lao public administration to facilitate trade flows between the two countries. Suggestions are thus proposed to Thai central and local governmental authorities to adjust and improve their roles and responsibilities so that we are able to improve border trading performance between the two countries and can expect favorable and sustained consequences of EWEC development project.*

**Keywords**— Barriers, Border Trade, East-West Economic Corridor (EWEC), Mukdahan Province.

### 1. INTRODUCTION

The end of the Cold War has facilitated the expansion of the Association of Southeast Asian Nations (ASEAN). Within this expanded framework, sub-regions have been formed, among them the Greater Mekong Sub-region (GMS), followed by an Ayerawadi-Chao Praya-Mekong Economic Cooperation Strategy (ACMECS). Though literature provides substantial contribution to our understanding of border trading impediments, review results show that literature has consistently ignored investigating border trading activities in South East Asian, specifically Greater Mekong Sub-region, a region where border trade has flourished and continued at least for a few centuries based on written record. We can hardly afford this ignorance any longer given the fact that this subcontinent is under a strong development plan called East-West Economic Corridor (EWEC) as sponsored by Asian Development Bank (ADB).

The East-West Economic Corridor is both a transport system and a framework for cooperation which connects four out of the six countries in the GMS, namely Union of Myanmar, Thailand, the Lao PDR, and the Socialist

Republic of Vietnam. The main objectives of the EWEC are: to further strengthen economic cooperation between and among the four countries; to reduce transport costs in the corridor and make the movement of goods and people more efficient; and to reduce poverty in the corridor by supporting the development of the rural border areas, increasing earnings of low-income groups, providing employment opportunities, and promoting tourism [1].

The EWEC is the first transportation corridor running the entire width of mainland Southeast Asian, a distance of 1,450 kilometers. Major components of the East-West Economic Corridor completed by 2007 included the second Thai-Laos Friendship Bridge at Mukdahan border checkpoint. Mukdahan Province is located on the bank of the Mekong River and is a crucial part of the East-West Economic Corridor. The Second Thai-Lao Friendship Bridge was opened to traffic in January 2007. It links Mukdahan Province with Savannakhet Province in Lao PDR and serves as part of the road network linking four countries in accordance with the EWEC development initiative. It will also foster economic development, trade, and investment in the region [2]. In 2007, following the opening of the Second Friendship Bridge to traffic, cross border trade between Mukdahan and Savannakhet rose by 100 percent than the previous year, and in August 2008 trade amounted to 2.26 billion baht, an increase of 19 percent than the same period in 2007. Out of this volume, 860 million baht was Thai exports to Laos, while 1,400 million baht involved Thai imports from Laos. The growth rate of trade is likely to continue to increase with more influx of foreign investment; however, some imminent barriers were expected to be found because of an inconsistency of governmental policy of both Thai and Laos. Moreover

---

Pensri Jaroenwanit (corresponding author) graduated Ph.D. in Marketing (Thammasat University, Bangkok, Thailand) and is an Associate Professor of Marketing at the Faculty of Management Sciences, Khon Kaen University, Khon Kaen, Thailand, 123 Mitrapharp Road, Muang, Khon Kaen, 40002. Tel. 081-9743732, Fax 043-202402, E-mail: [penjar@kku.ac.th](mailto:penjar@kku.ac.th).

Saran Ratanasithi graduated Ph.D. in Marketing (Thammasat University, Bangkok, Thailand) and is a Lecturer and Director of MBA Program, The Graduate School, Suan Dusit Rajabhat University, Bangkok, Thailand. 491/5 Sukhothai Road, Dusit, Bangkok, 10300. Email: [saran\\_rat@dusit.ac.th](mailto:saran_rat@dusit.ac.th).

the fact that there are many types of border trading in this sub-region, which are formal trade, informal trade, transit trade and barter trade, [3] even complicates the trading relationship. This research was conducted under the attempts to find out what barriers affect Thai-Laos border trade along the East-West Economic Corridor. It focused on the impediments pertaining to the border trading activities of Thai trading firms. The findings were presented and discussed in the context of the international marketing literature. The implications were then drawn for public and private authorities to improve border trading system and procedures.

## **2. LITERATURE REVIEW**

Attempting to answer the general research question of what barriers affect Thai-Laos border trading by utilizing extant body of knowledge, this section scrutinizes and discusses relevant literature. This knowledge collectively reflect importance of the topic of study and elaborate conceptualization, taxonomy, and relationship of each relevant concept and construct. It includes discussion of 3 basic groups of literature, i.e. border trade, Thai-Laos border trade relationship, and barriers to export. Details of all knowledge are presented as follows.

### **2.1 Border Trade**

To be able to have vivid understanding of obstacles to border trade, it is imperative that we first have a clear illustration of border trading activities in term of its conceptualization, taxonomy, and related issues.

#### *Definition*

Office of Commercial Affairs of Chantaburi Province officially defines border trading as various forms of trading among people residing in or business concern incorporated in the borderland area, i.e. village, sub-district, district, or province on the national frontier adjacent to the nation's neighbouring countries [4]. Border trade volume and value are usually small; while its trading process is simple and convenient. Most of goods traded are fundamental products necessary for day to day life, e.g. consumer products, agricultural products, and natural produces collecting from the borderland natural surroundings. Border trading comprises of both legal and illegal trading activities and the legal trading is conducted both through custom process and without passing the custom.

