

Commodity Trade Mispricing: A Case Study of Coffee Bean Export from Lao PDR

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The commodity sector contributes significantly to government revenues in resource-rich developing countries. However, many studies have shown that revenue collection from the commodity sector including mining and agriculture exports remains well below its potential and that part of the reason is attributed to the problem of trade mispricing. Therefore, the main objective of this article is to estimate the magnitude of trade mispricing for exports of coffee bean from Laos from 2012 to 2017 as a case study of commodity export. The study uses price filter analysis by comparing daily transaction-level export prices from customs data against the daily free market benchmark prices. We find an economically significant magnitude of trade mispricing in the exports of coffee from Laos. This study has several policy implications for Laos because of the current fiscal difficulties of the Laos government, therefore; trade mispricing should be addressed and better understood by policymakers and tax authorities. This study identifies two major risks of trade mispricing in Lao coffee export sector: (1) transactions between affiliated firms and (2) limited capacity of local authorities.