From Wat Luang in Chiang Khong to Night Smuggling in Luang Prabang: Negotiation of Transborder Trade in the Changing Mekong Border Riverscape

Jakkrit Sangkhamanee

Historically, the Mekong has long been a significant river, serving not only as a travel route, but also playing a role in linking cultures and forming social relations among various groups of people via long-distance river trade (Evans et al. 2000; Chiranan 1989; Hill 1998; Koizumi 1992; Osborne 2000; Walker 1999). Throughout the vast, diverse area of the Mekong basin, extensive trade has colored riparian livelihoods and has contributed to the current (and future) development of the region in other, non-economic, spheres. Assorted regimes of trade regulations have periodically been established, well before the modern era of nation-state regulations, and such regimes have been constantly challenged and modified through changing politico-economic conditions (Walker 1999).

The latest regime endeavoring to regulate the region - now identified as the Greater Mekong Subregion (GMS) - once again attests to the enduring importance of river trade for development. The Mekong is being transformed into a trade 'artery', linking a vast range of subregional development schemes together. The new configuration in trade relations raises important questions: Is the GMS trade and subregional development regime a recovery of traditional, pre-boundary trade patterns/relations? And, more broadly, is the new trade regime conjunctive or disjunctive in terms of the long history of long-distance river trade? What, how, and to what extent does river trade play a role in comple-
menting the development of the region overall? What tensions arise from the new trade regime's disjuncture from previous regimes?

At the policy and procedural level, the construction of GMS for development and the imposition of regulations for new subregional trade regime appears to neglect the actual livelihood of the people who already have long-established transnational long-distance trade networks, and who are undeniably affected by such institutional changes.

A previous study by Walker (1999) about long-distance Lao woman traders, conducted during the infancy of the emerging GMS, depicts the lives and work of long-distance woman traders along the Mekong in northwestern Laos. Set within the framework of the former 'Economic Quadrangle Regulations', the study concludes that long-distance traders were able to consolidate their positions and continue to benefit, exploit and manipulate regulatory practices and ideologies for their trading activities. This argument, however, needs to be revisited, since the emerging trade regime of the GMS is substantially different than what was in place a decade ago. It is not only the elapsed time that matters here, but the changing structure and function of the trade regime, and the concomitant changes in power relations among various agencies. Operating within state regulations, members of the frontier communities themselves were actively involved in the regulations of the border by drawing on their social relations (Walker 1999: 94). But the configuration of the GMS trade regime today is extremely different from the past. The GMS trade structure is now subregionally dispersed, fragmented, and likely too complex for locals to deploy their old patterns of establishing social relations for regulating the trade regime.

There is thus a tension between newly-emerging GMS trade patterns and older long-distance river trade operations along the Mekong river, both at the subregional and local levels. Such dual changes show contradictions in the scale of performance and degree of formal/informality, as well as local adaptations to the new subregional trade regime. Local traders conduct an ongoing negotiation with the new subregional economic space, and at times subvert certain GMS practices to which they cannot adapt. By treating transborder economic practices as negotiations, we can see concrete changes in, and implications of, cooperation with (or resistance to) the GMS trade regulations. The idea of 'negotiation' used here is not restricted to the verbal interactions between traders and state authorities, nor to the bargaining for goods prices with suppliers. Rather, negotiation is seen to be broadly instantiated in trade practices, and it will be of interest to compare the practices between the old and the new economic regimes at both the subregional and the local levels. In this perspective, the riverine borderland is constantly re-negotiated as a space for the manipulation of trade between the subregional and local regimes.

This paper will proceed by first reviewing older patterns of trade along the river, followed by an account of the newly-established GMS trade regime and regulations as determined by signed agreements and future proposals for further cooperation, under the supervision of the ADB. Thereafter it will outline the restructuring of agencies related to trade from subregional to national levels in conjunction with local pragmatic changes. In addition to reviewing new policies and agencies, the paper will look at new physical arrangements designed to foster more extensive river trade. The later sections of this paper provide a ground-level examination of current long-distance river trade, with the goal of linking the ideology of the subregional trade regime with concrete trade practices at the riparian border points. These interrelations play a crucial role in understanding the concurrent phenomena of an emergent subregional trade regime and a local struggle to manipulate it.

**Lao Long-distance River Traders in the Past**

Many different kinds of traders and trading systems have operated in the Thai-Lao borderlands, and this study will focus on one of them: the Lao traders dealing in manufactured goods sent from Chiang Khong to Luang Prabang along the Mekong river route. Most of these Lao long-distance traders are women. The Thai manufactured goods that they transport include, among other things, processed foods and drinks, readymade clothes, cooking ingredients, toiletries and cosmetics, and fresh foods.

In the past, business contacts among Lao long-distance traders and other agencies on both the Thai and Lao sides of the border reflected the interdependency and the complexity of their social relations. Besides the close relationships found among long-distance traders who traveled together, relations were also close among long-distance traders and local retailers/shopkeepers. By and large the traders did not attempt to profit from excess demand by increasing their prices,
but the fluctuation in Chiang Khong prices may have affected costs and shopkeepers/retailers thus had to share the burden. However, as Walker (1999: 147) found, slightly lower prices may have been offered to shopkeepers with whom the traders had a particularly close personal relationship. Long-distance trade operations also involved other people along the river, including long-distance and cross-border boat operators, credit providers, customs officials, Thai and Lao border and port officers, truck drivers, loading laborers, and villagers who provided accommodation. Altogether they formed a jigsaw constituting the overall long-distance river trade regime.