Apart from above definition, border trade is usually characterized by the following aspects. It is a form of international trading which conducting across national border among communities residing along the borders. Border trading is traditional and simple form of international trade exchanging goods that are important in our day to day life basically consumer products [5]. It is traditional in the sense that it has long existed as a part of a walk of life of people living in the borderland; therefore its major objective is not for economic growth but subsistence and relationship of the trading communities. Border trading is simple in the sense that it is basically done via simplest mode of exchange no matter whether negotiation, transportation, or payment. It

is different from the other two forms of international trade, regular and transitional trade, which is conducted principally for economic growth via various and complicated mode of exchange from negotiation, transportation to payment settlement. The regular international trading activities are basically conducted by business entities through massive transportation mode by sea or by air; while in transitional trade, there is a third party nation whose area permitted for transition of traded commodities between two trading nations.

#### *Taxonomy of Border Trade:*

Based on whether a specific trading transaction is recorded by custom officer, border trading is classified into two broad groups of recorded or official and unrecorded or unofficial trades.

1. Official recorded trading transaction is a transaction which goes through custom processes and procedures at custom office or border check point; thus is recorded by custom officer. This type of border trade is usually conducted by licensed traders who are registered and officially allowed to perform specified trading transaction.

2. Unofficial unrecorded trading transaction is a transaction which does not go through custom processes and procedures and hence is not recorded in custom database. It is usually a negligible trading amount of consumer goods conducted by individual trading counterparts.

No matter whether it is done officially or unofficially, border trading usually takes place via one of the following four kinds of border passing point [4].

1. Permanent border crossing point is an official border pass which has to be approved by both countries. In the case of Thailand it has to be approved by the cabinet and then Minister of Interior will be authorized to announce and manage the point. At each permanent passing point, every necessary custom procedures and processes for border trading is performed as well as official procedures and processes of individual migration through the crossing point. The purposes of launching any particular permanent points might be due to trading, or general national relationship.

2. Temporary border crossing point is an official border pass which is usually initiated by the Thai side to facilitate the flow of traded goods across the border; therefore, the launching process of the point is shortened. It is under the authority of the ministry of interior to announce any appropriate pass points temporary crossing points. However, this decision has to be approved by the National Security Council. In launching any particular point, there must be a definite time frame of point validity and there must be no negative consequences on national security.

3. Flexible border check point is also an official border pass point but is usually initiated, launched, and operated by provincial authority under agreement and supervision of the Ministry of Interior. The major purpose of permitting flexible pass through the border is

local in nature. It is launched for maintaining and nurturing the trade and traditional relationship between the local communities situated on the borderland for the sake of humanity.

4. Unofficial geographically possible border crossing point is an unofficial pass point where there is no or minimal natural hindrances impeding border crossing. It is regularly a favourite port of all illegal trading.

#### *Issues related to Border Trading*

Border trading has conferred many economic benefits to Thailand. It helps improve competitiveness of Thai products in the neighbouring markets in term of advantage transportation costs. Border trading also takes part in spurring economic activities both in Thailand and its neighbouring countries [5]. This consequently improves income and standard of living of the regions with minimum intrusion into traditional walk of life of the trading communities as well as minimal destruction of natural resources.

Moreover, border trading amid Greater Mekong Sub-region has a considerable growth potential at least for two important reasons. Firstly, it accounts for only around 30% of total border trading activities of Thailand [6]. This fact is particularly true for Thai-Laos border trading when border trading between Thailand and the other two neighbours, i.e. Myanmar and Cambodia, is relatively problematic in term of international politics and relationship. Specifically substantial amount of trade along Thai-Myanmar border is illegal drug trafficking directly or indirectly conducted by various armed forces of independent minority groups ruling the borderland, e.g. Mon and Karen. While imminent national conflict between Thailand and Cambodia stemmed from Preah Vihear issue and unsolved border line configuration, occasionally threatens smooth trading relationship between the two countries.

Secondly, EWEC project, initiated and sponsored by Asian Development Bank, is an important economic development project that will help stimulate and facilitate economic corporation among neighbouring countries in the region. EWEC aims to create and improve connectivity and competitiveness of the GMS member nations while maintaining and nurturing regional community. Thailand in particular actively participates in EWEC by aligning its national development strategy to those of EWEC [6]. Reference [7] found that every stakeholder on EWEC development pathway including three Northeastern provinces of Thailand, i.e. Khon Kaen, Kalasin, and Mukdahan, has a positive expectation toward EWEC contribution to regional growth and development. These stakeholders include public and private enterprises, and individual worker in both manufacturing and agricultural sectors. The public offices expected to be affected the most are those related to education, health, social working, transportation, and communication; while those private concerns are various service industries, e.g. wholesale, retail, logistics, and agricultural industries.

## **2.2 Thai-Lao Border Trade Relationship**

This section discusses the following topics, i.e. Lao International Trade and Investment Policy, Lao Trade Policy toward Thailand, and issues of trade and barriers to trade in the Northeastern part of Thailand.

