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Lao PDR Market Access Guide: Trading with ASEAN Dialogue Partners – India

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**Lao PDR Market Access Guide:
Trading with ASEAN Dialogue Partners**

INDIA

**Prepared by
Montague Lord**

March 2013

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Summary

Laos benefits from the *ASEAN-India Free Trade Agreement in Goods (AIFTA)* by gaining preferential access to the large Indian market. Under the Agreement, India commits to eliminating customs duties on imports for 90% of its tariff lines under two separate lists: one being completed by the end of 2013; the other, by end-of-2016. For products on the sensitive list, India's tariffs are being reduced to no more than 5% by the end of 2016. For its part, Laos has until 2021 to eliminate tariffs on its normal and sensitive tracks.

How Lao Producers and Exporters Benefit from AIFTA

- Because India's level of trade protection is over twice as high as in the ASEAN countries, Laos' ability to bypass high tariffs gives it a particularly strong competitive advantage over non-AIFTA member countries.
- India's average tariffs on agricultural products is 3.5 times higher than that of the ASEAN countries, making it extremely advantageous for India to buy agricultural products from Laos rather than from non-AIFTA countries.
- India's logistics environment is relatively favorable to trading. It outperforms the average of other East Asian countries in quality of transport and IT infrastructure, logistics competence of officials, international transport costs, traceability of shipments, and timeliness of shipments. This type of logistics environment helps to facilitate transport of goods from Laos.
- India is one of the fastest growing markets in Asia. The country's real import growth rate in the last few years has been substantially higher than that of the East Asian economies.

What are the Fast-Growing Indian Product Markets for Lao Businesses

Lao products with dynamic export growth to the Indian market are considerably different from exported to other markets. The following highlight some of the wide ranging types of non-traditional products with rapidly growing imports in India:



These products are those in which India has high import growth rates. In some cases, Laos also has high export growth rates of the same products; but in some cases it has 'missed opportunities' to benefit from the high growth markets. Lao exports of both large and emerging exports are especially compatible with the types of products imported by India. Those classified as medium and small exports are in line with the level of compatibility of developing countries in general.

How the AIFTA Works

There are two normal tracks in the AIFTA: (a) Tariff lines in Normal Track 1 are eliminated for India in 2013 and for Laos in 2018; (b) Tariff lines in Normal Track 2 are eliminated for India in 2016 and for Laos in 2018. For products on the sensitive list, India commits to lowering tariffs above 5% to no more than 5% by 2016; Laos has until 2021 to apply those tariff reductions. For tariffs equal to 5%, the tariff can be maintained at the same rate for up to 50 tariff lines by both countries.

This guide shows how to determine (a) whether there are benefits to using the AIFTA, and (b) whether a particular product being exported from Laos is eligible for a preferential rate. It is important to check these two conditions in order to avoid spending time and money in applying for the preferential rate if a product is already subject to a low customs duty outside the AIFTA.

Understanding Rules of Origin

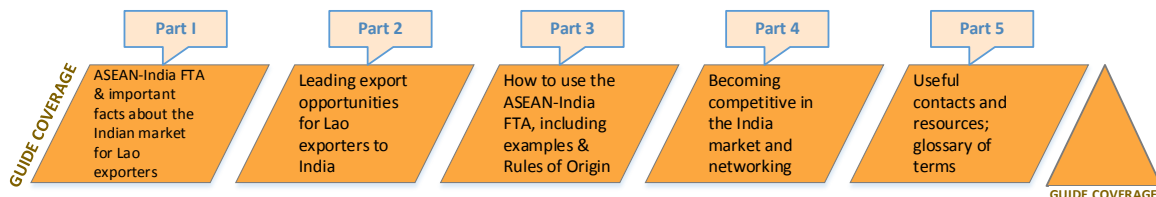
The Rules of Origin (ROO) are an essential feature of the AIFTA. They determine what goods qualify for preferential tariff treatment, that is, what goods count as “Lao” products. There are two ways to qualify:

- A good can be wholly originating from Laos, for example, goods obtained from farming; and
- A good can have at least 35% of content originating from Laos, including that occurring after a change in its tariff classification from materials originating in non-AIFTA countries. The rule also applies to goods produced jointly between Laos and other AIFTA countries.

How to Compete in India's Product Markets

- ✓ *Become informed:* ASEAN and Indian leaders are committed to supporting not only trade between them but also SMEs as major beneficiaries of the trade expansion. This guide provides information about resources and contacts that can help you to become familiar with the requirements and opportunities of AIFTA.
- ✓ *Develop networks:* This guide emphasizes the importance of cultivating business relationships that help you to establish networks of mutually beneficial cost-sharing activities, which can lead to establishing contractual arrangements with Indian companies.
- ✓ *SME Value Chains:* This guide offers advice on how small and medium-size enterprises (SMEs) can effectively compete through value chains, as well as meet international standards like those of Export Quality Infrastructure (EQI) required by India.

How This Guide is Organized



PART 1: Guide to Understanding Lao's Exports to India

3.1. Facts about India's Importance as an Export Market

3.1.1. Lao's Trade Relations with India

Opportunities – India is a relatively small but growing market for Lao exporters. At present, exports of copper ores predominate over other exports. Nonetheless, there are several emerging types of Lao exports that have large markets in India. They include agricultural equipment like mechanical valves, instruments and apparatus for physical or chemical analysis, equipment such as steam boilers, and non-timber forest products like gum benjamin.

How Lao Benefits from the ASEAN-India FTA – As a member of ASEAN, Laos benefits from the ASEAN-India Free Trade Agreement in Goods (AIFTA). It was signed in August 2009 and came into force on 1 January 2010. The AIFTA provides for the progressive reduction and elimination of originating goods traded between the ASEAN member countries and India.

3.1.2. Lao's Preferential Access to India's Markets

Gradual Elimination of Tariffs – The AIFTA has separate tracks for normal and sensitive products, and it has separate lists for special and excluded products. Under the normal track, India's tariffs will be eliminated in 2013, while those of Lao PDR will be eliminated by 2021. For products under the sensitive track, India will limit tariffs to no more than 5% by 2016 and Lao will reduce its sensitive track product tariffs to no more than 5% by 2021. India's list for special products covers crude palm oil and peppers, among others.

Elimination of Non-Tariff Barriers – The AIFTA eliminates all non-tariff measures except those permitted under the WTO agreements. It also ensures transparency of the remaining (WTO-consistent) non-tariff measures.

Other Preferences for Lao Exporters – There are two other preferential schemes under which Lao exporters can export to India. For that reason, it is important to compare schemes with that of AIFTA to determine which one provides the most benefits for particular products. The first is the Asia-Pacific Trade Agreement (APTA), which is a preferential tariff arrangement that promotes intra-regional trade through the exchange of mutually agreed concessions by members of the region under the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The second is India's Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries (LDCs). It has operated since 2008 and covers 94% of India's total tariff lines and 92.5% of the cumulative export value of all LDCs, including those of Laos.

India Business Connections in Laos – The Lao National Chamber of Commerce and Industry (LNCCI) and Ministry of Industry and Commerce (MOIC), together with the Embassy of India to the Lao PDR, have organized several business meetings in Vientiane, including the "Lao-India Business Forum" in March 2011; meanwhile, other networking events between Lao and Indian businesses have been held in India. All of these events have helped to connect businesses interests between the two countries. Information about ongoing and future business networking opportunities is available at LNCCI.

3.2. Lao's Exports to India

2.2.1. Traditional and Emerging Exports

Emerging Exports for India – Some of Lao PDR's traditional and emerging exports have strong markets in India, as reflected in the rapid growth of imports for those products. Traditional exports include wood products in the form of wood in continuously shaped form, wood sawn lengthwise and wood in the rough. Non-traditional exports of growing significance are machinery parts, steam boilers, copper plates, natural gums, essential oils and vegetables.



2.2.2. How Exports to India Differs from Other Markets

Lao products with dynamic export growth to the Indian market are considerably different from exported to other markets. Exports to India of machinery parts, vegetable saps and extracts, wood articles, organic chemicals and copper articles have all grown much faster than exports to other destinations. In contrast, exports to India of ores and slags have expanded at about the same rate as those of exports to other destinations (Figure 1.2).

The reason for the export growth differences is that India's demand for imports in general and that for specific products exported by Laos differs from demand patterns in other markets. For that reason, it is important to understand the Indian market and how it differs from other markets. Among the major factors determining those differences are the following:

- ✓ The drivers of trade for India and its demand for Lao products.
- ✓ Lao's export compatibility with Indian imports, that is, whether Laos is exporting the types of goods that are most in demand by India.
- ✓ Whether Laos is focusing its exports on the types of products that have dynamic markets in India.

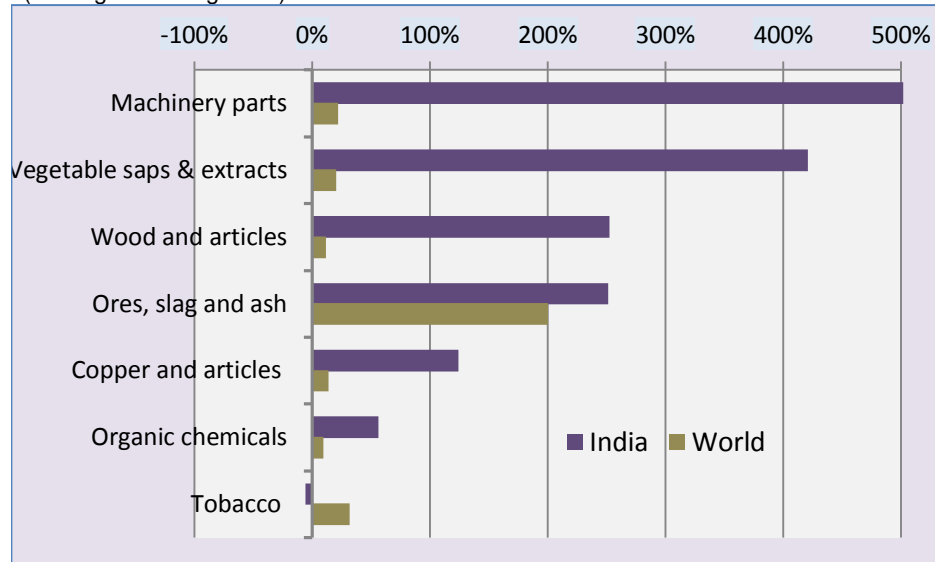
2.2.3. Key Drivers for Lao Exports

There are two sets of factors that are important for Lao exporters to consider in the Indian market:

Factors Related to the Indian Market

In considering the Indian market as a possible market destination, the Lao exporter should examine *growth prospects* and *market access requirements*.

Figure 1.2: Lao Exports to India versus Other Markets in Last Five Years
(Average annual growth)



- ▲ Growth prospects for the Indian market are mainly driven by sectoral growth patterns in that country and by the import demand responsiveness to economic activity in India.

➡ *For more information, see Chapter 2 below.*

- ▲ Market access requirements under the ASEAN-India FTA provide important advantages to the Lao PDR over other non-ASEAN foreign suppliers, and the advantages will improve as tariffs are increasingly eliminated for Laos through 2020.