The socio-economic interdependency that arose among people involved in long-distance trade operations was specific to the economic and geographical context of the Economic Quadrangle trade regime. As Walker (1999: 150-162) argues, restrictive trading environments proved as important as more liberal trading environments in creating commercial opportunity. And in both restrictive and liberalized trading environments, cultural ways of negotiating regulatory practices have been crucial in sustaining long-distance trading opportunities. According to his study, long-distance trade constitutes a space of opportunity drawing on the support of social relations traders have long established.

**Changing Trade Regulations under the GMS Economic Cooperation Framework**

The promotion of transport and economic corridors is central to the development of GMS markets. The Mekong River, coursing through the heart of the subregion, was once perceived of as a border, obstructing the flow of goods across international boundaries. Under the rubric of GMS, it has been re-imagined as a path facilitating the movement of goods and people through and across the region. In 2000, four upstream countries - China, Laos, Burma, and Thailand - entered into an additional agreement, called the Agreement on Commercial Navigation on the Lancang-Mekong River, which enabled vessels of any contracting party to sail freely between Simao in Yunnan of China and Luang Prabang in Laos. Moreover, the four countries agreed to open their ports to advance river commerce. For the border river trade between Laos and Thailand, Chiang Saen and Chiang Khong ports in Chiang Rai province in Thai territory were opened, while the Lao government launched six ports at Baan Sai, Xiengkok, Muangmom, Ban Khone, Houysai and Luang Prabang to international freight boats, as per the agreement.

Article 5 of the Agreement on Commercial Navigation on Lancang-Mekong River stipulates that member countries grant to each other’s vessels most-favored-nation treatment with regard to vessel entry and departure, customs clearance and other formalities, utilization of berths for loading and discharging of cargo, utilization of docks and warehouses and other port facilities, material supplies, and levying of port charges. A vessel’s crew members are required to register for identity documents issued by the competent authorities of their respective countries. With such regionally accepted identification, the boatmen (and boatwomen) are permitted to enter the territories of other countries without a visa, and they are allowed a temporary stay ashore in the city or town where the port is located while their vessel is docked there.

It is not only extensive trade along the river that this Agreement was designed to promote. The Agreement also asks concerned authorities to suppress and prevent smuggling, illicit drug dealing, the trade in restricted and prohibited goods, as well as the illegal entry of aliens. The findings from our field research, however, suggest that the Mekong river today still has loopholes in its subregional regime and regulations, which small-scale, long-distance traders manipulate in their dealings with local authorities, and thus bypass laws designed for national security and subregional economic prosperity. This will be discussed in detail below.

**Subregional and National Trade Agencies and Structural Arrangements**

One of the key issues affecting cross-border business is the customs operations conducted by state authorities. The customs controls do not only provide significant state income in the form of import-export taxes, they also help in regulating illicit activities. In the past, each country maintained their own customs systems, and there was little cooperation among neighbors. GMS trade development sought to standardize the customs systems of its member countries. To achieve customs cooperation in the region, the GMS governments initially agreed to implement, as a pilot project, customs facilitation measures
at selected border crossings in the GMS. These measures include single-stop, single-window inspection and synchronization of operating hours among customs facilities at the agreed-upon frontier crossings. Such flagship projects have been proposed and implemented at subregional and national levels, and subsequently have brought changes to local practices of border trade and relations between traders and trade-related authorities.

The governments of both Laos and Thailand see trade facilitation as an effective structural device that will contribute to the development of national trade and subregional commercial integration. Laos hopes that such trends will, in turn, encourage domestic production through increasing exports and will enhance the country’s competitiveness by reducing transaction times and costs. A lesser-known, long range goal of Laos is not only to be fully integrated into GMS economic cooperation or regional integration of Asia through ASEAN, but also to join the World Trade Organization (WTO). Whether or not the GMS economic model would help Laos to do so, the Lao government has already made efforts in this direction, simplifying administrative procedures such as the registration of business entities; import and export licensing; customs clearance; and other trade-related services.

The Lao government, in accord with the ADB’s Trade Facilitation Handbook, claims to have already established single window inspections at major checkpoints whereby all the inspection and paperwork is done at one place and one time at each checkpoint. The Lao government has been trying step by step to formalize its systems into an international standard and thereby integrate into the regional market. However, Laos, like its neighbor Thailand, is well known to foreign investors for its corruption, bribery, and illegitimate patron-client relations connecting private and public agencies. Therefore, to increase transparency and predictability among its own authorities, Laos requires all agencies involved in the approval of imports and exports to simplify trade procedures and for the customs authorities to disseminate trade statistics to all relevant agencies.

Local Changes and Adaptations

The emergence of GMS trade regime has, since Walker’s 1999 study, brought about many changes. This section will illustrate some of those changes as found in subregional trade between Chiang Khong and its cross-border counterpart Houaysai in Laos. Data for this section was gathered in fieldwork between April 2003 and January 2005.