### *Lao International Trade and Investment Policy*

Though Lao economy has not yet fully open to international community, it pursues the following international trade and investment policy [8].

1. Lao government requires that foreign investors open bank account in Laos to be qualified for applying for investing in Laos. This account has to be open by individual person acting on behalf of any applying business concerns and once the permission is offered, the account can be converted to business account. Prospective foreign investors have to also pledge an amount of fund as an investment guarantee so that Lao government is confident in those particular overseas investors.

2. Employment recruitment is required that priority of employment offered to Laotian unless there is no Laotian expert and if employed, those foreign personnel are required to transfer their knowledge and skill to Lao employee.

3. Incentives for foreign investors.

a. Government provides satisfactorily protection for foreign investors and their assets including permission to rent a piece of land and transfer this rent.

b. There will be no confiscation or forced reallocation of assets of foreign investors.

c. Foreign investors will be able to transfer back to their home countries or any specified destination any incomes or benefits generated in Laos.

d. There will be no government intervention on market economy and there will be active government support on free market competition.

e. There will be no discrimination on racial or nationality of foreign investors.

f. It is allowed that foreign investors bring in foreign experts to work in their investment projects.

g. There will be fully support and facilitation on arrival and departure of foreign investors.

h. Laos is granted generalized system of preference privileges from EU on textile and garment which will benefit foreign investors investing in these industries.

i. Laos is an ASEAN member who is obliged under AFTA to reduce and finally eliminate its tariff and non tariff barriers to trade among the member countries.

4. Tax privileges for foreign investors.

a. 2-4 years business income tax exemption depending on types of project.

b. Import tariff reduction to 1% on import capital goods and their components and parts together with raw materials.

c. Preferable business income tax rate of 20% for investment project located in urban areas, 15% for the project located in rural areas, and 10% for the project located in remote areas.

d. Tax exemption on export or re-export products.

e. Tax exemption on raw material imported for export production.

f. Possible tax exemption for mega investment projects.

g. Avoidance of double taxation between Thailand and Laos enable Thai investors to reduce tax burden in case their incomes have been already taxed in Laos.

#### *Lao Trade Policy toward Thailand:*

Thai-Laos agreements on trade and investment promotions are as follow.

1. The two countries will cooperate in promoting investment in various sectors, e.g. contract farming projects, construction of agricultural produces processing plants, development of investment estate in Savan-Seno special economic zone, development of Udomchai city to be commodity distribution center, on-route breaking points of land fleet transportation, and modern shopping center. For tourist sector, Thai and Laos will jointly encourage joint venturing between business entities of the two nations to develop trade and investment infrastructures especially en-route number 9 which starting at the second Thai-Laos friendship bridge in Mukdahan Province of Thailand and destine to Savannakhet Province of Laos.

2. There are also transportation and custom cooperation. Thai and Laos will work together to solve border crossing problems and eliminate border trade obstacles. There will be an exchange of custom procedures and processes between the two countries to facilitate flow of goods through the border pass points. Moreover, Thailand will help improving Lao labour productivity based on request of Lao organization. Other assistances are for instance providing academic support for feasibility study of launching a central product market and training Lao officers to support launching of custom single stop inspection at any crowded border crossing points.

3. Thailand will help develop Lao local products and facilitate Lao local entrepreneur participation in international trade show in Thailand.

4. There is also private to private cooperation between Thai and Lao businesses by establishing Thai-Laos Chamber of Commerce. This will lead to business matching and capital joint venturing between business counterparts of the two countries. Moreover, memorandum of understanding was signed for academic cooperation in various disciplines, e.g. agriculture, processed agriculture, cultivation of energy substitution plant, mining, and environment.

#### *Issues and barriers to trade in the Northeastern part of Thailand*

There are two most important issues concerned by several seminal works related to trade investment and development in the Northeastern part of Thailand done within the last 5 years. These topics are consequences of EWEC development project and factors related to success of regional economic development. The former basically relates to economic effects of EWEC on regional communities and industries in term of development status or prospect and strategy of provinces, especially Mukdahan, or groups of provinces and industries along EWEC developmental path [7], [20]-[25]. The latter deals with factors related to success of regional economic development led by industrial activities and border trading [23], [26], [27].

For the first issue, overall results indicate that Northeastern provinces along EWEC path, especially Mukdahan, Kalasin, and Khon Kaen, will be centers of most economic activities; therefore will benefit from economic growth and development led by increasing level of trade and investment in the region. Khon Kaen will become a hub of human resources development and a logistics center of export agricultural products especially tapioca and sugar related industries, while Kalasin will be a logistics center of rice export processing [20], [21]. Reference [21] indicates that agricultural, industrial, and trading activities conducted along EWEC path way will all benefit provided that provincial authorities adapt their strategic development plan in such a way that they are aligned with EWEC strategic thrust. She suggests that provincial officers actively initiate friendly cooperation plan with Laos in agriculture, trade, tourism, and investment. Reference [21] points out that jasmine rice, and organic agriculture, has a bright opportunity and should be actively promoted; while sunrise industries are processed agriculture, traditional textile, automobile, mining, electronics, tourism, and logistics. She also encourages improvement of trade and investment infrastructures, labor skill, and custom procedures and processes to improve quality and competitiveness of Thai products and to boost every economic activity and promote sustainable development.