➡ *For more information, see Chapter 3*

Factors Related to Lao's Competitiveness and Internal Factors

The ability of Lao producers to effectively compete for market shares of India is determined by the following:

- ▲ The compatibility of Lao exports with Indian imports.

➡ *For more information, see Section 2.1*

- ▲ The strength of institutional support mechanisms to help producers compete in the market.

➡ *For more information, see Section 4.1.*

- ▲ The export quality infrastructure (EQI) opportunities for adding value to exports, that is, for moving Laos from a concentration on unprocessed primary commodity exports, to agro-industrial and manufacturing activities in increasingly sophisticated product exports.

➡ *For more information, see Section 4.2.*

- ▲ The ability of Lao businesses to accommodate Asian business styles into their networking operations. The approach emphasizes the cultivation of business relationships in the context of Asian interests in building professional trust and mutually beneficial cost-sharing activities leading to common goals. In contrast, the Western approach to doing business is largely based on competitive tendering and cost-minimizing negotiation strategies. For Lao businesses, it is therefore important to build networks that create buyers' trust and interest in establishing mutually-beneficial, long-term contractual arrangements with Indian companies.

➡ *For contact information and links to resources, see Section 5.1.*

PART 2: Guide to Emerging Opportunities in India's Market

2.1. Lao's Export Compatibility with India's Imports

Lao exports have a relatively high degree of trade compatibility with India's imports, especially for its large and emerging exports.¹ For those types of exports, the index of compatibility is in line with that of trade between industrialized countries, which averages 0.55 and 0.20 for developing countries. For the medium and small exports, the index is low but generally in line with that of developing countries.

Figure 2.1: Trade Compatibility Index between Lao PDR Exports and Indian Imports

	Index of Trade Compatibility	Examples of Lao exports in category
Large-size Exports	0.33	copper ore; saw n wood; natural rubber; men's suits; coffee
Medium-size Exports	0.15	Sugar cane; oil seeds; packaging articles; essential oils
Small-size Exports	0.19	Fruits & vegetables; bags & suit cases; vacuum pumps
Emerging Exports	0.32	Palm oil; lamp fixtures; vegetable alkaloids; organic compounds

Note: Calculated for products at the 4-digit Harmonized System (HS) level. Large-size exports: greater than US\$10 million; medium-size exports: between US\$1 and US\$ 10 million; small-size exports: between US\$ 0.5million and US\$ 1 million; and emerging exports: under US\$500,000. Benchmark trade compatibility indexes are generally 0.55 for industrialized countries and 0.2 for developing countries.

Advantages for Lao Exporters

With a relatively high degree of trade compatibility in some of its large and emerging exports, Lao exporters can take advantage of India's fast growing imports in a wide range of industries. Additionally, the ASEAN-India FTA gives Laos a competitive advantage over non-ASEAN countries in supplying products to that country.

Some Key Products

- Among Lao's large-size exports are ores and refined metals, clothing and apparel, wood products, and coffee.
- Among the exports are palm oil, electrical fixtures, vegetable alkaloids, and organic compounds.

Recognizing these opportunities should stimulate the Laos private sector to take advantage of the ASEAN-India FTA in order to expand exports to the fast-growing Indian market.

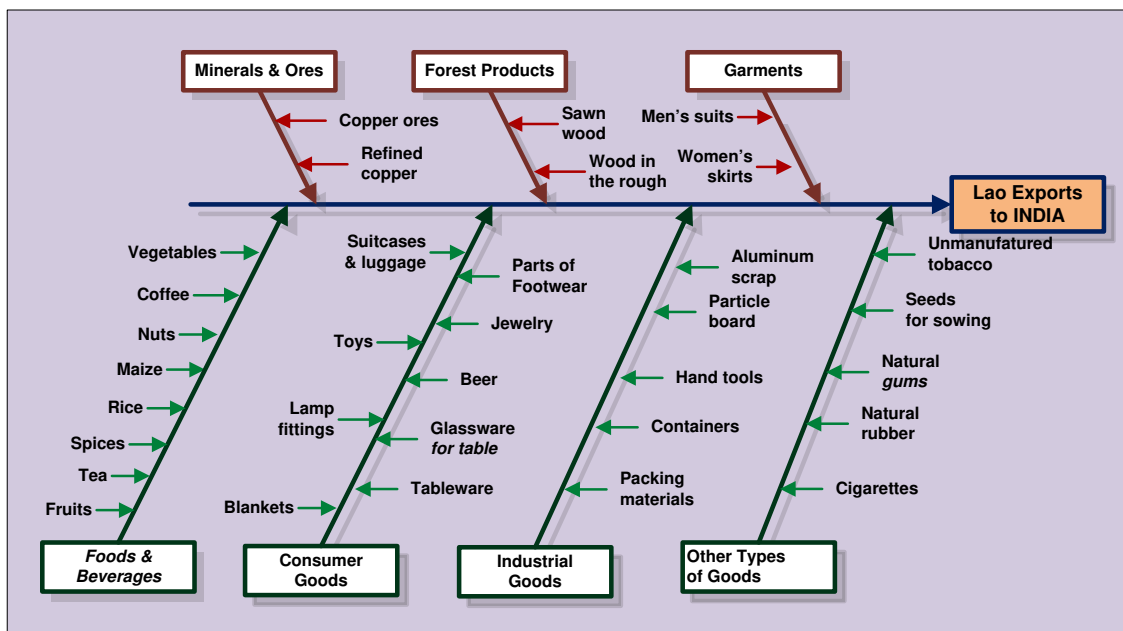
2.2. Winners in the Indian Markets

Another way to measure export opportunities to the Indian market is to examine whether Laos' exports have been directed at dynamic product markets and, if so, whether exporters have been expanding their activities in those markets. The potential growth of firms and industries in the world market and the Indian market in particular are reflected in high rates of export growth and rising market shares. This type of analysis is suggestive of the actual or potential penetration into dynamic markets for Lao exporters.²

Measuring Penetration in Different Types of Markets

Laos' export growth in different types of product markets in the Indian market has been measured by the trend growth rate of product exports in the four product categories (large, medium, smaller and emerging exports), and the ratio of product exports relative to Indian

Figure 2.2: Lao PDR High Actual and Potential Exports to India



imports of those products. The export performance of Laos has been classified into the following four categories:

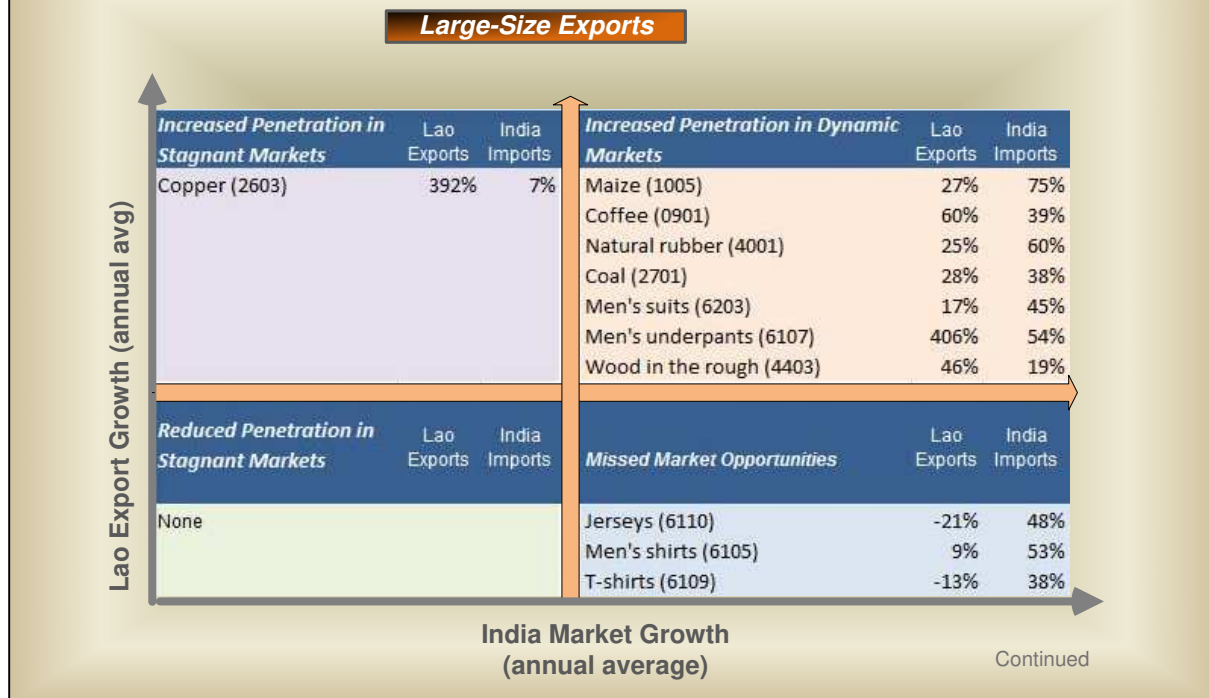
- ✓ *Exploited Market Opportunities*: Products in which the Lao PDR has a rising market share and Indian imports are expanding.
- ✓ *Increased Penetration in Stagnating Markets*: Products in which the Lao PDR has a rising market share but Indian imports are contracting.
- ✓ *Missed Markets Opportunities*: Products in which the Lao PDR has a falling market share despite expanding Indian imports.
- ✓ *Reduced Penetration in Stagnating Markets*: Products in which the Lao PDR's market share is falling and Indian market is contracting.

The most desirable situation is for Lao exporters to be involved in either *exploited market opportunities*, where their products have made headways into dynamic markets, or *missed market opportunities*, where there is strong export growth potential if Lao exporters improve their competitiveness and increase their market penetration.

Lao Large-Size Exports

Among large-size exports, some types of men's clothing and apparel, maize, coffee, natural rubber, and wood in the rough have fast-growing Indian markets where Lao exports have also expanded rapidly. In contrast, Lao exports have been sluggish in the fast-growing markets for certain types of men's clothing, namely, jerseys, shirts and t-shirts. Lao exports of copper have, however, expanded rapidly in parallel with a relatively slow growing market in India.

Figure 2.3: Matching High-Growth Lao Exports with Dynamic Indian Imports, 2007-2011



Lao Medium-Size Exports

Among medium-size exports there have been numerous products where both Indian imports and Lao exports have grown rapidly. They include agricultural products like rice, manioc, buckwheat, cabbage and plants used in perfumery. There has also been fast growth in Lao exports and Indian imports of several types of clothing and apparel, unmanufactured tobacco and cigarettes, and parts used in the manufacture of footwear. Other fast-growing Indian markets where Lao exporters would do well to increase their exports are plywood, wood continuously shaped, natural gums, and certain types of clothing.

Lao Small-Size Exports

Among Lao's relatively smaller-size exports, there are several types of products with rapidly growing Indian markets where Lao have risen rapidly. They range from dried fruits to beer, vegetable saps, lead ores and concentrates, suitcases and other types of luggage and various types of garments. Some of the rapidly growing markets where Lao exporters have lost market shares because of sluggish exports are carpentry of wood, air or vacuum pumps and cigarette lighters. In contrast, Lao exports have grown rapidly in markets with relatively slow or stagnant Indian markets, notably carrots and zinc ores.

