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Evaluation of state management of trade in Luang Prabang province

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Abstract

Luang Prabang Province, Laos, is the cultural and tourism center of the country and the educational, economic-commercial center of the northern provinces. The province has a favorable geographical location, which is the connecting point of the central provinces and the northern provinces, contiguous with Son La and Dien Bien provinces of Vietnam. As Luang Prabang has numerous important tourist destinations, attracting thousands of visitors each year, the province has much potential for commercial development. The main purpose of this study is to empirically test the state management of trade in Luang Prabang province in accordance with the law of Laos. The

author collected secondary data from previous studies. The results of the research show that (i) Commercial infrastructure development including: Commercial infrastructure development, Import and export; Activities to promote trade, trade fairs and exhibitions; Price management, commercial competition, Provision of economic and trade information at home and abroad, and Supervision of the observance of commercial law; (ii) Limitations in state management of commerce. Based on the findings, some recommendations are given to Lao People's Democratic Republic.

Keywords: Management, Trade, Trade Policy, Economic-Commercial, Economics

JEL classification codes: A10, F13, O24

1. Introduction

In economic and commercial relations with countries both regionally and globally, Lao People's Democratic Republic shows consistency for a common purpose of peace, cooperation, stability and development, while remaining persistent to protect national and ethnic interests in harmony with international interests (Hanexingxay, 2007) ^[3].

According to Hanexingxay (2007) ^[3], though Laos' trade policy is intended for economic benefit, it has organic relations with politics; and commercial relations lays the foundations for the sustainability and development of the country. With a flexible external economic policy, the Lao People's Democratic Republic has actively participated in effective economic-commercial cooperation with Vietnam, China, Thailand, Myanmar, Cambodia.

Luang Prabang Province, Laos, is the cultural and tourism center of the country and the educational, economic-commercial center of the northern provinces. The province has a favorable geographical location, which is the connecting point of the central provinces and the northern provinces, contiguous with Son La and Dien Bien provinces of Vietnam. As Luang Prabang has numerous important tourist destinations, attracting thousands of visitors each year, the province has much potential for commercial development.

With the Party's guidelines, policies, laws of the State, socio-economic development plans, Luang Prabang Industry and Trade has made efforts to develop strategies and plans for commercial development and got approved by the provincial Government, such as: Rural trade development plan until 2020 (according to Document No. 23/2009 on 18 February, 2009) on developing the network of retail markets, temporary markets and fair exhibitions in rural areas; 5-year industrial and commercial development (2016 - 2020) (according to Document No. 098/2016 on 30 January, 2016) on integration, competitiveness and business environment; 10-year industrial and commercial development strategy (2016 - 2025) and vision towards 2030 (according to Document No. 015/2016 on 10 February, 2016) on adjusting and supplementing the strategy for the period 2011-2020 to suit the seventh and eighth provincial socio-economic development plans, thereby facilitating the development of industry and trade in the province to compete with other countries in the region. However, there are still some shortcomings in the state management of trade in Luang Prabang province. Therefore, this study is necessary to carry out.

2. Theoretical background and literature review

Managerial role of the State

According to the experts interviewed, the State's managerial role is shown in: (i) the State creates favorable conditions for trade to develop; (ii) the State directs the development of trade; (iii) the State regulates and intervenes in the process of trade activities of the economy and the national economy; and (iv) directly manages the state sector.

Contents of state management of commerce

According to experts, the contents of the State management of commerce include:

1. Developing and promulgating a system of trade law and policy. Creating environment and legal corridors for commercial activities.
2. Orienting the development of the trade sector through strategies, master plans and specific plans.
3. Checking and supervising the observance of trade law.
4. Inspecting and controlling the market, regulating the commodity circulation and managing the quality of commodities for circulation, export and import.
5. Supervising in-state competition, anti-monopoly and anti-dumping.
6. Collecting, synthesizing, analyzing, processing and providing domestic and foreign information about economics and trade. Supervising in-state promotional activities.
7. Organizing in-state apparatus for trade and training human resources for industrialization and trade modernization.
8. Signing or acceding to international trade treaties. Representing and managing country's commercial activities in foreign countries.