However, there is a glaring worry of imbalance effect of economic growth and opportunity derived from EWEC. Reference [22] pointed out that growth is unequally distributed between urban and rural areas of Mukdahan Province. They explained that majority of people in Mukdahan who is farmers living in remote areas gets less benefits from EWEC than big trading and industrial businesses. They questioned whether the former provincial development plan has captured and integrated opinion and need of majority agricultural communities. Reference [22] believed that there is no linkage between traditional economic activities and development direction under EWEC.

Regarding the factors related to success of border trading, there are both stimulating and impeding components. Reference [27] found that SMEs in the Northeastern area have moderate difficulty in entering into export business; yet they require government assistance in export business education and training in various functional areas, e.g. marketing, finance,

accounting, production, and logistics. They also need support in their human resources development scheme. Reference [23] found that there is still the lack of cooperation among various government offices responsible for facilitating border trading, the event that deteriorates enhancing trading opportunity provided by construction of the second Thai-Lao friendship bridge in Mukdahan. These unorchestrations happen in every combination of cooperation level from central agency, regional, to local offices. Moreover, there is also a lack of cooperation between Thai and Lao public concerns.

There are also various trade impediments stemmed from the Lao sides. There are insufficient and inappropriate trade infrastructures in Laos. There is still the lack of trust on Thai sincerity in trading with Laos; therefore Lao authority still imposes trade barriers on Thai products, e.g. import tariff, and import quota on such products as cement, vegetable oil, steel rod. Lao's custom procedures and processes in each border crossing point are not standardized; the situation that leads to corruption of Lao officials. Volatility of Kip (Laotian currency) increases risk of payment settlement and thus discourages trade. Unofficial and illegal trading still prevails along Thai-Lao border [5].

### **2.3 Barriers to Export:**

Export barriers have been interested and investigated by export marketing scholars since 1960's [9], [10]. This is due to the fact that export is essential to economic growth and development especially for emerging economies whose domestic market potential is constrained and that globalization sentiment grows ever faster and deeper [11], [12]. Moreover, there is a tenet that identification and elimination of export impediments will not only encourage business to start exporting but also to enable active exporters to improve their performance [13].

There are continuing academic endeavor on the topic of export barriers ever since early 1960s [9]. Early works basically focused on identifying and taxonomizing the construct; however, interests in later works were slightly shifted to attempting to explain and understand export behavior and performance of firms [10], [14]. Probably clear interest in export barriers started again in 1985 when a study attempted to identify underlying factors of export barriers facing U.S. paper industry [17]. During 1990s interest in export barriers was at its peak when there were several studies released covering various geographical contexts [18]. However, currently it seems that there is declining interest in the field of export barriers when scholar working in the field may get stuck amid inconclusive results generated so far [11]. Thorough review of studies related to exporting activities in the last 4 decades can be seen in extant literature [13], [15], [16].

#### *Definition*

Reference [18] proposed that barriers to exporting are all those attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop, or sustain international operations. This proposed definition is utilized in this research study.

#### *Taxonomy*

The probably most exhaustive taxonomy of export barriers configures four types of export barriers [18]. These are internal-domestic, internal-overseas, external-domestic, and external-overseas export barriers. This typology is derived from the notion that export barriers can be generated within and outside of the firm; while they are able to happen domestically or abroad. It is very likely that typology of export barriers more applicable to SMEs exporters should be simpler; therefore the four dimensions taxonomy might have to be collapsed to two dimensions of domestic and overseas export barriers [12]. Reference [19] argued that the possibly most suitable taxonomy of export barriers for exporter from developing economies is the two dimensions of domestic and internal-firm export barriers. His robust theoretical rationale behind this typology derived from trade and development economics literature which posit that national governments are genuine sources of any export barriers external to the firm no matter they occur domestically or overseas; while internal-overseas component seems to be irrelevant considering very limited overseas operation of firms from less developed countries.

#### *Issues related to Export Barriers*

Studies of export barriers are basically engaged in identifying possible export barriers, taxonomizing these emerging obstacles, and investigating their relationship with relevant factors as firm characteristics and strategy, firm export experience, and time horizon of export operation. Moreover currently the focuses are on SMEs exporter and emerging economies context [11], [12]. Reference [12] found that there are some underlying factors that are not subject to idiosyncratic characteristics of SMEs exporting firms but are stable and always exercise their effect on firm export operation. These barriers are information inefficiencies, price competitiveness, foreign customer habit, and overseas political and economic issues. Reference [11] found that latent dimension of export barriers as perceived by Brazilian firms are stable across extended period of time. These components are low product and price competitiveness, lack of knowledge and resources, and institutional barriers. However, exporter perceived increasing barriers as they gain more experiences. They are surprised of this results which are contrary to mainstream belief and witnesses. Reference [11] justify this contradiction by hinge on current malign economic situation which very likely lead to firm's pessimistic sentiment toward barriers confronting them.