Lao Emerging Exports

In many instances, Laos' rapidly emerging exports have paralleled dynamic markets in India. Among the major types of products are antiques; agricultural products in the form of soybeans, cereal grains, parts of plants, coconuts, dried vegetables, seeds for sowing, and cotton; blankets and travelling rugs; sewing thread; precious or semi-precious stones; toys; imitation jewelry; hats and other headgear; table parts; and hand tools. In markets without

Figure 2.4: Matching High-Growth Lao Exports with Dynamic Indian Imports, 2007-2011 (continued)

Medium-Size Exports

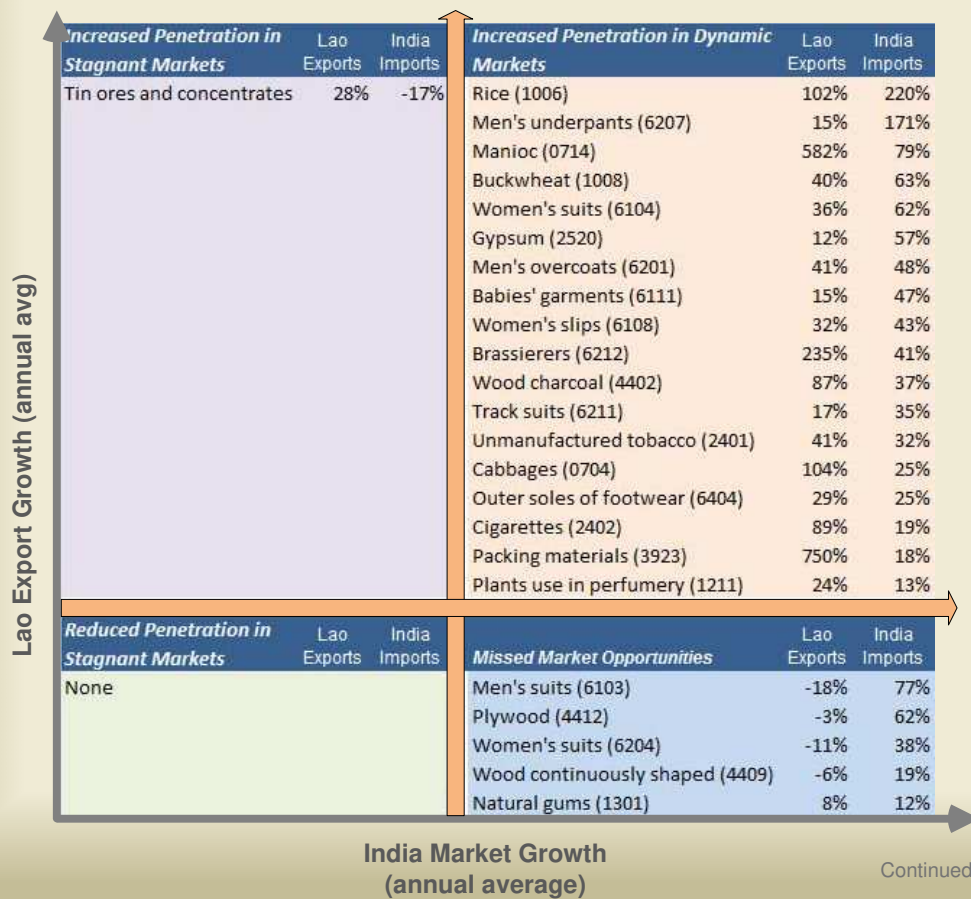
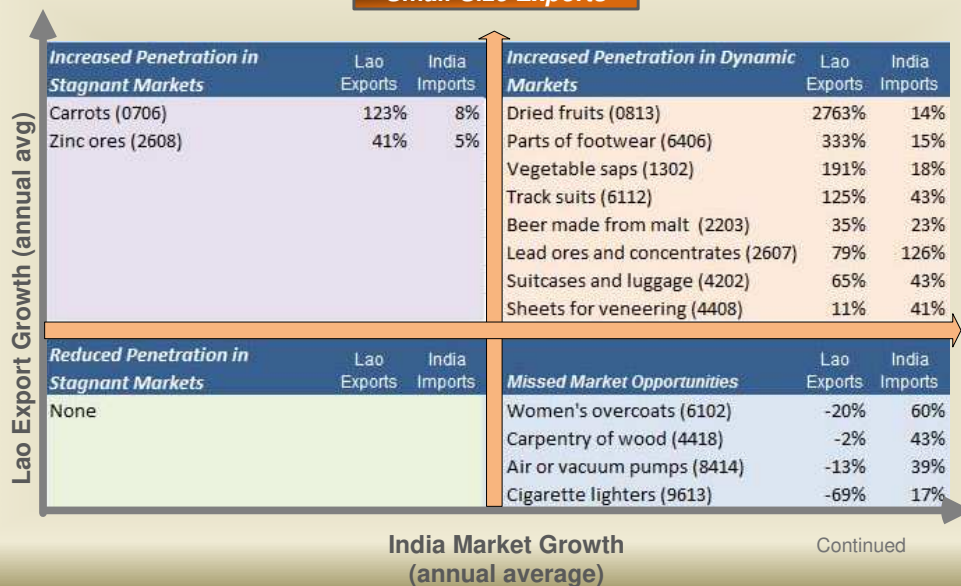


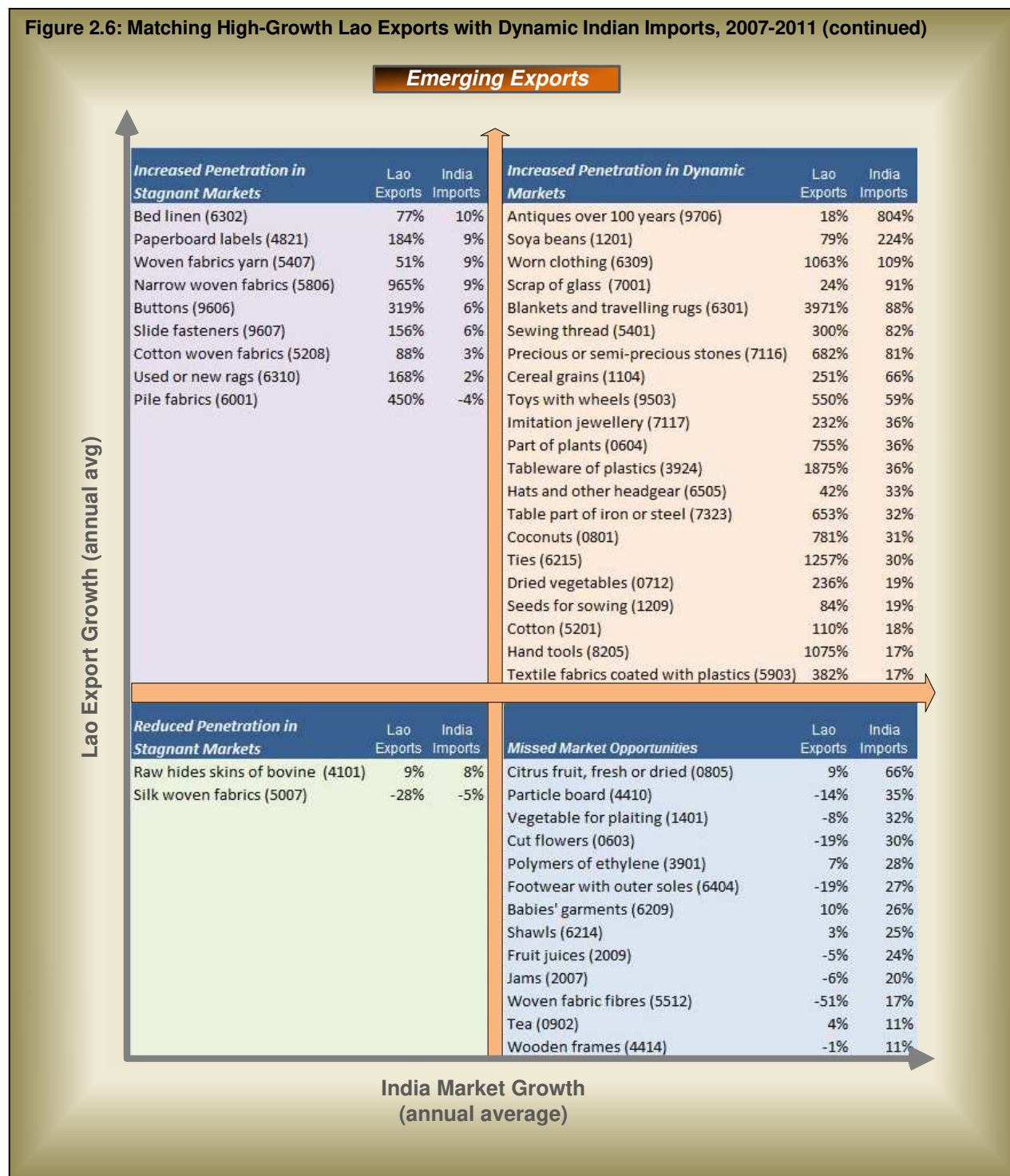
Figure 2.5: Matching High-Growth Lao Exports with Dynamic Indian Imports, 2007-2011 (continued)

Small-Size Exports



a clear sector-wide growth in Laos, there exist fast-growing markets for other types of agricultural or agri-processed products like citrus fruit, cut flowers, fruit juices, jams, and tea; particle board; certain types of footwear and apparel; and wooden frames. In contrast, Lao exports have grown rapidly in some Indian markets in which import growth has been sluggish. They include certain types of apparel and parts used in the manufacture of clothing.

Figure 2.6: Matching High-Growth Lao Exports with Dynamic Indian Imports, 2007-2011 (continued)



2.3. India's Import Demand Prospects for Lao PDR's Top 10 Exports

2.3.1. Determinants of Foreign Market Demand

India's import demand for Lao exports can be described as a two-stage process:

Stage 1: Indian importers decide how much of a product they want to buy

Major domestic import demand determinants: overall import demand for products is driven by domestic income and economic activity (non-price factors) and prices of foreign goods relative to domestically sourced products.

Stage 2: Indian importers decide from whom they want to buy the product

Major foreign export demand determinants: All other things being equal, Laos's exports would have a proportional response to India imports, that is, they would tend to grow by the same proportion as imports. However, the Lao PDR's price competitiveness depends on two factors: first, the price at which producers and exporters are able to sell their products relative to other suppliers; and, second, the real exchange rate of Laos relative to that of India, that is, the nominal exchange rate between the Lao kip and the Indian rupee, adjusted for the general price index of the two countries. Networking and business relationships also affect the extent to which Lao exporters are able to expand their activities in the Indian market. These relationships are particularly important for doing business in Asia, unlike Western business practices that are largely based on cost-based competitive procurement practices.