- The Wat Luang Port and the New Deep Water Port in Chiang Khong

The local Wat Luang port was one of Walker’s main foci (1999: 93-112), in which he revealed the active role of local regulations during the period of liberalization of border trade. Before the construction of new deep-water port, Wat Luang port was an important spot for local Thai cross-border boats between Chiang Khong and Houaysai. During its peak, the port hosted more than forty boats, which crossed the river every weekday carrying Lao traders to Thailand and returning laden with household and other commodities. The boat operators even established their own Wat Luang Boat Operators’ Association (hereafter: the Association) to increase their organizational efficiency and maximize their bargaining power with customers and state authorities. The Association proved to be a significant actor in regulating river trade activities before the introduction of the GMS regime of regulation. The Wat Luang port, according to Walker (1999: 100), can be considered a ‘micro-regulation’ of the border in which boat operators actively manipulate and collaborate with state authorities in a web of intricately woven local relations.

The picture of Wat Luang port today is totally different. From my observations and several interviews among the existing local cross-border boat operators, I found that the number of operators has dramatically decreased, with only a handful remaining. I typically encountered just two or four boat drivers hanging around at the port waiting to fill their boat for a trip across the river. Most of the boat operators have already given up their businesses and are seeking alternative livelihoods. The locally regulated boat queue system has been abandoned, a consequence of the reduced number of both operators and passengers, insufficient budget to hire kebene or money collectors (see Walker 1999: 98-100), the unreliable availability of boat operators, and a diminished sense of commitment to the Association. The port today is a very quiet place, the negotiating power of the Association having evaporated.

Several factors contribute to the declining significance of Wat Luang port. Chief among these is the construction of the new deep-water port at Ban Hua Wiang by the Port Authority of Thailand, made possible by the International Agreement on Commercial Navigation on
Lancang-Mekong River. Ban Hua Wiang is now the only port authorized for Mekong trade in Chiang Khong. The port was built to answer rapid demand in facilitating river trade with neighboring Laos and the China; overly speedy construction and hasty planning meant the port had to be rebuilt three times before finally being completed (Pliaporn 2003). After the deep-water port was officially opened on the first day of 2004, most of the river trade operators shifted their boats from the local Wat Luang port to the new state owned one. This process was not a natural one, but was rather caused by the implementation of new border regulations on trade.

The new port accommodates the subregionally initiated single-stop process of cross-border trade by bringing together the Customs Office, the Plant Quarantine Office, the Port Authority, and the Immigration Agency, as recommended by the GMS trade facilitation framework. It requires Chinese and Lao cargo boats coming to Chiang Khong to dock at the deep-water port for customs inspection and clearance, unless the port is already full. If that happens, and it is rare, the arriving boats must wait for approval from the Port Authority to berth at the Wat Luang port. Besides the formal regulations authorizing docking at the port, the new deep-water port also standardizes its berth fee for the incoming boats. The berth fee is charged by the Port Authority, which maintains its office directly overlooking the port and thus in full view of any activities that occur ashore or across the border. The fees are assessed according to the carrying capacity of the boat; that is, each boat heavier than 100 GT is charged 300 baht per day, while smaller vessels and passenger boats are charged 200 baht per day. Cargo loading and unloading also incurs port service fees, at a rate of 10 baht per ton of goods. Vehicle admission fees, cargo storage, and container loading fees are also charged. It is difficult to ascertain how strictly port fee regulations are actually implemented, but such regulations are designed to promote stricter and more regular port facilitation and regulations governing border trade, and to reassign the power over such facilitation out of local control where freight and passenger fees were previously set and strictly enforced by the Association (Walker 1999: 99).

Another factor contributing to the dramatic decline of Wat Luang port is the growth of seventy other cross-border boat operations housed at Hua Wiang port - known locally as Buck pier - located right next to the deep-water port. Due to its location near the state-owned deep water port, the Hua Wiang cross-border port has an advantage over the Wat Luang port. Lao people from Houysai who cross the border (legally) to shop in Thailand prefer to use the Hua Wiang port; the Hua Wiang port is just opposite Houysai's southern pier where the Lao immigration office is located, saving time on their river crossing. Lao who take a day trip to Thailand must pass though Thai immigration at the Hua Wiang shore before entering; there is no immigration checkpoint at Wat Luang port. It is also more convenient for Lao boat operators who moor their boats at the deep-water port to go to the nearby Hua Wiang port to cross back to Laos for errands during the day. Today, Wat Luang port survives only because small scale Lao traders from Houysai use it to smuggle small amounts of goods.

- Recent changes in long distance river trade patterns also affected the vitality of Wat Luang port. Most of the Lao women traders who formerly shared boat trips from Luang Prabang to Chiang Khong have now almost entirely disappeared from the scene. Some have turned to settled trade at the Phusy market on the outskirts of Luang Prabang, while others amassed enough profit to buy their own boats. The pattern of trade has thus shifted: nowadays it is hard to find long-distance traders who are not themselves also boat operators. As a result, traders today are no longer small scale traders, but middle-size traders who buy wholesale goods for further distribution to settled traders in Luang Prabang and intermediate points along the journey. They no longer require cross-border boat service at Wat Luang port, since now they can dock their own boats right at the deep-water port in Chiang Khong. This changed pattern of trade operation has dramatically reduced interactions - and thus relations - between Lao long distance traders and Thai cross-border boat operators.

How can we assess these changes to the Wat Luang port and to the Association in the context of subregional development? First of all, the large, long-distance Lao cargo boats that cross the river to load at Chiang Khong no longer conform to the regulations of the Association. The power of the ‘micro-regulation’ (Walker 1999: 100) has now shifted to the state-run, centralized Port Authority. Prior to the completion of the new port, there were already concerns being expressed by the Wat Luang boat operators. As Walker (1999: 110) described, boat operators were concerned that the future relocation may bring them into conflict with their rivals, the Hua Wiang passenger boat operators. Others reassured themselves with the thought that the new port would serve only the anticipated river trade with China and that the relatively small-scale Thai-Lao trade would continue to pass through Wat Luang.
port. What they did not expect, and what was not mentioned in Walker's study, is that the power of border regulation would be removed from their local hands entirely. The decision as to whether a boat may dock at Wat Luang port rests not with the Association, and not with the boat operator, but with the Port Authority.