### **3. METHODOLOGY**

The research methods comprised of both qualitative and quantitative techniques. It was started with compiling qualitative data from various sources and activities prior to operationalizing the qualitative findings. Its qualitative endeavours included archival data investigation, in-depth interview and focus group discussion. In-depth interview was done with 20

informants comprising of scholar who are academic border trade researchers and experts of the field who are experienced or successful border traders and government officers in charge of border trading activities. Focus group was conducted with 11 active border traders from various trading sectors.

Then quantitative field survey research method was conducted by using questionnaire as a data collection tool. The sampling frame for this study consists of representatives from Thai firms. These target respondents are in managerial position either owners or decision-makers who directly involve in their company's Thai-Laos border trading at Mukdahan check point. The sampling frame is based on the border traders' database provided by Mukdahan custom office. There were 105 border trading firms in this database. Based on this number, purposive sampling method was used by specifically focusing on only regular trading firms. Owing to the relatively small size of the sampling frame, data were collected by personal interviews in an attempt to enhance the rate of respondent participation. Sixty firms within the sampling frame were approached and attempts were made to solicit responses from each of them. A total of 37 firms consented to supply the necessary information. Descriptive statistical analysis method was employed for analyzing the surveyed data to validate and confirm qualitative results of this research.

**4. RESULTS**

This paper finds that there are 3 broad groups of export barriers hindering border trading between Thai-Lao Border of Mukdahan Province. These barriers are barriers related to overseas political and economic conditions, barriers related to Thai Government roles and its policy and regulation, and barriers related to internal-firm factors which are discussed as follows.

1. Barriers related to overseas political and economic conditions. This is the most serious group of barriers consisting of 6 particular obstacles (See Table 1) which are as follows.

a. Lao international trading system that is not facilitating border trading. These impediments range from undeveloped Lao international trading system, awkward procedures and complicated processes of export and import activities, and unstable of these systems with unexpected or unannounced changes.

b. Lao international trade policy that implicitly favoring trading with China and Vietnam. This preference can be inferred from at least a few observed trading behaviors with or rules and regulations toward Thai counterpart. There is a reduction and restriction of number of import agency importing from Thailand. Moreover transportation from Thailand is still subjected to border crossing fee which should be at least reduced or eliminated as soon as possible.

c. Poor and obsolete international trading infrastructures of Laos especially road system linking Thai and Vietnam. The inappropriate states of road, for instance narrow width, non smooth surface, which lead to either direct or indirect deterrence to trading both in

term of delayed transportation and risk of damages to transported products. Moreover, there is a lack of supporting logistics no matter whether they are warehousing, or loading and unloading facilities.

d. Low purchasing power of Lao people owing to their low per capita income; thus their inclination to price sensitivity buying behavior. This barrier puts Thai products in a disadvantage position relative to both Chinese and Vietnamese products which are by far relatively price competitive.

e. Misbehavior and unethical practices of Lao businessmen especially in keeping promise of payment settlement. This barrier leads to restriction of trade when Thai traders have to minimize their credit risk by reducing open account trading volume. At the same time they have more burdens struggling to increase their working capital to finance these overdue trade account receivable.

f. Competition from lower quality but considerably cheaper counterfeiting products from China and Vietnam.

Table1: Barriers Related to Overseas Political and Economic Conditions

Barriers	Mean	SD.	Level of Importance
Competition from lower quality but considerably cheaper counterfeiting products from China and Vietnam.	4.84	1.21	Very important
Lao international trading system that is not facilitating border trading.	4.78	1.44	Very important
Poor and obsolete international trading infrastructures of Laos especially road system linking Thai and Vietnam.	4.35	1.60	Very important
Misbehavior and unethical practices of Lao businessmen especially in keeping promise of payment settlement.	4.16	1.69	Very important
Lao international trade policy that implicitly favoring trading with China and Vietnam.	3.97	1.61	Quite important
Low purchasing power of Lao people owing to their low per capita income; thus their inclination to price sensitivity buying behavior.	3.92	1.69	Quite important

Remarks	Scale	Importance
1.00 – 1.83	is	not important
1.84 – 2.67	is	less important
2.68 – 3.50	is	not quite important
3.51 – 4.33	is	quite important
4.34 – 5.17	is	very important
5.18 – 6.00	is	most important

2. Barriers related to Thai Government roles and its policy and regulation. This group of barriers consists of 6 particular obstacles as follows (See Table 2).

a. Lack of efficiency of government agencies relevant to border trading. It is alleged that Mukdahan governor does not have constructive vision toward border trading activities. Moreover it appears that Mukdahan administration has not had explicit strategic plan that specifies direction, action, and time frame of its promotion and assistance to trade and investment yet. It has been accused that some government agencies possess abundant trade and investment information but are not capable of disseminate this information to relevant business communities.

b. There is a lack of cooperation between government agencies, between government agencies and private agencies, and between Thai and Lao agencies.

c. There is no particular government agency responsible for monitoring and researching Lao Market. This leads to the lack of Lao market information no matter whether consumer behavior, market structure and



competition, distribution channel, and updated trade and investment rules and regulations.