2.3.2. Trending Import Demand Prospects

In order to provide some indication of India's import demand prospects for Lao PDR's 10 major export categories, forecasts have been produced using time-series analysis.

Methodology – This approach essentially projects future movements in trade based on past patterns of change in trade and actual deviations that have occurred from those patterns.³ It is a useful alternative to 'structural models' of trade that explain trade based on price and non-price determinants described in the previous section when there is poor data, as is the case of trade volumes for India's imports of Lao PDR's major export products.⁴

Forecasts – Time series forecasts of India's import demand show a near-term expansion associated with year-on-year patterns of change. After a while, those import forecast tend to stabilize around their long-term growth of trade.

For each of the Lao PDR's 10 top exports, India's value of imports is expected to expand as follows:

Table 2.1: India's Import Demand of Lao PDR's Top Ten Export Categories, 1990-2020

	Historical		Forecast
	1991-2000	2001-2011	2012-2020
Copper and articles thereof	1%	15%	10%
Ores, slag and ash	19%	46%	36%
Wood articles; wood charcoal	11%	14%	13%
Apparel and clothing	141%	33%	76%
Coffee and tea	33%	17%	23%
Cereals	28%	52%	42%
Rubber and articles thereof	9%	18%	15%
Oil seeds and oleaginous fruits	16%	22%	20%
Footwear	11%	20%	17%
Edible vegetables	2%	59%	36%

As expected, the fast growing imports that are projected for cereals, vegetables, clothing and apparel and ores and slag are products that have had dynamic markets in the past, while those with slower projected growth rates like wood articles and rubber and articles thereof have had historically slower rates of growth.

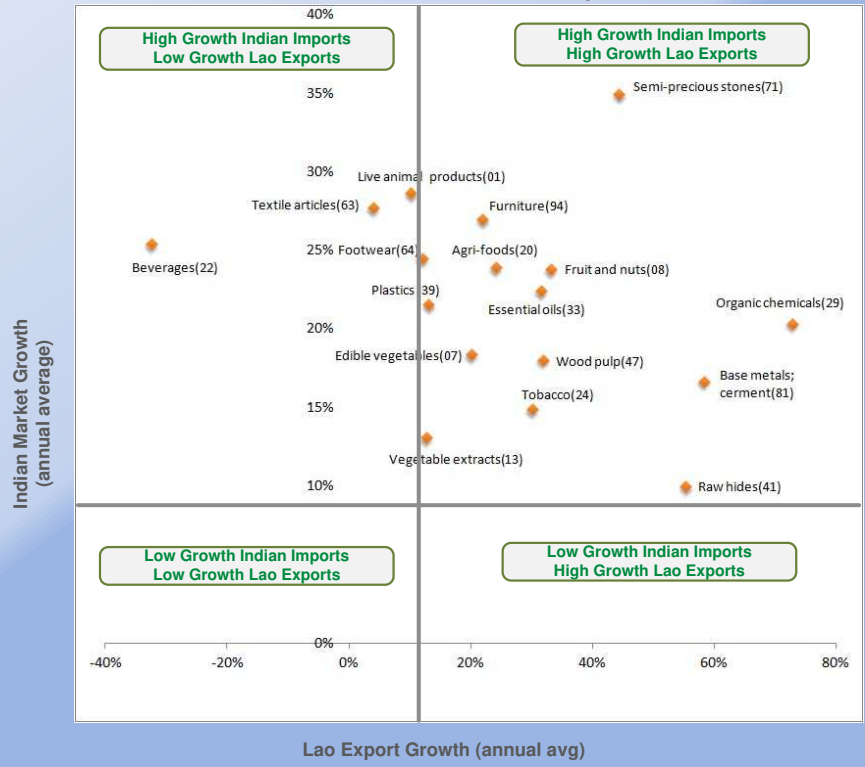
For the average of the 10 products, India's overall value of imports is projected to grow by 29% annually in 2012-20, in contrast to 27% in 1991-2000 and 30% in 2001-2011.

2.4. Potential Dynamic Markets for Small and Medium-Size Exports

Some of Lao PDR's small and medium-size exports are among India's fastest growing imports.⁵ Among the fastest growing ones are those in which Lao's own exports have been growing rapidly in the last five years (numbers in parenthesis refer to the HS code for the product group):

- ◆ Semi-precious stones (HS 81)
- ◆ Fruits and nuts (HS 08)
- ◆ Organic chemicals (HS 29)
- ◆ Vegetable extracts (HS 13)
- ◆ Wood pulp (HS 47)
- ◆ Fertilizers (HS 31)
- ◆ Essential oils (HS 33)
- ◆ Organic chemicals (HS 29)
- ◆ Raw hides (HS 41)
- ◆ Edible vegetables (HS 07)

Figure 2.7: Potential Growth Markets in India for SME Exports from Lao PDR



PART 3: Exporter's Guide to India's Market

3.1. How Lao Exporters Can Benefit from the ASEAN-India FTA

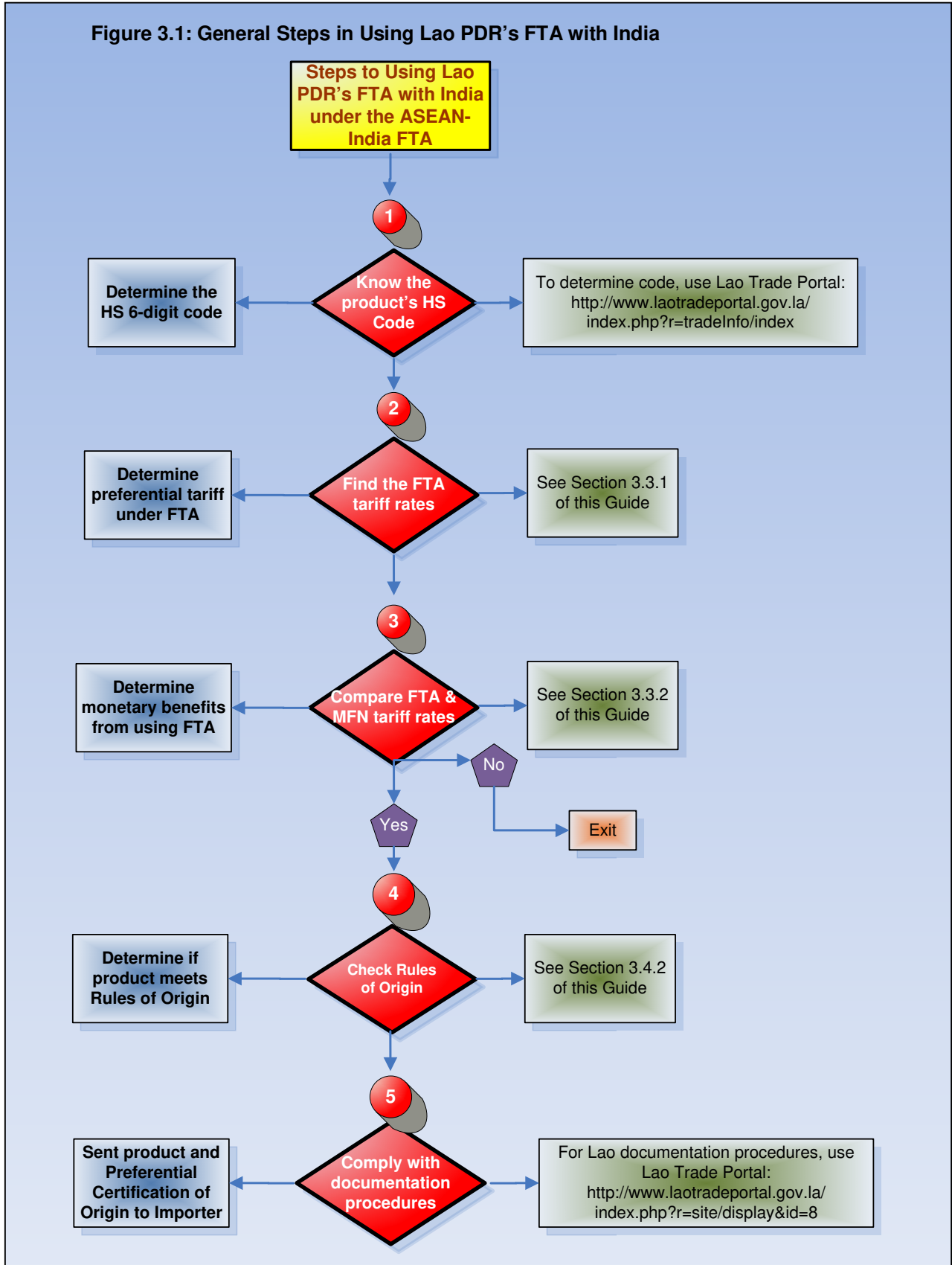
There are five reasons why Lao exporters should take advantage of the ASEAN-India FTA:

- (1) **High tariff rates for non-preferential suppliers.** India's level of protection is higher than most other Asian economies. Its Most Favored Nation (MFN) Tariff Trade Restrictiveness Index (TTRI) in recent years has averaged 11%, compared with less than 5% in East Asia. The MFN rate is the non-preferential rate applied to countries.⁶ As a member of ASEAN, Lao exporters can export to India under preferential rates and therefore have a substantial competitive advantage in selling their products to Indian businesses at effectively lower prices.
- (2) **High tariff rates for agricultural products.** India's tariffs for agricultural products are very high, averaging 28% in recent years, compared with 8% in other East Asian countries. High MFN rates in those types of products give Lao exporters an especially large competitive advantage over non-preferential suppliers in selling their products to businesses.
- (3) **India has some challenges in its environment for doing business.** For 2013, India ranks 133 out of 185 countries in Ease of Doing Business.⁷ In trading across borders, it ranks about the same at number 127. Lao businesses should therefore be aware of possible challenges that they could confront in the time and cost of trading with India, as well as the number of documents that are needed when exporting to that country.
- (4) **India's logistics environment is relatively favorable to trading.** India somewhat outperforms the average of other East Asian countries in quality of transport and IT infrastructure, logistics competence of officials, international transport costs, traceability of shipments, and timeliness of shipments. This type of logistics environment should help to facilitate transport of goods from Laos.
- (5) **India is one of the fastest growing markets in Asia.** The country's real import growth rate in the last few years has been substantially higher than that of the East Asian economies. Moreover, ASEAN and Indian leaders are committed to supporting not only trade between them but also SMEs as major beneficiaries of the trade expansion.

3.2. Steps for Lao Exports to Use the ASEAN-India FTA

Figure 3.1 shows the general steps to using Lao PDR's FTA with India under the ASEAN-India FTA. Essentially, it involves (a) determining whether there are benefits to using the FTA, and (b) determining whether the product exports are eligible for FTA preferential rates.

Figure 3.1: General Steps in Using Lao PDR's FTA with India



Step 1: Establish the tariff classification of a good by determining the Harmonized System (HS) code of your product.

To determine your 6 or 8 digit HS code, visit the Lao Trade Portal at: <http://www.laotradeportal.gov.la/index.php?r=tradeInfo/index>. The HS code can be searched by entering a description of your product.