Studies on assessment of state management of commerce

Hanxingxay (2007) ^[3] affirmed that trade is an important sector contributing to the economic development of the Lao People's Democratic Republic in the period of opening and integration. The Lao Party and Government have had many renovation policies for economic management since 1986, but yet made a significant breakthrough. There are still some weaknesses in state management of trade, especially in domestic trade policy and international trade policy (market policy, commodities and trading partners).

Hoa (2011) ^[4] said that the state management of trade is a wide field, including many different contents such as: building legal corridors on trade, trade development orientation; supporting and facilitating trade development; training human resources and controlling trade activities. The author also mentioned the experience of developing and implementing commercial planning in Beijing city, China; the experience of building legal institutions in some Asian countries namely Japan, Singapore, Thailand, China.

Hai and Dao (2021) ^[2] affirmed that the State management of trade in Yen Thuy district, Hoa Binh province, Vietnam ensures macroeconomic stability and market control, and promotes the role of trade in the socio-economic development of the district. However, it still has some limitations to be mentioned: System of legal documents, management policies have not kept pace with development of trade and trade promotion activities are not effective.

3. Methodology

This study uses qualitative research methods via previous

studies, secondary data sources and expert interviews. The experts interviewed are those who have experience in the research topic, they are lecturers or those who work in the state management of commerce.

The author used techniques of synthesis, analysis, comparison to evaluate the state management of trade in Luang Prabang province in accordance with the law of Laos. In addition, the author collected previous studies. Qualitative research methods orientated and refined the research results of previous studies; from there, this study inherited and applied.

4. Results and discussion

4.1 Commercial infrastructure development

Commercial infrastructure development

The province pays attention to promoting the development of commercial infrastructure, such as constructing a system of supermarkets, commercial centers, convenience stores and allocating neat, clean markets. By 2022, there will be 71 markets, including 5 large markets, 7 medium markets, 18 small markets and 41 rural markets, with 6 supermarkets, 126 petrol stations and 3 petrol depots.

Commercial infrastructure is intricately linked with roads and power networks. The province currently has 5,174.58 km of roads lining up to 744 villages/hamlets, accounting for 98.41% of the total 756 villages, the usable rate of two seasons: 72.44%; of which, 605.2 km of national highways, 564.05 provincial highways. In the province, there are 5 power plants, producing a total of 4,064.41 million KWh, equivalent to 80.9% and distributing 4,055.58 million KWh, equivalent to 90.62%. There are 4 power stations, with a total installed capacity of 315 MW, including 840 km of medium voltage grid, 164 km of low voltage grid and 110 transformers installed.

Import and export

The province promotes and facilitates cross-border trade, trade between Luang Prabang and foreign countries positively, showing that the total value of imports and exports is 2,135.49 billion K, which takes up 35.46% of the target of the 5-year plan (2016-2020), and decreases by 5.54% compared to the same period (2011-2015); exports are 1,349.24 billion K, which takes up 67.09% of the target of the 5-year plan (2016-2020) and decreases by 19.49% compared to the same period (2011-2015); the main exports are handicrafts (58.39%), agricultural products (26.39%), forestry products (6.78%) and furniture (5.98%); the value of imports is 786.25 billion VND, exceedingly gaining 4.55% of the target of the five-year plan (2016-2020) and increasing by 21.28% compared to the same period (2011-2015) (Luang Prabang Provincial Department of Industry and Transport, 2021; Luang Prabang Provincial Government, 2021) ^[5, 6]. The main imports are construction materials, wearables, household appliances, petrol- oil and food.

Activities to promote trade, trade fairs and exhibitions

Since 2016, the Department of Industry and Trade has organized 22 trade fairs in Luang Prabang, with the participation of 2,778 firm units and the total product value has reached more than 32 billion K. Meanwhile, they have led business units to participate in the exhibitions in neighboring provinces 36 times with the total product value of about 6.5 billion K; promoting the production of goods,

leading to the expansion of One District One Product (ODOP) production model. In addition, they have coordinated with relevant departments and agencies to learn about, study and implement the item selection process in order to get to the issuance of the National ODOP Product Trademark Certificate from the Ministry of Industry and Trade. Until now, the province has 08 ODOP licensed products, including 32 items in the group of food and beverage, household appliances, jewelry, etc.