d. Obsolete law, together with complicated, and inflexible rules and regulations related to border trading. These unfavorable legislative and regulative environments collectively deteriorate border traders' intention and ability to trade.

e. Consistent and substantial unofficial trading along Thai-Lao border discourages border traders who conduct trading activities correctly since it turns out that those traders following official trading tracks ending up with cost disadvantage and losing market to those unofficial traders. Moreover grey marketing activities generated by this unofficial trading flows inhibiting Lao businessmen from being appointed authorized dealers of Thai business organization.

f. Poor productivity owing to rising costs of inputs as aggravating by poor input productivity especially labor productivity deteriorates the existing inferior of cost disadvantages position of Thai products. Oil price surges sharply owing to uncontrollable international economic and political conditions as aggravated by poor and insincere national energy plan. This leads to cost increases in various activities relating to border trading activity especially transportation cost. Thai labor productivity have been consistently poor owing to poor curricular and extracurricular self support education which their essences are distorted to degree-driven inspiration instead of developing necessary productive skill as governed by moral sentiment and public minded.

exploit their counterpart from delivering low quality products, providing no or poor after-sale services, to charging unfair prices.

Table3: Barriers Related to Internal-Firm Factors

Barriers	Mean	SD.	Level of Importance
Misbehavior in conducting business such as competing basically on price protocol, minimizing cost by using every possible means no matter whether they are legitimate or not.	4.43	1.66	Very important
Practicing unethical trading by taking every possible opportunity to exploit their counterpart.	4.05	1.72	Quite important
Most Thai border traders seem to be lack of vision and proactive marketing strategy in doing trading.	4.00	1.60	Quite important
Conducting business with traditional manner leads to risky operations such as giving trade credit to customers without legal documents.	3.59	1.61	Quite important

Remarks	1.00 – 1.83 is	not important
	1.84 – 2.67 is	less important
	2.68 – 3.50 is	not quite important
	3.51 – 4.33 is	quite important
	4.34 – 5.17 is	very important
	5.18 – 6.00 is	most important

### 5. DISCUSSION AND RECOMMENDATION

This paper discussion consists of two basic parts which are firstly making sense of our border trading typology of 3 groups of barriers as comparing to existing knowledge reviewed, and secondly elaborating on detailed impediments vis a vis extant empirical works available. Then this section puts forward some recommendation to every level of government agency related to Thai-Lao border trading activities. It ends with proposing a few relevant future research opportunities.

Finding that there are three groups of export barriers, firstly those related to overseas economic and political conditions, secondly those related to domestic governmental services, and thirdly those related to firm's internal factors, our paper provides another piece of evidence supporting the extant literature that export barriers literature is still characterized by inconclusive results [11], [12]. Moreover, contextual factor, specifically border trading activities between two developing economies, play important role in determining typology of trading barriers.

The resulting three groups of border trading barriers are not consistent with any existing typologies, which is probably attributable to border trading contextual specific. The typology resemblances the extant literature in the sense that trade impediments can be divided into domestic and overseas factors [12]; however, in border trading context, those barriers related to firm's internal factors are so outstanding and idiosyncratic relative to those occurring in the extant literature that they cannot be sub-divided into either domestic or overseas groups rather they should be united as a single group of barrier. This is due to the fact that border trading has its very idiosyncrasy in the sense that the activities taking place on the borderland. This special territory has its very unique characteristics since although legitimately divided by the two nations' sovereignty, behaviorally is united in term of people's walk of life and business patterns. This research typology of export barriers thus is not the same as those proposed by the past research [18].

This research typology is also similar to the past research in that there are external and internal firm barriers; however, the external factors are so imminent that they cannot be included in the group of domestic barriers and deserve being set apart as another group of

Table2: Barriers Related to Thai Government Roles and Its Policy and Regulation

Barriers	Mean	SD.	Level of Importance
Rising costs of inputs as aggravating by poor input productivity especially labor productivity deteriorates the existing inferior of cost disadvantages position of Thai products.	4.76	1.67	Very important
Lack of efficiency of government agencies relevant to border trading.	4.38	1.36	Very important
There is no particular government agency responsible for monitoring and researching Lao market.	4.35	1.27	Very important
Traders who conduct trading activities correctly and follow official trading tracks ending up with cost disadvantage and losing market to those unofficial traders.	4.11	1.37	Quite important
Lack of cooperation between government agencies, between government agencies and private agencies, and between Thai and Lao agencies.	3.81	1.66	Quite important
Obsolete law, complicated, inflexible rules, and regulations related to border trading.	3.59	1.55	Quite important

Remarks	1.00 – 1.83 is	not important
	1.84 – 2.67 is	less important
	2.68 – 3.50 is	not quite important
	3.51 – 4.33 is	quite important
	4.34 – 5.17 is	very important
	5.18 – 6.00 is	most important

3. Barriers related to internal-firm factors. There are 2 barriers in this group as follows (See Table 3).

a. Most Thai border traders seem to be lack of vision in doing trading. They are short-term oriented preoccupied with and place much more importance on year to year profit outlay than long-term overall performance of the trading activities.

b. The aforementioned mal-attitude in conducting business leads to risky and misbehavior business operations such as competing basically on price protocol, minimizing cost by using every possible means no matter whether they are legitimate or not, and practicing unethical trading by taking every possible opportunity to

overseas economic and political conditions [19]. This further division is basically due to the fact that some economic and political conditions of Laos, i.e. trade and investment policies, trade infrastructure, and Laotian purchasing power, are matters of Lao internal affairs that are beyond direct intervention of Thai government. These impediments internal to Laos are not or hardly related to Thai government involvement; hence, should not be considered domestic government related barriers.