Despite these changes, I concur with Walker (1999: 110) when he writes that a period of readjustment has been occurring, characterized by stricter, rather than more lenient, state regulation and this would lead to new forms of collaboration. These new forms center on the emergent Customs brokers.

- **The Customs Brokers**

Walker's (1999) detailed study of border trade in Chiang Khong does not mention customs brokers at all. This suggests that customs brokers are a new agency that have emerged through a need for trade facilitation in a more formalized system. Although there were only a few customs brokers in Chiang Khong at the time of my research, they had already established connections throughout the trading business sector and across borders. Their main function is to prepare paperwork for both the Thai and Lao import and export companies, and to submit prepared documents to the pertinent authorities - the Customs Office, Plant Quarantine Office, Provincial Forestry Office, or Immigration Office, among others. They also perform assorted logistical tasks for the port, including loading and offloading cargo, making reservations for transport, cross-checking stock, and sometimes even accompanying traders to their destinations in Laos.

Successful brokers have to maintain good relations and broad networks in both Thailand and Laos. Keng, for example, is a 32-year-old married woman who has been working as a customs broker for more than 4 years. She has her own business at home in Chiang Khong which she runs with the help of her brother and one of his friends. She previously worked for over a decade as an employee in sawmill in Laos and thus speaks fluent Lao. She also has a brother working with Customs Inspection, and a sister serving as Customs Information and Procedure staff in the Chiang Khong Customs Office. It is interesting to note how important family connections still are in trading activities here, despite the move towards a more rationalized system. Whenever they encounter a problem in paperwork - regardless of whether it is the paperwork of a Lao, Thai, or Chinese importer/exporter - the Information and Procedure officer always recommends the services of her sister, Keng. When the inspections of goods are conducted at the port, Keng's customers receive special consideration. Regardless of whether one regards such family connections as corruption, what is important is to note for present purposes is that such connections exist at all. In addition to her official connections, Keng's mother and other sister own a food stall with a balcony overlooking the river above the Wat Luang dockyard. The stall is frequented by the officials from the Customs Office, Lao traders and the cross-border boat operators. In other words, almost all members in Keng's family are involved, however tangentially, with cross-border trade.

The power that customs brokers like Keng amass in conjunction with varied public and private actors in the trade business is built and sustained through an assortment of channels. Family connections pave the way to her business success, but so do her high-spirited mind and strategic manners. For example, during the Thai New Year celebration, Keng's family organizes a small ceremony, led by Keng, to pay respect to the head of customs office, and to apologize for any family wrong doings. This family activity is a clever strategy that reconfirms their relations with the powerful state representative and ensures future business cooperation. Keng also maintains solid connections with Lao officials across the border. Foods, gifts, and alcoholic drinks are always delivered to the Lao officials after her shipping transactions are completed. This proves to be lucrative and it provides satisfaction. Keng and her brothers often drink with various traders, making time for a relaxed discussion about business dealings and problems encountered during the customs process. The whiskey, beer and food is paid for by Keng the customs broker.

The emergence of the customs brokers in Chiang Khong is a result of the formalization of cross-border trade dealings and practices. As another one of the customs brokers pointed out, today's cross-border trade activities are more difficult than in the past. Thai and Lao Customs and Immigration Offices are doing their jobs more strictly. Business dealings must be made formal and documented. Such changes, intended by GMS trade-related policy makers to help promote sub-regional economic cooperation, makes conducting business on the ground more complicated for local traders unfamiliar with such formalized procedures and regulations. Customs brokers thus fill a gap between the local traders and the state authorities implementing GMS trade regulations. That customs brokers mediate between traders and officials is a concrete example of change and the rapid move toward
subregionalization. The former, more direct ‘cultural’ relations between traders and officials are becoming less exploitable. As Keng concluded one night over dinner and beer with two customs officials: cross-border activities are becoming so international!

• Grocery Stores Supplying Thai goods to Long-distance Lao Traders

The deep-water port is an excellent vantage point from which to observe social relations between Lao long-distance traders and their Thai suppliers in Chiang Khong. Even during the most demanding times, when cargo is being loaded and goods are being checked, both traders and suppliers still reserve some time to chitchat and to entertain each other’s children. The extent of their relations is not limited to what can be observed at their meeting point by the river port; although less-visible to outsiders, they maintain long-established business relations that runs like a thread through their entire lives. Most of the Thai suppliers in Chiang Khong appear to be women; though men share some responsibilities at the shops, women are active both in the shops and at the chaotic ports. Among Lao traders too, women are responsible for negotiating prices and cultivating connections while men are in charge of driving and maintaining the boat. With a feeling of solidarity through gender, connections between Thai suppliers and Lao traders are regularly cultivated.