Step 2: *Step 3:* Check the tariff commitments for the good in the relevant tariff schedule

➔ See Section 3.3 on determining FTA benefits.

Step 3: Determine the Rules of Origin (ROO) applying to the good

➔ See Section 3.4 on determining eligibility for FTA preferential tariff rates.

Step 4: Obtain a Certificate of Origin.

For exporting to India as well as other countries that have a preferential tariff with the Lao PDR or with ASEAN you can obtain a Certificate of Origin from the Certificate of Origin Division of the Ministry of Industry and Commerce (MOIC).⁸

3.3. Key Elements for Laos of ASEAN-India FTA

Fast Track and Sensitive Track Tariff Reductions

The ASEAN-India Agreement on Trade in Goods provides for the substantial or complete elimination of tariffs and other barriers to trade for the ASEAN countries. There are different tariff-reduction schedules for three groups of countries: (a) Lao PDR, Cambodia, Myanmar and Vietnam; (b) Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand; and (c) the Philippines.

Normal Tracks: There are two normal tracks in the AIFTA.

(1) *Normal Track 1* provides reductions and the subsequent elimination of tariff rates for the Lao PDR as well as Cambodia, Myanmar and Vietnam between 1 January 2010 and 31 December 2018; and, for India, between 1 December and 31 December 2013.⁹

(2) *Normal Track 2* provides reductions and the subsequent elimination of tariff rates for the Lao PDR as well as Cambodia, Myanmar and Vietnam between 1 January 2010 and 31 December 2018; and, for India, between 1 December and 31 December 2016.

▲ *Download the Schedule of Details Tariff Commitments of India to Lao and Other CLMV countries plus ASEAN-5 countries at the Lao Trade Portal.*¹⁰

Sensitive Tracks: There are two schedules for sensitive products that are of interest to Laos, one referring to 'sensitive products' and the other to 'highly sensitive products'.

A. Sensitive Track

- For tariff rates above 5% in the Sensitive Track, India commits to lowering tariff rates to no more than 5% by 2016; Lao PDR and other CLMV countries commit to lowering tariff rates to no more than 5% by 2021.
- Tariff rates of 5% in the Sensitive Track can be maintained at the same rate for up to 50 tariff lines.
- Applied tariff rates on 4% of the tariff lines can be placed on the Sensitive Track by each country. The Lao PDR must eliminate those tariff rates by 31 December 2021.

B. Highly Sensitive Track for Lao PDR. The conditions applied to these tariff lines do not apply to the Lao PDR.

Special Products: Special Products refer to India's crude and refined palm oil, coffee, black tea and pepper. For those products, tariff rates will be reduced according to the following tariff reduction schedules:¹¹

Tariff Line	Base Rate	AIFTA Preferential Tariffs										
		Not later than 1 January										31-Dec-19
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Crude palm oil	80	76	72	68	64	60	56	52	48	44	40	37.5
Refined palm oil	90	86	82	78	74	70	66	62	58	54	50	45
Coffee	100	95	90	85	80	75	70	65	60	55	50	45
Black tea	100	95	90	85	80	75	70	65	60	55	50	45
Pepper	70	68	66	64	62	60	58	56	54	52	51	50

Illustration of Benefits for Lao PDR's Top Exports

For Lao PDR's top 30 export products, Table 3.1 illustrates the difference between the tariff costs for non-preferential exports to India and those under the increasing preferential rates in 2013-2019.

Table 3.1: Difference between Preferential and Non-Preferential Tariffs in ASEAN-India FTA for Lao PDR's Top 30 Product Exports

Item		If Exporter Does Not Comply with ASEAN-Korea FTA	If Exporter Does Complies with ASEAN-India FTA					
			2013		2016		2019	
HS Code	Description		Preferential Rate	Savings	Preferential Rate	Savings	Preferential Rate	Savings
VEGETABLE PRODUCTS								
070490	Cabbages, kohlrabi, kale fresh/chilled	30% applied tariff = \$30,000	5% applied tariff = \$5,000	\$ 25,000	0% applied tariff = \$0.0	\$ 30,000	0% applied tariff = \$0.0	\$ 30,000
090111	Coffee, not roasted (not decaffeinated)	100% applied tariff = \$100,000	0% applied tariff = \$0.0	\$ 100,000	0% applied tariff = \$0.0	\$100,000	0% applied tariff = \$0.0	\$ 100,000
100590	Maize (corn), other than seed	7.5% applied tariff = \$7,500	0% applied tariff = \$0.0	\$ 7,500	0% applied tariff = \$0.0	\$ 7,500	0% applied tariff = \$0.0	\$ 7,500
121299	Sugar cane	30% applied tariff = \$30,000	5% applied tariff = \$5,000	\$ 25,000	0% applied tariff = \$0.0	\$ 30,000	0% applied tariff = \$0.0	\$ 30,000
MINERAL PRODUCTS								
252010	Gypsum; anhydrite	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
260300	Copper ores & concentrates	2% applied tariff = \$2,000	0% applied tariff = \$0.0	\$ 2,000	0% applied tariff = \$0.0	\$ 2,000	0% applied tariff = \$0.0	\$ 2,000
270119	Coal other than anthracite & bituminous	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
CHEMICAL PRODUCTS								
280469	Silicon of silicon	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
280530	Rare-earth metals, scandium	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
310590	Fertilisers of nitrogen, phosphorus & potassium	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
RUBBER & RUBBER PRODUCTS								
400121	Natural rubber in smoked sheets	7.5% applied tariff = \$7,500	2.5% applied tariff = \$2,500	\$ 5,000	0% applied tariff = \$0.0	\$ 7,500	0% applied tariff = \$0.0	\$ 7,500
400122	Technically spec. natural rubber (TSNR)	7.5% applied tariff = \$7,500	2.5% applied tariff = \$2,500	\$ 5,000	0% applied tariff = \$0.0	\$ 7,500	0% applied tariff = \$0.0	\$ 7,500

Table 3.1: Difference between Preferential and Non-Preferential Tariffs in ASEAN –India FTA for Lao PDR’s Top 30 Product Exports (Continued)

Lao Exports of US\$ 100,000 to India								
Item		If Exporter Does Not Comply with ASEAN-Korea FTA	If Exporter Does Complies with ASEAN-India FTA					
			2012		2015		2018	
HS Code	Description		Preferential Rate	Savings	Preferential Rate	Savings	Preferential Rate	Savings
ARTICLES OF WOOD								
440290	Wood charcoal	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
440399	Wood, in the rough	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
440729	Wood sawn/chipped lengthwise	10% applied tariff = \$10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
440799	Wood, sawn/chipped lengthwise	10% applied tariff = \$10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
440929	Wood continuously shaped	10% applied tariff = \$10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
TEXTILES AND TEXTILE ARTICLES								
610510	Men's/boys' shirts of cotton	10% applied tariff = \$10,000	4% applied tariff= \$4,000	\$ 6,000	1% applied tariff = \$1,000	\$ 9,000	0% applied tariff = \$0.0	\$ 10,000
610711	Men's/boys' underpants of cotton	10% applied tariff = \$10,000	7% applied tariff= \$7,000	\$ 3,000	5% applied tariff = \$5,000	\$ 5,000	5% applied tariff = \$5,000	\$ 5,000
610910	T-shirts, singlets of cotton	10% applied tariff = \$10,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
611020	Jerseys, pullovers, cardigans of cotton	10% applied tariff = \$10,000	7% applied tariff= \$7,000	\$ 3,000	5% applied tariff = \$5,000	\$ 5,000	5% applied tariff = \$5,000	\$ 5,000
611030	Jerseys, pullovers of man-made fibres	10% applied tariff = \$10,000	7% applied tariff= \$7,000	\$ 3,000	5% applied tariff = \$5,000	\$ 5,000	5% applied tariff = \$5,000	\$ 5,000
620343	Men's/boys' trousers, of synthetic fibres	10% applied tariff = \$10,000	7% applied tariff= \$7,000	\$ 3,000	5% applied tariff = \$5,000	\$ 5,000	5% applied tariff = \$5,000	\$ 5,000
620520	Men's/boys' shirts of cotton	10% applied tariff = \$10,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
621133	Track suits of man-made fibres	10% applied tariff = \$10,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000	0% applied tariff = \$0.0	\$ 10,000
BASE METALS								
640399	Footwear without outer soles of leather	10% applied tariff = \$10,000	4% applied tariff = \$4,000	\$ 6,000	1% applied tariff = \$1,000	\$ 9,000	0% applied tariff = \$0.0	\$ 10,000
740200	Unrefined copper	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
740311	Cathodes of refined copper, unwrought	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000
811292	Germanium, vanadium, gallium	5% applied tariff = \$5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000	0% applied tariff = \$0.0	\$ 5,000

The product categories need to be defined at the HS 6-digit level in order to determine their MFN and preferential rates. The table divides Lao PDR’s top 30 products into the major sections of the Harmonized System (HS).

In some cases, India’s tariff on a product from countries having no preferences (subject to the MFN rates) can be as low as or lower than the currently applicable FTA-negotiated preferential tariff rate (ASEAN-India FTA rate). In those cases, it is preferable to use the MFN rate rather than the FTA preferential rate, as has been done in Table 3.1. Since there are time and record-keeping costs associated with claiming eligibility of a Lao product for the FTA preferential rate, it is always a good idea to check the current MFN tariff rate and compare it to the FTA preferential rate.

3.4. Requirements for Receiving Preferential Market Access

Compliance with Rules of Origin: The Certificate of Origin (C/O) establishes compliance with the Rules of Origin (ROO) of the ASEAN-India FTA and determines whether goods will be given preferential tariff treatment under the Agreement. It prevents products from outside the ASEAN-India region from having access to FTA benefits. Therefore compliance to ROO is important in exporting products and is outlined in Annex 2 of the AIFTA.

Origin Criteria

The Origin criterion says that a good is originating and eligible for preferential tariff treatment if it meets any one of the following:

- (1) A good is wholly obtained or produced entirely in the territory of the exporting country (Rule 3); or
- (2) Products not wholly produced or obtained in the exporting country provided that the products are eligible under Rule 4 or 5 or 6.

Rule 3: Wholly Obtained or Produced Goods

Certain types of products may be considered to be wholly obtained or produced in the territory of Laos. Among the product types of interest to Laos are minerals, plants and harvested plant products, and products obtained from live animals.

Rule 4: Not Wholly Obtained or Produced Goods

In cases where a good is not wholly obtained or produced in Laos, it is nevertheless considered to be originating from Laos if either of the following conditions applies:

- (1) The *AIFTA Content* is at least 35%, or
- (2) The *non-originating materials* have undergone at least a change in HS classification on the 6-digit level, provided that the final process of the manufacture is performed within the territory of the exporting country.

AIFTA Content – The AIFTA can be calculated using either the Direct Method or the Indirect Method:

(1) **Direct Method:**

$$\text{AIFTA Content} = \frac{\text{AIFTA Material Cost} + \text{Labor Cost} + \text{Overhead Cost} + \text{Profit} + \text{Other Costs}}{\text{FOB}}$$

Example: A Lao business sells its product to an Indian buyer for \$100 a unit. The value of the originating materials in the good is \$45. Those originating material costs consist of the sum of originating material costs, direct labor costs, direct overhead costs, transportation, and profits. Using the direct method, the AIFTA content is calculated as follows:

$$45\% = \frac{\$46}{\$100}$$

Since the calculated AIFTA content of 45 percent is greater than the 35% minimum requirement, the product is eligible for preferential treatment.