This research's finding of governmental related trading impediments is very interesting in the sense that it reminds of urgent adjustment needed if both Thai and Laos would like to collect as much benefits as possible from mega development project like EWEC. These results imply that both Thai and Laos are not going to gain much from EWEC as long as their state services and cooperation are still weak. Therefore, strategic adjustment of local administration together with international cooperation are needed, especially in potential economic activities as agriculture, trading, and tourism, if Thai and Laos were to benefit from EWEC [21]. Improvement of cooperation between Thai and Lao public and private organizations are also recommended as echoed in the extant research [23].

Moreover the findings showing poor trading practices are consistent with results found in past research [27]. This suggests that it might be appropriate to establish a government agency responsible for monitoring and researching Lao market and cooperate with Lao government. The task of this special organization will cover knowledge creation, and dissemination, and training and development of border trading concerns. Upgrading or improving functions or services of regional overseas trade office of the Department of Export Promotion should be considered. In addition, poor productivity and trade infrastructures should be improved as well as integration of processed agriculture, and traditional textile industries into the trading stream if we would like to see local communities participating in EWEC.

If sustainability of development and fair income distribution are truly important, local community participation in the local strategic development plan is actively encouraged. This provides strong support for the extant research calling for reviewing local development plan to incorporate local people's walk of life and traditional economic activities so that everyone affected by EWEC fairly gain from this mega development scheme [22].

Furthermore, proposition specific to every level of government agencies related to Thai-Lao border trading activities are also provided.

Central governmental administration might consider announcing border trading a national agenda so that persisted governmental support can be secured. Government initiative and active role in pushing the reviewing of law and regulations applicable to border trading is also suggested. Early setting up new agency or improvement of existing agency that is responsible for looking after Lao market is also imperative. This particular organization will be responsible for conveying collected information and generated knowledge to border

traders so that their competitiveness and productivity can be improved. It should also act as a coordinating agency that links every related public and private agency together and orchestrates everyone's direction and strategy.

Ministry of foreign affair has a major role in this promising economic activity. It might have to consider work actively in adjusting Lao national administration's negative attitude toward Thai government trade and investment policies related to Laos. Every level of Thai diplomats might also have to consider adjusting their role to actively participate in improving trading opportunity and relationship with Laos. These adjustment will in turn help convince Lao authority to adjust their policy in a more favorably fashion toward Thai trade counterpart.

Custom office is also a very critical part of trading jigsaw. Its facilitating and transparent procedures and processes will be considerably appreciated. Custom's one stop services initiation is very fascinating but implementing this scheme has to be active, cooperative, and consistent. Custom officers' role in inhibiting or even eliminating unofficial trade will also very helpful to encourage traders who adhere to official moral practices.

Provincial administration's role in incorporating local community into developing local and national development plan is vital since they are supposed to know the best of every relevant traditional requirement. Moreover, it should work closely with custom officers in inhibiting or eliminating unofficial and illegal trades along the border.

Finally, future research opportunities are projected so that further academic endeavor in the field of border trading can be initiated. Extending from this qualitative enquiry by conducting main quantitative empirical study to clarify confirm and generalize the findings of this study is strongly encouraged. Conceptualization and taxonomy of export barriers need further quantitative exploration. Dependent relationship between export barriers and their strategic and performance consequences are also very interested research topics. Intervening role of such interesting macro variable factors as local cultures, political stability and regional relationship and security or micro firm level factors as size, experiences, and export development stages are also needed research intention.

## **6. CONCLUSION**

Considering barriers collectively, some interesting issues are emerged. It might be able to say that Thai and Lao government are not absolutely successful in performing their role of promoting border trading between the two nations since they have lack of efficiency in supporting trade, they do not cooperate well, and they do not reshuffle related law and regulations in time. The Lao side might be of a little disadvantage because of their poor trade infrastructures and weak purchasing power of their people. Business sectors of the two trading countries are not quite good in term of their way of running border trading activities. Active national and local administration improvement of their roles and responsibilities are of extreme priority if Thai-Lao border



trading is going to prosper sustainably as a part of EWEC mega development project.

#### ACKNOWLEDGMENT

The authors would like to express sincere appreciation to Khun Srisawang Toomdee, a custom officer at Aranyaprathade custom office, who consistently assists in providing required information and giving valuable advices relating to border trading activities.