In the past and even now, the credit system underwriting these relationships is based on long-established informal arrangements in which Thai suppliers provided credit for purchasing goods from the Thai shops, and which Lao traders then sell throughout northwestern Laos. The amount of credit granted is extensive, which many Chiang Khong suppliers find irksome, but they have little choice given that they are dependent on the Lao traders to move the merchandise (Walker 1999: 158). Personal social relations both maintain and constrain the on-going interdependency between the Thai grocery store owners and the Lao long-distance river traders. As Walker (1999: 158-159) argues, most of the credit is provided reluctantly, based on cultural forms of regulation. The debt is not secured, so the shopkeepers have no legal redress in Laos if the debt is not repaid. They do, however, have access to a limited network of unofficial enforcers that they can call upon to help them recover their money. These credit relations place Thai suppliers in an inferior position in negotiating cross-border business. Without such heavy reliance on Lao traders, this credit practice has, over time, become a business tradition. Even in the present day, Thai traders face difficulty renegotiating agreements with Lao traders.

This credit system, however, is now undergoing change. The majority of Chiang Khong suppliers are Sino-Thai and their educated sons and daughters are now replacing the older generation in family businesses. This new generation of Thai grocery suppliers in Chiang Khong has begun restructuring credit dealings with the Lao long-distance traders. Tired of unpaid debts and Lao traders who simply disappear or settle permanently in Luang Prabang, the new generation of suppliers are changing the rules of the game. Anucha and his wife, in their early thirties, have taken over their parents’ shop. They now promote a cash system when selling goods to Lao traders, and manage to compete by differentiating their supplied goods from other shops in Chiang Khong. By introducing new kinds of products unavailable at other stores, they empower themselves by not allowing the Lao traders to buy such special order goods on credit. This strategy exploits current consumption trends in Laos, where people exposed to Thai television advertisements are demanding new products.

While some long standing Lao traders still receive traditional credit preferences, their numbers are dwindling. Such credit is not being extended to newer traders. The shopkeepers in Chiang Khong prefer to limit credit to traders they have known for many years. The new traders now face a financial pinch, since they cannot secure credit with the shops. Traders who cannot manage to secure a line of credit with a shop cannot effectively establish their business, and as a result, they must move to other areas of the border, or even change their careers entirely. A rough estimate by one supplier suggests that the number of Lao traders buying goods on credit from Chiang Khong stores is down to about thirty, a reduction of about fifty percent from just five or six years ago. This trader’s shop alone accepts only four to five traders nowadays, and extends only limited credit.

The process of moving from credit to cash is being implemented slowly - a blessing for the existing Lao traders. The slow pace of changeover is attributable to suppliers, many of whom are not cooperating with each other. The atmosphere among suppliers has changed from one of collaboration to competition, meaning that for some a credit system is still a practical, if imperfect, way of attracting customers. Old school shopkeepers still want to maintain market share by extending credit to Lao traders as they have done in the past; new suppliers see
unsecured credit as an obstacle to good business practices and strive to eliminate it.

Besides credit structures, the volume and the means of transport for supplies is changing drastically. Cross-border trade is now changing hands from local small-scale grocery stores, which receive their goods mostly from eastern industrial estates, to the manufacturers who ship their products directly. Manufacturers are moving towards a one-line model, in which they use large container trucks to ship a large volume of products all at one time directly to destinations in Laos. This process was made possible by the implementation of the EDI system by the Thai Customs Department in their drive to promote larger export activities across international borders among GMS countries. Under the system, the manufacturers can process cross-border customs inspection before the goods are even transferred from the factory. There is no need for the exporters to stop at the border for customs investigation, thus reducing transfer time and eliminating unexpected delays. The system is also championed by the Customs Department because it facilitates faster export logistics, moves a greater volume of goods, and prevents tax dodges worked out between customs officials at the border and the local export suppliers. Completing the EDI system is the GMS road network being developed throughout the subregion, which allows large cargo container trucks to access many areas that were impossible to navigate just a few years ago. In short, the customs processes are becoming formalized and centralized, allowing manufacturers to export products across the borders directly, thereby circumventing local trade networks altogether.

- The Chinese Market and the Arrival of Chinese Merchandise in Houaysai

The Chinese Market, as it is known by the local Lao and Thai, is located on the outskirts of the Houaysai municipal area and was established near the end of 2003. The sellers are mostly Lue who migrated from Xixiangpamna in Yunnan, and together formed a market comprised of about forty shops separated from the existing local Houaysai 'Lao' market. The physical construction of the market is appealing - shops are arranged into blocks by small pieces of wood and tin sheets. The floors are dirt and the low roofs are tin. The heat is stifling and the ventilation is poor.

The sellers along with their family members live in small compartments behind their shops, forming a small Chinatown in already small Houaysai. The market is visited by various ethnic groups living in the area, as well as by Thai shoppers coming as tourists from Chiang Khong. The Chinese Market sells assorted low cost manufactured products that have been brought in from China through inland routes - mainly through the Bolan crossing point and further down along the dusty road through Luang Namtha. By the time the products get to the market in Houaysai, they have been covered with dust and grime. They are then sold without being dusted or wiped clean. The product selection appears to be almost random: from toothpicks to motor engines to baby clothes to rice cookers. Most shops offer roughly the same products and all are of equally filthy. The sellers, interestingly, do not speak much Lao, although they know how to count in both Lao and Thai, albeit with atrocious pronunciation. Because the Chinese sellers moved to Houaysai only recently, their language skills remain limited. They are nevertheless able to sell their products to Lao and Thai customers by using a calculator to show prices for pricing and bargaining.