Price management, commercial competition

The management of prices and trade competition has received more attention from the provincial government and changed a lot. The province has proactively organized meetings with wholesale traders, retail traders and the Price Management Committee to discuss the uniformity of wholesale and retail prices. Moreover, items which are subject to control by the State have been priced so as not to exceed the state-regulated prices. Besides, the calculation of food supply and demand in the market has been taken into consideration to meet the actual needs of consumers. Noticeably, they have completed the establishment and appointment of the provincial committee in charge of price management.

Provision of economic and trade information at home and abroad

The provincial government as well as the Department of Industry and Trade regularly update information on the domestic and international markets in terms of items, the number of tourists, etc. to provide information to units in all economic sectors, serving in time in production and business. The province has also updated on the situation of prices, markets and exports, brought public attention to new technological equipment, policy guidelines of the relevant State on a regular basis. The commercial information about the domestic and foreign markets, requirements on technical standards, product quality, price, technology, etc. is regularly improved and updated in terms of quality, quintessence and topicality and traders can conveniently get access to them. In order to grasp the developments and trends of the market, the ability to implement economic objectives, the information that enterprises, in return, send to state management agencies at all levels also needs updating and renewing regularly through the comment box placed in the one-stop shop of the provincial office. In fact, state management agencies have made decisions, come up with measures and timely adjusted economic implementation plans based on this information.

Supervision of the observance of commercial law

Implementing Decree No. 508/ND-CP of the Lao Government on trade inspection and supervision, promulgated on February 4, 2012 (Government, 2012) ^[1], Decision No. 1499/QD-CT of the Minister of Industry and Trade on the implementation of trade inspection and supervision, promulgated on September 8, 2017 (Ministry of Industry and Trade, 2017) ^[7] and according to the report of other departments, the Department of Industry and Trade has taken the lead in coordinating with relevant departments, agencies and branches to inspect objects that violate the law and trade regulations, such as: breach of contract, illegal stockpiling, price intervention, dumping, business activities without licenses, tax evasion, illegal sales, banned goods,

expired goods, goods not labeled in Laos, etc. Through inspection, some commercial activities violating the law and trade regulations will be detected. For these violations, the authorities shall make reports, warnings, and sanctions in accordance with the law.

4.2 Limitations in state management of commerce

In terms of commercial infrastructure, although great efforts were put into developing the road system, it has not met the actual requirements. Some roads are only usable in one season and asphalted roads still account for a low proportion, causing difficulties in transporting goods, especially in the rainy season. The electricity system, though there are 5 power plants, the rate of electricity use is only 91.02%, in which the state's electricity network takes up 87.41% and the rest is off-system electricity.

In terms of import and export, despite the fact that the latter sector outweighs the former one, the province's total import and export has not achieved the target in the past years. Only 35.46% of the target was achieved and the amount decreased by 5.54% compared to that of the 5-year plan (2016-2020); noticeably, export has only achieved 67.09% of the target and has decreased by 19.49% during the same period (Luang Prabang Provincial Department of Industry and Transport, 2021; Luang Prabang Provincial Government, 2021) ^[5, 6]. These segments reflect the fact that, in the past 5 years, the province's exports of goods have not progressed but reduced. The main exports are still agro-forestry products, furniture and the export market of the province is still mainly the old market of neighboring countries, such as China, Vietnam, Thailand, etc.

Trade promotion and fair activities have not been paid enough attention to meet the actual requirements. although the province has put efforts in promoting trading. In the past 5 years, the trade exhibition has been held 22 times, 4-5 times a year, and only 2,778 out of 14,684 firm units took part in those fairs. This shows that the number of exhibitions is still insignificant, the number of participating enterprises has not reached 50% of the total number of enterprises registered in the area and the value of products displayed at the exhibitions was nowhere close to the money for enterprise registration. In terms of ODOP products, although it has been expanded in many areas, the quality is still poor, showing that so far, the whole province has only 8 products with 32 items recognized as ODOP products both at local and national level. However, these products are mainly drinks, household appliances, jewelry, etc.