(2) Indirect Method:

$$\text{nonAIFTA Content} = \frac{\text{Value of Imported NonAIFTA Materials} + \text{Value of Undetermined Origin Materials}}{\text{FOB}}$$

Example: A Lao business sells its product to an Indian buyer for \$100 a unit. The company buys material inputs from China (a non-originating supplier under the AIFTA) at a cost of \$40 a unit. There is an undetermined value of originating materials equal to \$20 a unit. Using the indirect method, the AIFTA content is calculated as follows:

$$60\% = \frac{\$40 - \$20}{\$100}$$

Since the calculated non-AIFTA content of 60% is less than the 65% maximum allowed non-AIFTA content, the product is eligible for preferential treatment.

Rule 5: Cumulative Rule of Origin

Products that comply with origin requirements and that are used in Laos as materials for a product that is eligible for preferential treatment under the Agreement are considered as products originating in Laos where working or processing of the product has taken place.

Rule 6: Product Specific Rules

Appendix B of the AIFTA provides a list of product-specific rules for goods related to a change in tariff classification or a specific manufacturing process. Products that satisfy the product specific rules will be considered as originating from the country where working or processing of the product has taken place.

3.5. Export Compliance Requirements

The requirements for exporting Lao PDR-originating product are described in detail in the **Lao Trade Portal** at <http://www.laotradeportal.gov.la>. The following is a brief outline of those requirements. Details and helpful resources are available online on the Lao Trade Portal.

Registration

Export should register with the *Ministry of Industry and Commerce, Enterprise Registration Division*.

Export License

Some products require an export license from the *Ministry of Industry and Commerce, Department of Import and Export (DIMEX)*. The license can be either automatic or non-automatic. Rules about licensing are governed by *Notification No. 0076*.

Certificate of Origin

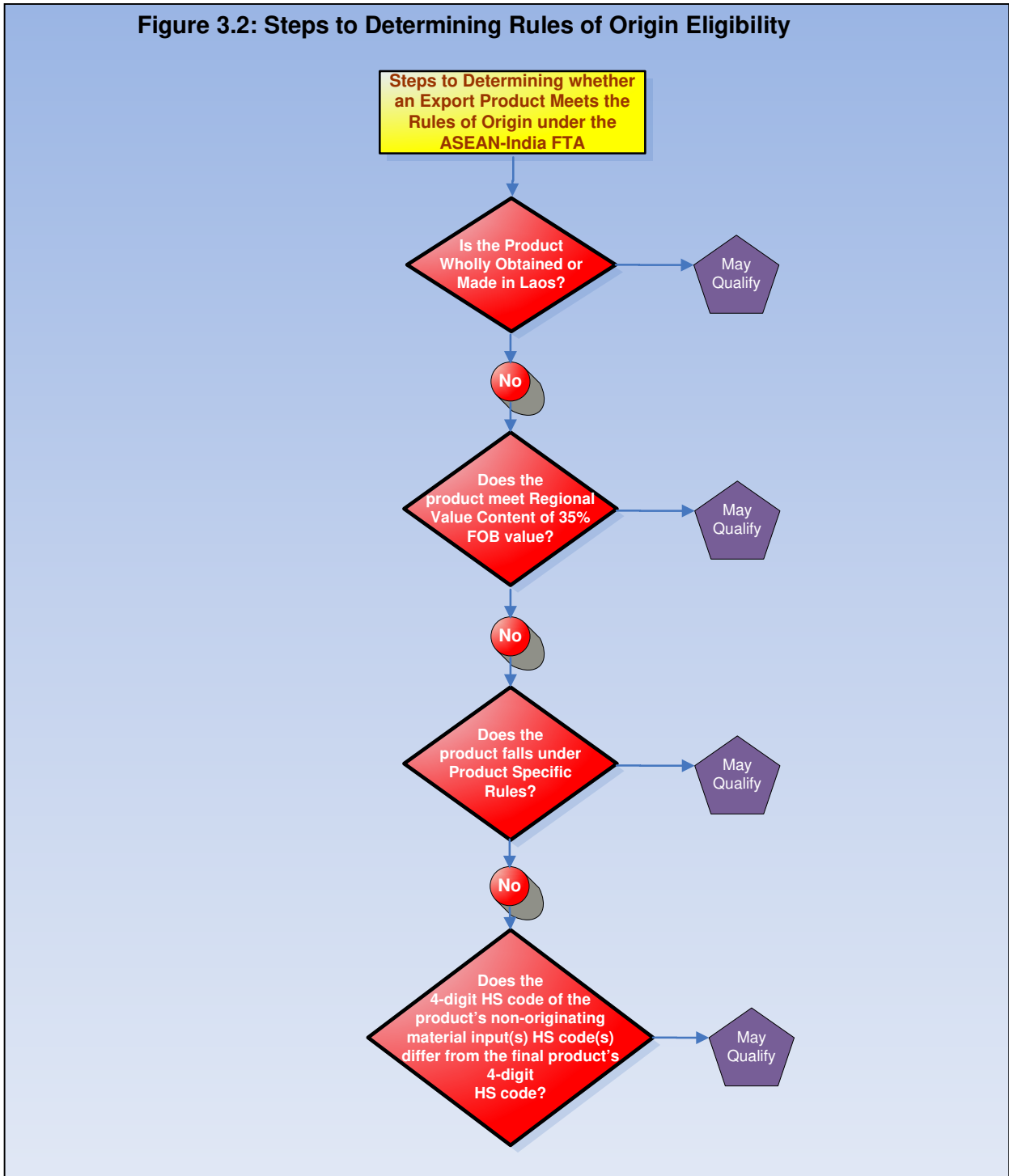
A *Certificate of Origin* for India can be obtained from the *Ministry of Industry and Commerce, Certificate of Origin Division*.

Sanitary and Phytosanitary Requirements

For those products subject to sanitary and phytosanitary (SPS) measures, a permit can be obtained from the *Ministry of Agriculture and Forestry*, either from the *Livestock*

Department or from the *Plant Quarantine* department depending on what products are to be exported.

Figure 3.2: Steps to Determining Rules of Origin Eligibility



Lao PDR has established an *SPS Enquiry Point* as required by the *WTO SPS Agreement*. Questions can be directed at the *SPS Enquiry Point* on any issue about

sanitary and phytosanitary requirements. Details of the *SPS Enquiry Point* are available on the Lao Trade Portal website at <http://www.laotradeportal.gov.la>.

Technical Requirements

For certain types of products it may be necessary to obtain a permit that certifies that these products conform to certain technical standards. These technical regulations are administered by the *Ministry of Science and Technology*.

Lao PDR has established a *TBT Enquiry Point* as required by the WTO *SPS Agreement*. Questions regarding technical standards can be directed at the *TBT Enquiry Point*. Details on the *TBT Enquiry Point* are available on the *Lao Trade Portal* website at <http://www.laotradeportal.gov.la>.

Export Declaration

All goods exported from Laos must be declared to Customs. A declaration is made by submitting a duly completed and signed ACDD Form together with the following minimum supporting documents:

- A commercial invoice or contract of sale document from the supplier of the goods
- Transport documents such as Bill of Lading or Air Way Bill
- Packing List (if available)

Payment of Duties

Once a declaration has been submitted and accepted by Customs, payments must be made for any applicable duties.

Duty Exemption for Exports

The Government of the Lao PDR encourages exports of certain types of products, including most agricultural products, products derived from natural resources, and manufactured products. Those types of products are exempt from the payment of Customs duties. Where export duty is payable, information can be obtained from the *Department of Customs* or from the *Department of Import and Export (DIMEX)* of the *Ministry of Industry and Commerce*.

PART 4: How to Expand Exports to India

4.1. SWOT Analysis for Lao Exports to Indian Preferential Markets

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis in Figure 4.1 show that *lack of awareness* is the primary factor preventing Lao exporters from making greater use of the ASEAN-India FTA. Other limitations, such as lack of sufficient Export Quality Infrastructure (EQI), are being remedied. These EQI issues involve import standards and certification of products, competence of laboratories related to export, and accreditation of laboratories.¹²

The SWOT analysis emphasizes that the *strengths* of Lao exporters offer large *opportunities* for exporters of all sizes, including SMEs, to realize the opportunities that currently exist in the Indian markets. Some of the key opportunities are as follows:

- Expanding and diversifying exports into high-growth markets in India.
- Increasing export competitiveness by invoking preferential tariffs, thereby reducing costs to importers and expanding demand for exports from Laos.
- Filling domestic supply gaps of Indian producers in agriculture and natural resources that are abundant in Laos.
- Facilitating SME networking in focal sectors of high interest to Indian importers, thereby ensuring their sustained growth in the Lao economy.
- Proactively supporting Lao exports to India through the institutionalization of training programs to facilitate processing of export documents, instituting best practices in production, distribution and marketing products destined for Indian markets, and linking producers to high value chains in Indian markets.

Figure 4.1: Strengths, Weaknesses, Opportunities and Threats (SWOT) for Lao PDR's Exports to India

	Supply Chain Structure and Functioning	Indian Market	Small and Medium-Size Enterprises	Institutional Framework
Strengths	<ul style="list-style-type: none"> • Wide range of natural resources and agricultural products that form part of Indian supply chains. • Laos has a comparative advantage in terms of distance to Indian market relative to other agricultural and resource rich countries. 	<ul style="list-style-type: none"> • Indian demand for quality agri-food products and natural resources is growing rapidly. • Sourcing from non-Indian producers is outpacing domestic sourcing. • Indian non-preferential tariffs in agriculture and textiles are high, so Laos has a large competitive advantage in supplying these types of products to those markets. 	<ul style="list-style-type: none"> • The ASEAN-Indian FTA provides special treatment for SMEs. • Strengthening of domestic SPS measures is greatly facilitating agri-food exports by SMEs. • Lao SMEs are competitive in handicrafts and garments. • Rapid economic growth is helping proliferation of SME numbers. 	<ul style="list-style-type: none"> • Accessing domestic or foreign government support and information is relatively easy and accessible to all, for example, identification of proper access channels to FTA tariff schedules, FTA rules and trade regulations, and documentation requirements. • Lao Trade Portal facilitates SME access to procedures to export to India under preferential arrangements. • SMEPDO is implementing business networks and exchange of best practices for SMEs to access foreign markets like those in India.