As in many tourist markets in China, the initial asking price of a product is quoted high, often unreasonably high, and must be bargained down by the purchaser. Depending on one’s skill in bargaining, the final price may be as low as ten percent of the original asking price. The Chinese market caters to the low end - cheap, low quality products - a fact recognized by Lao and Thai shoppers alike. Many Lao in Houaysai prefer more durable products from Thailand, with nicer packaging, but given their limited incomes, they often still buy the cheaper, less fancy, and less durable products from the Chinese market. Lao shoppers are pragmatic in choosing which products they prefer from Thai manufacturers and which from Chinese ones. The availability of cheap Chinese goods, and the consumption choices and strategies such goods engender, forces local Houaysai market traders think carefully about what goods to import from Chiang Khong.


In the ‘Legend of the Golden Boat’, Walker discusses the drinking sessions with local people that allowed him, an outsider, to get close to the local people (Walker 1999). Mekhong whiskey, a popular Thai liquor named after the river, used to be heavily consumed by working-class drinkers. Sixty years ago, having won a government concession, Me-
Khong whiskey enjoyed a monopoly in the Thai whiskey market, and as a result developed its enormous following. During the Songkran festival in Chiang Khong in 2003, however, I noted the near disappearance of Mekhong whiskey and its replacement by 'Lancang River Beer', or LCR, imported from China. Even at the very heart of the festival, near a spot famous for Giant Catfish (Pla Buk) and where the recital for the spiritual ceremony was performed, stood not a Mekhong whiskey display, but a large LCR booth promoting beer. Similar promotional banners have been hung all across Chiang Khong town, saying "For the Thai-Chinese friendship, drink LCR Beer."

In the midst of the summer heat, a crowd joining the rites for Pla Buk conservation listened to the Chiang Rai provincial governor's speech. Chiang Khong district and Chiang Rai province, he said, will be promoted in the near future as a gateway to Indochina and southern China. In the shady pavilion above the Mekong river bank, local and foreign drinkers alike are enjoying the new taste of ice cold beer called 'Lancang River'. Such mundane anecdotes may appear trivial, but given their historical context and the current changes in trade regimes, they are nevertheless very telling. The shift from Mekhong whiskey to LCR beer is perhaps more significant for its symbolic weight than its commercial importance: times have changed. Where Mekhong whiskey represented local Thai traditions and signified restrictive regulations of production and consumption, the arrival of Lancang River beer heralds the liberalization of trade and the opening of the locality to foreign products.

Cross-border Trade Operations under the GMS Trade Regulation

As discussed throughout this paper, the patterns of Thai-Lao cross-border Mekong river trade have been transformed as a result of GMS trade regulations. The move toward formalizing trade processes and the reformation of cross-border agencies has forced long-distance river traders and other local people to adapt their practices to cope with the new legal context. This section examines the ways in which local traders have adapted their lives and business practices in the face of the new trade framework and its associated agencies.

Dynamics and Adaptation in Long-distance Trade Operations

Before the establishment of the Greater Mekong Subregion framework for economic cooperation, and even during the early stages of its implementation, the Mekong riparian communities in Thailand and Laos border towns especially in the North used the Mekong as a route for transportation and trade. In riverine trade, Thai manufactured goods were bought from Thai border towns and transported by Lao long-distance river traders on cargo boats owned by Lao operators. Chiang Khong town in Chiang Rai province was and is a major gateway for shipping to the northern part of Laos, in particular the city of Luang Prabang. Lao long-distance traders operated as middlemen bridging and extending the economies of the two countries through their cross-border business activities (see Walker 1999 for more detail).

Even today, some fifteen years after the implementation of the GMS, long distance river traders still sail between Chiang Khong and Luang Prabang. However, since there have been so many changes to supranational, international, national, and local trade regulations, structures and practices, long-distance trading operations have been drastically transformed. The most critical change is the disappearance of long distance traders who traveled back and forth between the two towns for trading transaction. The reasons for their disappearance vary, ranging from the unpredictability of tax collection and new customs regulations that they have to bear, the difficulties inherent in travel which takes them away from home for weeks on end, the complex and asymmetrical relations with assorted agencies along the border and its checkpoints, and the harsh business dealings and unreliable profit margins encountered during the GMS transitional period. Such factors have led to decreasing numbers of mobile traders involved in Mekong trade. Most of the traders decided to settle their businesses in Luang Prabang, becoming shopkeepers offering Thai groceries in local markets. The cargo boat operators who formerly ferried the long distance traders have now become traders themselves. With their fortunes tied up in boat ownership, boat operators cannot easily change careers or even the mode of conducting business like the previous, less encumbered traders could.

The boat operator-cum-river traders are now acting as middlemen between former long-distance (now settled) traders and their Thai suppliers. Today's long-distance trader will normally receive orders for
goods from several retailers, usually without advance payment, and sail their own boats to Chiang Khong to buy the goods. They still rely on credit extended to the previous traders by the Thai supply stores. While the Thai suppliers in Chiang Khong are trying to empower themselves by insisting on cash transactions, the Lao traders use their collective demand for goods as leverage for continued credit. Compared to the patterns of the past, the new boat operators-cum-river traders appear able to wield more negotiating power than the previous solo traders because they both own the boat and are filling several orders at once.

In the past, successfully managing a cargo boat meant avoiding taxes and being a skilled smuggler. Walker (1999: 144-145) describes in detail how cargo inside the boat would be carefully stacked so as to minimize import duties in Laos. Good social relations between boat operators and officials on both sides of the river were also important. Nowadays, the Lao import tax for most Thai products has increased, spurring more tax evasion attempts among boat operators. In response, Lao customs agents have started to check the offloading of cargo at the port in Luang Prabang, in addition to their regular checks at Houaysai. I will have more to say about smuggling and tax evasion in a later section.

