

# **Study Conducted a Quality Assessment of Lao PDR's Trade Statistics by Comparing Lao PDR's Export-Import with Thailand's Import-Export**

## **I. Introduction**

After Lao PDR was started new Policy Economic Mechanism in the year 1986 in order to welcome foreign trade and investment to supported its socio-economic development. As a result, foreign trade and investment plays importance role in such policy. While talking about the foreign trade much looking to Thailand as a priority. Thailand is one of the neighboring countries with Laos that both country had opened international checking point up to 2015, there are 26 international checking points that promotes the import and export policy of both Laos and Thailand. There are three kinds of Laos and Thailand trading first is under the bilateral trade, second is under the Asean Integration System of Preference and third is under the.

Under the bilateral trade, in 2007, Thailand was ranked at the 27<sup>th</sup> of the world's largest import markets, its total imports were US\$ 140.8 billion accounting for 1% of the world imports. Thailand trades with 207 countries around the world. In 2007, Lao PDR was ranked as Thailand's 35<sup>th</sup> supplier of imports. Lao PDR's major exports to Thailand are electricity, wood products, rattan/bamboo, minerals, forestry products, garment, agricultural products (cabbage, dried coax, bananas, maize, yellow beans, potatoes, dried mulberry bark, ginger, sesame, palm seeds, tamarind, and animal skins). Lao PDR's products are eligible to access Thai market with lower tariffs under the AISP and CEPT scheme.

Under the Asean Integration System of Preference, since 2003, Thailand has granted unilateral tariff preferences for 252 tariff lines under the Asean Integration System of Preference (AISP) scheme to Lao PDR. From the 252 tariff lines there are 160 products that have zero percent import duties (garment, maize, dried coax, soft drinks, minerals, fruits and vegetables and forestry products), and the remaining have 5% import duties (live animals, wood products, garments and some agricultural products). The agricultural products are listed in HS Chapters 07 to 24; mineral products; wood products are listed in HS Chapters 94, and garments and textiles are listed in Chapters 61 to 62 of ASEAN Harmonized Tariff Nomenclature.

Under the ASEAN Free Trade Agreement/Common Effective Preferential Tariff (AFTA/CEPT), Lao PDR can also export to Thailand under the CEPT scheme with low import tariffs of 0 to 5%. Tariff lines under this scheme can be divided into three lists: 1) List of products that have 0% import duties consist of 5,380 tariff lines including agricultural products, food products, industrial products, forestry products, leathers, live animals and minerals; 2) List of products that have 5% consist of 5,455 products including agricultural products, wood products, industrial products, forestry products, leathers, live animals, some minerals; and 3) List of products that are placed in the Sensitive List consist of 20 agricultural products (8-digit HS Code).

Countries should pay attention to the quality of macroeconomic statistics to have an accurate basis for policy making. Trade statistics is one of the core statistics that countries need for effective policy planning and implementation on various fronts. In drawing up trade policies, including Free Trade Agreement (FTA) negotiations and implementations,

quantitative-based analyses are necessary to come up with negotiating positions and to assess the impacts of an FTA. Accurate trade statistics is also necessary for effective economic surveillance conducted at the domestic, regional, and global levels. Most international databases publish Lao PDR's trade data based on estimates using partners' statistics and the majority of research on the Lao economy usually uses such data. Lastly, from the government's point of view, accurate data collection by border agencies (e.g. the customs office) is critical for revenue collection.

## II. Quality Assessment of Lao PDR's Trade Statistics

### 2.1 Trade of Lao PDR to 5 Country Partners

Table 1. Trade of Lao PDR to 5 country Partners (million \$)

	Partners' Side Statistics (Partners' Imports) A	Lao PDR's Side Statistics (Lao PDR's Exports) B	Average Data (A+B)/2	Discrepancy (A-B)	Import/Export Ratio (A/B)
Thailand	650	383	516	267	1.70
Vietnam	281	148	214	133	1.90
China	150	43	96	107	3.50
South Korea	62	82	72	-20	0.76
United States	39	34	36	4	1.12
France	26	36	31	-10	0.72

The table 1 above shows the overview of Lao PDR's exports to major partners. The import/export ratios of Lao PDR's exports to top three partners, Thailand, Vietnam and China, are significantly higher than 1.1. This means that Lao PDR's reported export values appear significantly smaller than those partners' import values. On the other hand, the import/export ratios of the Republic of Korea, and France are significantly lower than 1.1, which means that Lao PDR's export values appear significantly bigger than those partners' import values. The United States is one of the few countries whose import/export ratio is close to 1.1.