#### REFERENCES

- [1] Global Policy Forum. The East-West Economic Corridor. Retrieved August 31, 2009 from the World WideWeb:<http://www.globalpolicy.org/component/content/article/211/44438.html>
- [2] Inside Thailand. Thai-Lao Border Trade in the Northeastern Province of Mukdahan is on the Rise. Retrieved August 31, 2009 from the World Wide Web:<http://thailand.prd.go.th/print.php?id=4007&ty pe=inside>.
- [3] Than, Mya. 2005 Myanmar's Cross Boarder Economic Relation and Cooperation with the People Republic of China and Thailand in the Greater Mekong Sub region. *Journal of GMS Development Study*, 2, 1 October 2005.
- [4] Office of Commercial Affairs, Chanthaburi. 2007. Retrieved May 28, 2007 from the World Wide Web:<http://www.moc.go.th/opscenter/jr/intertrade1.htm>.
- [5] Department of International Trade, Ministry of Commerce of Thailand. 2007. Retrieved May 25, 2007 from the World Wide Web: <http://www.dft.moc.go.th>.
- [6] The Northeastern Strategic Institute. 2006. Report on the Workshop Conference titled: Strategy for Trading, Investment and Tourism along the East West Economic Corridor: EWEC.
- [7] Apichatvullop, Yoawalak. 2007 .Contest Meanings and Expectations of the East-West Economic Corridor in Thailand. Faculty of Humanities and Social Sciences. Khon Kaen University, Khon Kaen, Thailand.
- [8] The Secretariat of The Prime Minister.2008. Retrieved June 20, 2008 from the World Wide Web: <http://www.thaigov.go.th/moblie/more.asp?pageid=451&directory=17/81&conte>.
- [9] Perkett, W. O. 1963. An Analysis of the obstacles to increased foreign trade which confront British Columbia industrial machinery manufacturers. Ph.D. Dissertation, University of Washington, Seattle, Warshington.
- [10] Tookey, D. A. 1964. Factors associated with success in exporting. *The journal of Management Study* (March):58-64.
- [11] Da Rocha, A.; Freitas, Y. A.; and Da Silva, J. F. 2008. Do perceived export barriers change over time?: A longitudinal study of Brazilian exporters of manufactured goods. *Latin American Business Review* 9(1): 102-128.
- [12] Leonidou, L. C. 2004. An analysis of barriers hindering small business export development. *Journal of Small Business Management* 42(3): 279-302.
- [13] Bilkey, W. J. 1978. An attempted integration of the literature on the export behavior of firms. *Journal of International Business Studies* 9(1): 33-46.
- [14] Bilkey, W. J. 1982. Variables associated with export profitability. *Journal of International Business Studies*. (Fall).
- [15] Aaby, N.-E. and Slater, S. F. 1989. Management influences on export performance: A Review of the empirical literature 1978-1988. *International Marketing Review* 6(4): 7-26.
- [16] Zou, S. and Stan, S. 1998. The determinants of export performance: A review of the empirical literature between 1987 and 1997. *International Marketing Review* 15(5): 333-56.
- [17] Bauerschmidt, A.; Sullivan, D.; Gillespie, K. 1985. Common factors underlying barriers to export: Studies in the U.S. paper industry. *Journal of International Business Studies* (Fall): 111-23.
- [18] Leonidou, L. C. 1995. Empirical research on export barriers: Review, assessment, and synthesis. *Journal of International Marketing* 3(1): 29-43.
- [19] Ratanasithi, S. 2005. The role of product and price adaptation strategy, and skill-intensity in firm export behavior :The case of Thai manufacturing export. Bangkok: Ph.D. Dissertation, Thammasat University.
- [20] Pooorisome, K. 2004. Analysis of expected benefits to Thailand from construction of the second Thai-Lao Mekong Bridge. Khon Kaen: Independent Study for Master Degree in Economics, Khon Kaen University.
- [21] Manmard, L. 2006. Analysis of strategy of province/group of provinces relating to East-West Economic Corridor (EWEC). Khinkaen: The Northeastern Strategic Institute of Khon Kaen University
- [22] Poorothaganon, M. 2007. Promotion of local mechanism for managing development impact of East-West Economic Corridor (Mukdahan Province). Bangkok: Faculty of Political Science, Thammasat University.
- [23] Jarusombat, S.; Sirichoke, K.; Tantrajin, P.; Noochmon, C. 2006. Preliminary study for developing proposal of East-West Economic Corridor (EWEC) and launching of Mekong bridge between Sawanakheth-Mukdahan: Study for preparation of natural environment management system of border according to strategy of opening to Indo-China by employing Mukdahan as a trading and tourist destination. Bangkok: Thailand Research Fund.
- [24] Jirathiwat, S.; Ratanapanakoon, S.; Pornchavisatekoon, P.; Rachathorn, P.; and Viboonthitakoon, P. 2004. Economic impact of East-West Economic Corridor (EWEC): The case of the 9<sup>th</sup> Road. Bangkok: Thailand Research Fund.
- [25] Pa-em, T. 2005. Strategy for promotion and development of cooperation in sub-region: Implementing EWEC EWEC. Bangkok: Economic Competitiveness Improvement Agency.

- [26] Lavongkerd, C. 2007. A study of need for basic infrastructure in logistics for development along East-West Economic Corridor (EWEC). Khon Kaen: Master Degree Thesis, Khon Kaen University.
- [27] Jitviboon, M. 2007. Export Promotion Strategy for SMEs in Northeastern region. Master Degree Thesis of Khon Kaen University.