**Negotiating Practices in River Trade**

Several organizational factors have contributed to the drastic changes in transborder trade over the last decade. The first, and probably the most crucial factor, is an increasing uncertainty in tax collection rates and other restrictions imposed by Lao customs authorities. In summer 2003, and even before, grocery store owners and boat operators complained that many of the Lao boats transporting Lao products to Thailand - mostly forest and agriculture-based products - now preferred to make their return journey empty. This was a result of higher taxes imposed on Thai goods entering Laos; some claim that in some instances, the rate was raised one hundred percent. One grocery shopkeeper told me how over a three week period Lao traders would simply not purchase Thai goods. The increased taxes caused not only higher prices and less demand in Luang Prabang, but also impacted consumption in Houaysai where most of the local people were accustomed to using Thai products.

As tax rates increased, so did smuggling. Smuggling was considered a local form of negotiation, and not an outright resistance of border regulations. Avoiding taxes, whether by negotiating with familiar officials, by hiding taxable goods, or by smuggling goods into and out of the boat, is something traders have always attempted (see Walker 1999). Today, despite stricter subregional regulations, such tactics still exist. One trader discussed with me her techniques for evading tax. Toto brand blankets, she claims, are in high demand among Lao consumers. The price of Toto blanket in Chiang Khong was about 3,800 baht. Lao import tax added about 300 baht per blanket, raising the cost to 4,200 baht not including shipping costs. The final cost in Luang Prabang would be about 4,500 baht. No one in Laos, the trader explained, would buy such an expensive blanket, especially since several shops - having found ways to evade taxes - sell it for a cheaper price. The trader said on her last trip she bought fifteen packs of Toto blankets but told the customs officers that she only carried three. It was critical that she lower her costs as much as possible, since retailers in Luang Prabang know exactly what the Thai prices are. If her prices were too high, retailers would get blankets from other trade routes, via Loel or Nong Khai.

Coupled with the higher tax rates, more rigorous customs checks have also been implemented along several river checkpoints. The GMS framework encourages Lao customs to be both more transparent and stricter in customs clearance. As a result, the Luang Prabang customs checkpoints were established, serving to double check imports of Thai goods. Once again traders must find ways to evade or otherwise negotiate duty charges. Some traders manage to unload some of their cargo in their hometowns before the customs check is carried out.

The development of large scale infrastructure and trade facilities has also altered older trade practices and contributed to the decline of old-style traders. Paved roads and deep-water ports, for example, has connected trade routes on a subregional scale. Centralized ports and stricter regulations have obstructed, although not totally prohibited, small-scale traders from operating. Under the regulations of GMS standardized ports, docked boats need to maintain a registration book listing exact names of crew members, and thus hiring a boat temporarily or sharing traders is no longer practical. Better road infrastructure also reduces shipping costs, leading to the lower prices in Luang Prabang, but traditional river traders may not get access to the cheaper goods and thus have difficulty matching the prices.
Another factor disrupting the business of old style traders is the irregular flux in water levels of the Mekong river. Unpredictable rises and falls in the water level, stemming from the (mis)management of Chinese dams upstream, may spoil a carefully planned trip. With little or no warning about water levels, traders and boat operators have a very difficult time organizing a shipping schedule for their suppliers and customers.

Credit System: Social Negotiations among Long-distance River Traders

Former traders now settled in Luang Prabang still maintain connections with their Thai suppliers in Chiang Khong, and, using a mobile phone, they are able to check the prices and stock of the goods they want. Some of the old, now settled, traders direct the new boat traders to buy goods from their favorite grocery stores, in the hopes that they will still be able to negotiate a line of credit. The boat traders work by collecting orders from various shops in Luang Prabang and at the local market, Talat Phusy, and by getting whatever advance payment they can. There are no fixed rules for how they go about this. Long-distance traders may ask retailers to pay in advance for products that they cannot buy on credit, or, if the retailers order a large amount of goods, the traders may request a deposit. Arrangements are flexible and depend on the financial situation and negotiating prowess of both parties.

Personal relations still play a pivotal role in financial negotiations. Credit provision is based on trust, and still operates between Lao traders who have long standing relations. Because they are so accustomed to it, settled traders who are now retailers often ask for credit from the new river traders, arguing that their stocked goods can not be easily sold in local market. This leads to something of a revolving fund. Some retailers even suggest that the river traders should simply request a credit line from the Thai suppliers, as they themselves used to do. Unaware of changes in the system, they may be indignant at having no credit. One retailer in Phusy remarked it is the system we have had for a long time, (the present traders) should recognize it and know how to do it as well.

Just as Thai suppliers in Chiang Khong rely on river traders to transport their goods into Laos, the current long-distance river traders depend on local retailers in Luang Prabang to distribute goods to local consumers. Such dependency implies an inferior bargaining position, and thus credit terms are often agreed to, however reluctantly. As a result, the long-distance trade between Chiang Khong and Luang Prabang is still working on a chain of credit dominated by the end distributors - the local retailers in Luang Prabang - despite the attempt by the Chiang Khong side trying to revamp or eliminate the system.