Price management has not been taken seriously and regularly. In particular, some traders increase their own prices for consumer goods and lower prices for agricultural products made by indigenous people. Moreover, the quantity supplied and quantity demanded in the market are not always equal and some products are seasonal. Price management at the district level is still overlapping with other tasks, and there hasn't a specialized team responsible for managing the price. Therefore, the managing process is currently inefficient.

The provision of economic and trade information at home and abroad has not been done properly and consistently. The method of providing information is still limited, classical at its core, relying too much on printed materials and not actually making use of the province's online news portal. On the other hand, the information is partly provided due to the requirements of the enterprise and it is only provided at the

request of the enterprise, which means that the province's provision of economic and commercial information is still not common.

The inspection, examination and supervision of the situation of trade law enforcement are weak and not done regularly. Breach of contract, stockpiling, price intervention, smuggling, trafficking in banned goods, counterfeit goods and poor-quality goods are still recorded. Additionally, commercial activities without business registration, acts of trade fraud, tax evasion... are still tangible unresolved issues.

5. Conclusion and recommendations

5.1 Conclusion

This study has evaluated state management of trade in Luang Prabang province. Besides the advantages, such as: Commercial infrastructure development, Import and export; Activities to promote trade, trade fairs and exhibitions; Price management, commercial competition, Provision of economic and trade information at home and abroad, and Supervision of the observance of commercial law; the state management of commerce in Luang Prabang province has disadvantages.

5.2 Recommendations

Firstly, the province needs to pay more attention to the development of trade infrastructure, upgrading the wholesale and retail market system, commercial centers, supermarkets, shops, trade fairs to serve commercial transactions in the area. Specific plans are crucial in investing in the development of warehousing systems, terminals, terminals, commodity and service exchanges, logistic centers, import and export trading centers to ensure the development of trade to reach the next level. There is also an urge in upgrading the existing provincial transportation road system to be available for usage in two seasons, and building new roads to remote areas so that people in remote areas can access the market; developing the power system to all villages to create favorable conditions for the development of the commercial network system, especially in rural and remote areas.

Secondly, the province needs to promote import and export, especially exporting goods to achieve the targeted objectives. In addition to agricultural - forestry and wooden products, the province needs to do research about foreign markets and improve domestic production of potential goods to enrich and diversify the in-state market; continue to promote exports more and more to attract more foreign currencies.

Thirdly, the province needs to strengthen trade promotion and exhibition activities at least every 2 months, continue to encourage domestic and foreign enterprises to participate in the exhibition fair more and more so that enterprises can have trading opportunities as well as exchange business experiences with each other to motivate enterprises in the province in order to gradually develop or apply their strength to develop enterprises, especially for those with firms registration in Luang Prabang province. Moreover, the province needs to focus on the promotion of ODOP products, especially the quality and the quantity of local ODOP products. In terms of quality, it is necessary to improve more to reach the national and international standards. As for quantity, in addition to beverages, household appliances, jewelry, etc. the province needs to do

research about their potential to promote the production and development of ODOP products.

Fourthly, the province needs to pay more attention to price management, regularly discuss and be unanimous on the wholesale and retail prices of enterprises and traders of the locality, absolutely against price intervention, rip-off; and strictly coordinate the management of state-controlled goods that must not be sold beyond the state-regulated price. Pay special attention to supply and demand in the market, especially for food, which may have bad consequences for traders and consumers. Adjusting the district-level price management, it is crucial to establish a district-level price management team, separated from the market management to operate more specifically, efficiently and effectively.

Fifthly, the province should focus on the provision of economic and commercial information, which must be done properly and consistently, especially in a timely manner. It is necessary to use some other methods of providing information, such as: documents in meetings, through social networks, Facebook, radio, television, provincial online news portals, etc. In addition, the province must be ready to provide information when enterprises need and the information provided must be useful.

Finally, the province needs to strengthen the inspection, and supervision of the observance of trade law in a regular and timely manner. Breach of contract, illegal stockpiling, price intervention, smuggling and trafficking of banned goods, counterfeit goods and poor-quality products must be void and treated strictly in accordance with the trade regulations and the law for cases of commercial activities without business registration, acts of trade fraud, tax evasion.

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