(Continued)

Figure 4.1: Strengths, Weaknesses, Opportunities and Threats (SWOT) for Lao PDR's Exports to India
(Continued)

	Supply Chain Structure and Functioning	Indian Market	Small and Medium-Size Enterprises	Institutional Framework
Weaknesses	<ul style="list-style-type: none"> • Laos lacks sufficient Export Quality Infrastructure (EQI) to meet Indian quality standards. • Impediments for Indian markets are (i) import standards and certification of products, (ii) competence of laboratories related to export, (iii) accreditation of laboratories, metrology and inspection. 	<ul style="list-style-type: none"> • Large competitions from ASEAN-6 countries (Indonesia, Thailand, Malaysia, Singapore, Philippines and Vietnam). • ASEAN-6 countries have faster track for implementing tariff preferences in normal and sensitive products in ASEAN-Indian FTA. • Lao producers lack awareness of ASEAN-Indian FTA, for example, how to read and interpret FTA provisions. 	<ul style="list-style-type: none"> • Relatively few SMEs meet Indian product standards. • SME lack access to information technology (IT) needed to compete in Indian markets. • SMEs lack sufficient technical and skilled labor in supply chains of importance to India. • SMEs have low perception about benefits of Indian preferential market access. 	<ul style="list-style-type: none"> • Lao Chamber of Industry and Commerce (LNCCI) lacks support mechanisms for helping Lao exporters to improve to Indian preferential market. • Trade financing is lacking in Laos, partly because of insufficient IT supporting risk mitigation that would otherwise lower risk premiums of exporters. • Complex and differing rules of origin make it difficult for SMEs to complete export documentation. • Large number of documentation requirements and time need to complete them reduce incentives for businesses, especially those involved in SME activities.
Opportunities	<ul style="list-style-type: none"> • Opportunity to impact growth and employment from upstream and downstream linkages. • Building of sustainable exporter groups can provide leading sectors with continuous supplies. • Opportunity to add value to agricultural products. 	<ul style="list-style-type: none"> • Opportunity to expand and diversify markets from the currently narrow focus on the ASEAN market. • Direct exports of agricultural products to Indian specialized companies and supermarket chains. • Organic food ingredients and food products are one of the fastest growing segments of the food Indian market. 	<ul style="list-style-type: none"> • Implementation of outreach programs for Lao SMEs to use ASEA-India FTA, similar to existing programs for SMEs to use India-USA FTA. • Target export sectors having high SME participatory rates: handicrafts, agri-foods, wood processing, garments, footwear, and machinery parts. 	<ul style="list-style-type: none"> • Design programs to apply of best practice methods in production, logistics and marketing Lao exports to India and other preferential markets. • Implement support programs to assist businesses certify that goods destined for India meet Rules of Origin requirements. • Establish outreach programs to target sectors with high Koran market potential. • SMEPDO and LNCCI to support businesses networks with Indian importers and businesses, including field visits.
Threats	<ul style="list-style-type: none"> • Other ASEAN countries, especially those with faster tracks than Laos, could accelerate growth of products that compete with key Lao exports. • High logistics cost due to inadequate infrastructure. 	<ul style="list-style-type: none"> • Indian importers focus on suppliers from other ASEAN countries having a faster tariff reduction track than Laos. • Indian product standards out of reach of Lao producers due to insufficient or inadequate Export Quality Infrastructure (EQI). 	<ul style="list-style-type: none"> • Lao SMEs are not given access to outreach and special training programs on ASEAN-Indian FTA. • Lao SMEs continue to lack access to IT and sufficient technical and skilled labor. 	<ul style="list-style-type: none"> • Lack of funding for programs to support Lao exporters to India and other preferential markets. • Lack of export financing leads to high export risks, which in turn lowers incentives to target Indian markets. • Lack of sustainability of Lao Trade Portal after project contract is completed. • Lack of sufficient interest in business networking.

4.2. Five Ways to Benefit from ASEAN-India FTA

Channel 1: Preferential Pricing for Indian Importers

Lao businesses can take advantage of cost-cutting measures from the ASEAN-India FTA. The cost structure of Indian industries is, in part, reflected in the price of raw materials and intermediate goods imported by the industries. Since imports from Laos are cheaper for Indian importers than they are from non-preferential supply sources, this cost advantage can greatly increase the demand of Indian industries for Lao exports.

Channel 2: Focus on High Growth Markets

The Lao PDR has an abundance of natural resources that are essential to Indian industries, and it also produces a number of products that have dynamic markets in India. They include wood products, footwear, fresh and processed agricultural products, nuts, cereals, and furniture. With this knowledge, Lao businesses can take full advantage of the favorable business environment offered by the ASEAN-India FTA.

Channel 3: Networking among SMEs

Lao businesses can develop networking systems within domestic industries and with overseas distributors and companies to strengthen their presence in Indian markets. In agri-foods, for example, supermarkets now dominate food supply chains in Asia and are rapidly expanding their global presence. At the same time, international mergers and acquisitions and aggressive pricing strategies have concentrated market power in the hands of a few major retailers. That type of industry structure means that Lao businesses can focus their production and marketing activities on a relatively few Indian buyers.

Channel 4: Improve Export Quality Infrastructure

Access to overseas markets like the ones in India is generally subject to stringent production standards. For example, in agri-foods, there are supply chain standards worldwide for Good Agricultural Practice (GAP), and other types of certification that are now prerequisite for doing business in India and other markets. Similarly, standards exist for clothing and footwear produced for multinationals operating in India. The benefits from bringing Export Quality Infrastructure (EQI) in line with those international standards are considerable, as are the economy-wide impact that would be produced from additional employment and expenditures on downstream and supporting industries.

Channel 5: Strengthen Institutional Support Mechanisms

Lao businesses can benefit from several types of institutional mechanisms:

- ✓ Information systems such as the Lao Trade Portal.
- ✓ Indian agencies promoting trade with ASEAN countries in support of the FTA.
- ✓ Domestic institutions helping to facilitate best practices for production, distribution and marketing to overseas buyers in India and elsewhere.
- ✓ SME clusters that facilitate logistics and possibly strengthen access to trade financing.

Figure 4.2 below summarizes these opportunities for Lao exporters to the Indian market under the type of competitive analysis that is useful for businesses when developing a strategy and action plan for their business plans.

Figure 4.2: Competitive Analysis of Lao PDR Exporters in Indian Market

	Strengths	Weaknesses
Pricing Conditions	<ul style="list-style-type: none"> ■ Proximity of upstream activities. ■ Abundance of natural resources for basic agricultural and processing activities. ■ FTA cost-reducing preferences enhance price-competitiveness. ■ Wide range of opportunities to increased pre-export processing. 	<ul style="list-style-type: none"> ■ SMEs lack access to export financing. ■ High logistics costs for individual businesses. ■ Cost of meeting Indian health product standards and controls.
Demand Conditions	<ul style="list-style-type: none"> ■ Increasing use of Indian-consistent product standards. ■ Experience in marketing and distribution in ASEAN regional market. ■ Strong Indian demand for types of products produced in Laos. 	<ul style="list-style-type: none"> ■ Inconsistent quality standards for export market. ■ Regulations difficult to access for SMEs. ■ Indian consumer preferences differ from those of ASEAN consumers. ■ Lack cutting edge knowhow or sophistication for export markets.
Industry Networking	<ul style="list-style-type: none"> ■ SMEs have ample opportunities to network and develop scale economies through clusters ■ Strong supporting relationships and relationships among Lao businesses. 	<ul style="list-style-type: none"> ■ Lacking cluster development and collaboration with overseas networks. ■ Weak linkages to shipping, logistics, warehousing, software, banking and finance.
Conditions for Conducting Business	<ul style="list-style-type: none"> ■ Increasingly transparent business environment. ■ Clusters disseminate information about business regulations. 	<ul style="list-style-type: none"> ■ Price-based competition for similar products from other ASEAN countries in Indian market. ■ Lack of attention to design and manufacturing processes. ■ Weak product design feedback loop.

PART 5: Useful Resources

5.1. Contacts and Resources

India Business Knowledge Resources

Description: Information on the ASEAN-India FTA, as well as other regional and bilateral agreements in which the Lao PDR is a participant.

Site: http://business.gov.in/trade/trade_agreements.php

Customs Department of Ministry of Finance

Description: Information on customs duties and border regulations, along with legislation and customs regime, and tariff nomenclature.

Site: <http://customs.gov.la>

Lao National Chamber of Commerce and Industry (LNCCI)

Description: LNCCI represents the business community in Lao PDR. It has more over 1000 members represented through Chambers of Commerce in 13 provinces and business associations and groups. Its mandate is to identify problems and concerns of members and make sure that they are presented to the government.

Site: www.laocci.com

Contact: Kayson phomvihane Ave., Ban Phonphanao, Saysettha District, Vientiane Capital, Lao PDR, P.O.Box: 4596, Tel: (+856 - 21) 453 312; Fax: (+856 - 21) 452 580. Email: lncci@laopdr.com

Lao Trade Portal

Description: Their website is a single stop point for all information relating to export from Laos, along with imports into the country.

Site: www.laotradeportal.gov.la

Contact: Department of Import and Export, Ministry of Industry and Commerce. Phonexay Road, Ban Phonexay, Saysettha District, PO Box 4107, Vientiane Capital, Lao PDR. Tel: +856 21 454 224; Fax: +856 21 454 224. Email: enquiries@laotradeportal.gov.la

Ministry of Agriculture

Description: For exports of agricultural products, producers and exporters can obtain the relevant permits and sanitary and phytosanitary certificates from the following departments: (a) Department of Agriculture; and (b) Department of Livestock and Fisheries.

Site: www.maf.gov.la

Ministry of Industry and Commerce

Description: Provides comprehensive information on all aspects of trade and industrial activity in Laos, with links to contacts in the key department for exporters:

- Import and Export Department
- Inspection Department
- Industry and Handicraft Department
- Production and Trade Promotion Department
- SME Department.

Site: www.moc.gov.la

Contacts: Phonexay Road, Ban Phonexay, Saysettha District, PO Box 4107, Vientiane Capital, Lao PDR. Tel: +856 21 454 224; Fax: +856 21 454 224.

Ministry of Science and Technology

Description: For exports that must meet certain technical standards, this Ministry issues the necessary certificates or permits required to import or export products which are subject to certain technical standards.

Site: <http://www.most.gov.la/>

National Portal of Lao PDR

Description: The site has extensive information on all government agencies, legislation, e-services, and the business sector.

Site: www.laopdr.gov.la/

SPS-TBT Inquiry Point

Description: A comprehensive site providing answers on technical requirements and SPS-related measures for products sold in their countries.

Site: <http://www.laotradeportal.gov.la/index.php?r=site/displayb&id=103#Top>

Contact: Department of Planning, Division of Agriculture and Forestry Ministry of Agriculture and Forestry, P.O.Box 811 Vientiane, Lao PDR, Tel: +856 21 415363; Fax: +856 21 412343. Email: spsenquiries@laotradeportal.gov.la

SMEPDO: National Small and Medium Sized Enterprise Office

Description: The principal office promoting Lao SMEs.

Site: <http://www.smepdo.org>

Contact: Nong Bone Rd, Xaysettha District, Ban Fai Area, Vientiane Capital, Lao PDR, P.O.Box 474, Tel.: +856 21 414064, +856 21 263590, Fax: +856 21 263591, E-mail: info@smepdo.org.