With retailers in Luang Prabang still demanding credit in their dealings with Chiang Khong suppliers, and with the suppliers moving towards a cash-based system, the long-distance traders find themselves caught in the middle. They argue that the best solution for them is to upgrade the size of their boats, reasoning that if they were able to accommodate more cargo, each trip would be more profitable. They would also have more leverage with suppliers because they would be buying in larger volume. Few boat operators would be able to afford such an upgrade, however, especially given the rapidly changing circumstances of cross-border trade. What they can do in the meantime is to find ways to reduce the costs of the carried goods as much as possible. Since bargaining for cheaper prices and credit from the Thai suppliers is unlikely to succeed, the only option for them is to cut the cost of customs payments by smuggling goods across the porous border.

Smuggling and Tax Evasion

Once in the middle of the night, I was awakened by Pii Pul and Pii Samal, two Lao long-distance traders whom I accompanied on a trip from Chiang Khong to Luang Prabang. Surprised by their frenetic late-night activity, I pestered Pii Pul until he finally explained: I have to work. But it was two in the morning! Now? I asked rather naively. He told me how they planned to sneak out to their boat and smuggle the Thai goods out of the cargo hold before passing through Luang Prabang customs check the next day. They spent about twenty minutes unloading the goods from a hired pick-up truck and soon thereafter left for a second load. The whole mission finally ended just before dawn.

Discussing it the next morning, the traders did not express any remorse or guilt; indeed, such smuggling was quite ordinary. To my further surprise, they disclosed that they had to work again one more night since they did not finish the previous night. My requests to join them were rejected: too risky for a foreigner, they said.
The second night, however, proceeded rather differently from the first. This time the traders had already made appointments with various grocery stores in Luang Prabang, and they moved the smuggled goods directly to the shops on a motorcycle. During rainy season when the water level is high, they can even dock their boat at the river bank close to home, making the night smuggling of goods quicker, more convenient and less risky. They unload the boat at night and keep some of the goods in the house for later distribution. But that night, eager to get the goods out of the boat, and with no warehouse to use, they contacted retailers and arranged a clandestine nighttime delivery.

The smuggling episode on the boat made me aware of another dimension of a trader's life: I came to understand just how long traders are separated from their families. As Pi Samai explained, they often traveled for about twenty days to a month - sometimes even two months - for each trip up and down the river. The time spent in their own house in Luang Prabang varied, depending on how fast they could collect money and orders from retailers, and this time rarely exceeded a month. The demands of a trading schedule meant that they had a limited amount of time with their families, and it is interesting to note that their family activities when they were finally together centered on midnight smuggling!

Long distance river traders keep a very flexible schedule, in some respects because they want to, and in other respects because they are given no choice. Plans can be altered unexpectedly by delays in customs clearances or other official obstacles. On the other hand, traders themselves may delay or reschedule a trip if they discover a more lucrative business opportunity during a trading journey. Once, while aboard a sixty ton boat ready to leave from Houayxai, the boat owner suddenly revised our plans. The cargo hold was filled half way with instant noodles, canned food, blankets, and soda water, and the owner was meant to fill the other half with rice belonging to an old friend and trading partner. A Chinese merchant, however, approached him at the port and after a short negotiation, the Lao trader decided that he would cancel the appointment with his long-term friend and use the extra space to transport fifty-eight Chinese motorcycles instead. The boat had to stay at the Houayxai port for two more days in order to load the motorcycles into the boat via a small portal. Once loaded there was no room on the boat to walk or sit, and the three crew members had to sleep on the motorcycle seats.

Conclusion

Transnational economic practices can be viewed as a negotiation of space between different actors involved in trade regulation. The multiple layers of practices found in international trade across the Mekong allow us to track changes in trade patterns, and to discern the relative successes and failures of those patterns. Each trade structure - whether at the subregional level like the GMS, the national level like border checkpoints, or the local level like local traders - shapes the others, because social agents in each are constantly negotiating or contesting the authority and viability of the others. Borders are places where we can witness the interplay between globalization and localization, how they are linked and how they are co-constructed.

The re-territorialization of the Greater Mekong Subregion has led to the transformation of national policies dealing with border regulations and has reshaped local trading practices. On a more conceptual note, the evolving situation as described in this paper provides a detailed example of how the nation-state is being restructured at its borders. Borders, which in the past served to demarcate political entities from each other, have now been transformed into gateways for the transnational flows of goods, people, cultures and ideology. The Mekong river, too, has been reimagined as a river road and an interregional passageway rather than as a natural boundary between states. Lao long-distance traders today do not represent a final outcome of such regional change since changes are still nascent. What we do see are the initial impacts and the affects they have on previous forms of trade. The Chiang Khong Boat Association at Wat Luang has yielded its power and legitimacy to a centralized port officialdom. National symbols like Lekhong whiskey are giving way to transnational symbols like LCR beer.

We also see the emergence of new social connections and new patterns of business practices not only in the local trade community but across the region. The establishment of the customs broker system is an example of how local people seize upon transitions as opportunities, and retool their practices and livelihoods. At the same time, new national level policies means manufacturers can now transport their products to destinations in other countries bypassing local cross-border traders entirely. New generations of grocery store owner must cope not only with such upheavals in policy, but must also be attuned to patterns in Lao consumerism, and competition from other neighboring countries, especially China. Lastly, it is through the porosity and fluidity
of the Mekong as a border that we can examine local forms of negotiation that exist beyond the surveillance of trade authorities, manifest in smuggling and tax evasion. All of the cases discussed above represent a negotiation of transborder space and practice in the context of a changing Mekong riverscape.

References