### 2.1 Trade of Lao PDR to Thailand

Table 2. Mirror Data of Trade from Lao PDR to Thailand

Thailand's Major Imports from Lao PDR				Lao PDR's Major Exports to Thailand		
HS	Name	Value (\$ Million)	Share to Total (%)	Name	Value (\$ Million)	Share to Total (%)
74	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	479	46.60	Fuel and Gas (I-1 and IV-4)	297	43.55
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	238	23.15	Vehicle and Parts (I-2 + II-9 + IV-5)	129	18.91
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	154	14.98	Raw Materials for Imported Garments (I-4)	96	14.08
72	Iron and steel	84	8.17	Products for	84	12.32

				Industry (II-8 and IV-2)		
73	Articles of iron or steel	73	7.10	Construction Materials (II-3 and IV-1)	76	11.14
Total of Thailand's Imports from Lao PDR		1,028	100.00	Total of Lao PDR's Export to Thailand	984	100.00

Comparing Lao PDR's major imports from Thailand's major exports to Lao PDR, it is observed that while major traded products reported by the 2 sides are somewhat similar, except for "raw materials for garments" on Lao PDR's side, Lao PDR's import values are significantly smaller than Thailand's export values (Table 13). We can say that Lao PDR's side values are significantly smaller because import values are supposedly larger than export values, in particular, if we consider the fact that Lao PDR is a landlocked country where the CIF/FOB gap usually becomes large. The major source of discrepancy is between HS 27 from Thailand's side and a similar commodity group from Lao PDR's side – "fuel and gas." Thailand's statistics show that it has a huge export of HS 27 to Lao PDR (\$479 million) while Lao PDR reports a significantly smaller import of such products from Thailand (\$297), resulting in a discrepancy of 18 \$182 million. The second largest source of discrepancy, amounting to \$109 million, is between HS 87 (\$238 million) from Thailand's side and "vehicles and parts" (\$129 million) from Lao PDR's side. The third largest source of discrepancy amounting to \$81 million is between HS 72 and HS 73 from Thailand's side (\$157) and "construction materials" from Lao PDR's side (\$76), which may include iron and steel.

**Table 3. Estimated Tariff Revenue Losses on Lao PDR's Import from Thailand**

	Lao PDR side import data (\$ Million) A	Thailand side export data (\$ Million) B	Difference between the two (\$ Million) A - B	Average preferential tariff (%) C	Estimated revenue loss (\$ Million) ((B-A)*C)/100
HS 27 in Thailand's statistics and its counterpart commodities in Lao PDR's statistics	297	479	-182	5	9.1
HS 87 in Thailand statistics and its counterpart commodities in Lao PDR's statistics	129	238	-109	27.8	30.3
HS 72 and 73 in Thailand's statistics and its counterpart commodities in Lao PDR's statistics	76	157	-81	1.3	1.1

We look at the revenue implications of the discrepancies between Lao PDR's import data and Thailand's export data in HS 27, HS 87, and HS 72 plus 73. HS 27 ("fuel and gas" in Lao PDR's data), the major group exported by Thailand to Lao PDR, where the discrepancy is large, amounting to \$182 million and the average preferential tariff of Lao PDR to Thailand is 5%, the resulting revenue loss amounts to \$9.1 million (Table 16). For HS 87 ("vehicles and parts" in Lao PDR's data), where

there's a relatively smaller discrepancy of \$109 million and a high average preferential tariff of 28%, the resulting tariff revenue losses amount to \$30.3 million. In the case of HS 72 plus HS 73 ("construction materials" in Lao PDR's data), where there's a relatively smaller discrepancy of \$81 million and a low average preferential tariff of 1.3%, the resulting tariff revenue loss amounts to \$1.1 million only. In summary, it is observed that items with high tariffs such as those under "vehicles and parts" contribute more to revenue losses. The discrepancy in "vehicles and parts" is not that large but because the average tariff is high, the resulting revenue loss becomes very large.

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