5.2. Glossary of Terms

Term	Acronym	Description
Accumulation	-	Provision that allows, when determining the origin of a good, for the consideration of inputs as originating provides that they come from another country that participates in the free trade zone.
ASEAN-India Free Trade Agreement in Goods	AIFTA	The AIFTA was signed in August 2009 and came into force on 1 January 2010.
Ad Valorem Tariff	AVT	A tariff rate charged as percentage of the price.
Applied Tariff/Applied Rated	-	Duties that are actually charged on imports. These can be below the bound rates.
Association of Southeast Asian Nations	ASEAN	Comprises of 10 member States. Nine ASEAN members are members of the WTO - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

Term	Acronym	Description
Certificate of Origin (C/O)	C/O	A document used in international trade. It is a printed form, completed by the exporter or its agent and certified by an issuing body, attesting that the goods in a particular export shipment have been wholly produced, manufactured or processed in a particular country
Change in Tariff Classification(CTC)	CTC	Criteria used in the determination of origin that stipulates the change in the tariff nomenclature that an imported input must undergo when incorporated into a final good so that the final good may acquire originating status. The change in tariff classification can be at Chapter level (first two digits of the tariff nomenclature), Heading level (first four digits of the tariff nomenclature), or Sub-heading level (first six digits of the tariff nomenclature).
Change in Tariff Heading (CTH)	CTH	Refers to the processing and manufacturing operations of non-originating materials carried out in the area of one side and resulting in a product of different four-digit tariff heading under the 'Product Description and Harmonized System Codes'
Cost in freight (CIF)	CIF	Refers to the value of the good imported and include the cost of freight and insurance up to the port or place of entry into the country of importation.
Department of Import and Export (DIMEX)	DIMEX	Within the Ministry of Industry and Commerce (MOIC), the department is responsible for issuing import and export licenses for all products that require them, along with the issuance of Certificates of Origin for countries that are part of a preferential trade agreement.
Export Quality Infrastructure (EQI)	EQI	Covers all export-related fields of metrology, standardization and testing, of quality management and conformity assessment, including certification and accreditation. In the past, the abbreviation MSTQ (Metrology, Standardization, Testing and Quality Assurance) was used for this combination of single elements.
Free on Board	FOB	Indicates the price for goods including delivery at seller's expense to a specified point.
Free Trade Agreement (FTA)	FTA	Trade within the group is duty free but members set their own tariffs on imports from non-members (e.g. ASEAN).
Good Agricultural Practice (GAP)	GAP	A set of principles to apply for on-farm production and post-production processes, resulting in safe and healthy food and non-food agricultural products, while taking into account economic, social and environmental sustainability.

Term	Acronym	Description
Harmonized System (HS)	HS	An international nomenclature developed by the World Customs Organization, which is arranged in six-digit codes allowing all participating countries to classify traded goods on common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.
Harmonized System 6-digit	HS 6-digit	The World Customs Organization's Harmonized System (HS) uses code numbers to define products. A code with a low number of digits defines broad categories of products; additional digits indicate sub-divisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard. Countries can add more digits for their own coding to subdivide the definitions further according to their own needs. Products defined at the most detailed level are "tariff lines".
Most Favored Nation (MFN)	MFN	Most-favored-nation treatment (GATT Article I, GATS Article II and TRIPS Article 4), the principle of non-discriminating between one's trading partners.
Most Favored Nation Tariff	MFN Tariff	Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).
Non-Originating Good	-	A good of material that does not qualify as originating according to the established Origin Regime.
Non-Tariff Barrier to Trade	NTB	Quotas, import licensing systems, sanitary regulations, prohibitions, and other non-tariff trade impediments.
Originating Good	-	A good that, by virtue of fulfilling the requirements of the Origin Regime is considered originating in the country in which its production process has been carried out, regardless of whether imported inputs were used in its production.
Preferential Tariff	-	A tariff rate extended to partner countries who have signed Free Trade Agreements(FTA) with each other. This means that customs duties for selected imported goods that originated from the FTA partner countries are lower or totally eliminated.
Regional Value Content (RVC)	RVC	Refers to the total value of raw materials, component parts, labor costs and product development costs exclusively incurred in one side being greater than or equal to an agreed percentage of the FOB value of the exporting goods, and that the final manufacturing or

Term	Acronym	Description
		processing operations should be completed in area of that side.
Rules of Origin (ROO)	ROO	Laws, regulations and administrative procedures, which determine a product's country of origin. A decision by customs on whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty.
Sanitary and Phytosanitary (SPS)	SPS	Refers to measures taken to protect public health within their borders so long as they do so in a manner that restricts trade as little as possible
Sensitive List	-	A list containing each country's sensitive products.
Sensitive Products	-	Products that would have smaller tariff cuts than from the products in the Normal Track.
Tariff Line	-	A product as defined in lists of tariff rates. Products can be sub-divided, the level of detail reflected in the number of digits in the Harmonized System (HS) code use to identify the product.
Tariff Trade Restrictiveness Index (TTRI)	TTRI	Refers to the uniform tariff which, if applied to all goods, would yield the same welfare level as the existing tariff structure.
Tariffs	-	Customs duties on merchandise imports. Levied either on an ad valorem basis (percentage of value) or on a specific basis (e.g. \$7 per 100 kgs). Tariffs give advantage to similar locally - produced goods and raise revenues for the government.
Trade Facilitation	-	Process that eliminates obstacles to movement of goods across borders (e.g. simplification of customs procedures).
Transaction Value	-	Customs value of an imported good computed on the basis of the price actually paid or payable for it at the time it was exported.
Value of Non-Originating Materials	VNM	The that are acquired and used by the producer in the production of good; VNM does not include the value of a material that is self-produced.
Wholly Obtained	-	A good that contains no imported inputs and that has been wholly produced or obtained within a country participating in a free trade area.

ANNEX: The ASEAN-India Free Trade Agreement

The complete *Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Co-operation among the Governments of the Member Countries of the Association of South East Asian Nations and the Republic of India* is available online at the following site:

<http://www.laotradeportal.gov.la/index.php?r=site/display&id=82>

APPENDIX: India-Lao Trade in Lao Leading Exports

A. TOP 35 LAO EXPORTS TO INDIA (Value and Volume)

HS Code	Description	Value (US dollars)					Quantity (Weight in kilograms)				
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
260300	Copper ores & concentrates	0	0	0	19801987	69560112	0	0	0	10031000	31486000
848190	Parts of the appliances	0	0	0	0	287240	0	0	0	0	13417
130190	Natural gums, resins, gum-resins & oleoresins	53950	3791	88699	104787	125597	17000	16020	4500	5000	4000
294200	Organic comps	0	0	0	0	79638	0	0	0	0	50
240220	Cigarettes containing tobacco	0	0	0	41342	39049	0	0	0	2287	2463
330129	Essential oils other than those of citrus fruits	0	0	0	0	24520	0	0	0	0	1200
440349	Topical wood in the rough, whether or not stripped of roughly squared	0	7024	0	20258	20000	0	8373	0	27552	28982
830220	Castors of base metal	0	0	0	0	16123	0	0	0	0	1440
300290	Human blood; animal blood prepared for therapeutic		7703	11243	14595	14102	0	9	19	15	5
844399	Other parts & accessories for printing machinery	0	0	0	0	3502	0	0	0	0	91
440399	Wood, in the rough whether or not stripped of bark or roughly squared	0	0	60928	18955	0	0	0	0	0	0
854129	Transistors (excl. photosensitive transistors)	0	0	22386	0	0	0	0	99	0	0
440110	Fuel wood, in logs or similar forms	0	0	3696	0	0	0	0	15000	0	0
300210	Antisera & other blood fractions by means of biotechnological processes	0	0	2725	0	0	0	0	90	0	0
710692	Silver in semi-manufactured forms	0	0	2080	0	0	0	0	15	0	0
680422	Millstones, grindstones without frameworks of ceramics	0	0	856	0	0	0	0	50	0	0
121190	Plants & parts of plants, incl. seeds & fruits used primarily in perfumery or pharmacy	2251	0	754	0	0	2240	0	127	0	0
491199	Printed matter	0	0	365	0	0	0	0	44	0	0
610439	Women's or girls' jackets of textile materials other than wool or synthetic fibres	0	0	182	0	0	0	0	3	0	0
740939	Copper plates, sheets & strip, of copper-tin base alloys (bronze), other than in coils	0	0	0	78839	0	0	0	0	10000	0
440729	Wood sawn or chipped lengthwise of tropical wood.	0	0	0	31302	0	0	0	0	23592	0
382200	Diagnostic laboratory reagents on a backing certified reference materials	0	0	0	2900	0	0	0	0	88	0
610510	Men's or boys' shirts, knitted/crocheted, of cotton	0	3633	0	2107	0	0	157	0	77	0
210111	Extracts, essences & concentrates of coffee	0	0	0	48	0	0	0	0	4	0

B. INDIA IMPORTS FROM ALL COUNTRIES (Top 35 Lao Exports to India)

HS Code	Description	Value (US dollars)					Quantity (Weight in kilograms)				
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
260300	Copper ores & concentrates	4,369,364,403	4,306,862,629	3,020,818,925	4,558,360,243	5,283,700,367	2,102,181,765	2,070,903,219	2,103,933,100	2,069,476,134	1,939,756,587
848190	Parts of the appliances	126,371,729	190,977,804	146,664,820	166,860,134	231,995,944	8,556,995	12,141,017	7,956,694	13,023,505	10,145,072
130190	Natural gums, resins, gum-resins & oleoresins	29,742,231	46,464,931	41,598,160	73,533,672	65,055,892	17,327,426	21,033,804	20,969,232	21,908,162	20,323,879
294200	Organic comps	502,645,287	636,430,706	688,647,657	910,473,182	982,072,508	65,675,032	31,466,904	47,809,830	40,123,018	37,519,389
240220	Cigarettes containing tobacco	8,296,695	5,378,626	14,888,891	12,088,891	17,235,262	530,394	323,468	883,115	668,745	1,087,195
330129	Essential oils other than those of citrus fruits	21,370,878	33,516,699	35,828,663	47,258,289	57,367,832	1,259,572	1,292,066	2,111,912	1,862,143	1,851,286
440349	Topical wood in the rough, whether or not stripped of roughly squared	526,068,781	593,486,943	516,278,551	532,018,160	686,687,942	704,622,222	707,503,399	592,736,317	723,568,547	995,053,067
830220	Castors of base metal	1,509,286	2,172,832	1,586,390	2,442,676	3,830,011	198,229	328,354	235,704	318,358	610,729
300290	Human blood; animal blood prepared for therapeutic	19,641,242	25,389,250	26,730,089	19,717,176	29,885,290	325,571	38,518	62,601	73,686	67,459
844399	Other parts & accessories for printing machinery	-	-	227,365,287	347,299,727	372,206,211	-	-	5,661,246	8,663,683	9,714,782
440399	Wood, in the rough whether or not stripped of bark or roughly squared	544,917,402	623,353,142	558,666,414	746,766,941	1,090,698,809	-	-	-	-	3,574,938,349
854129	Transistors (excl. photosensitive transistors)	98,726,783	107,683,410	161,156,417	139,645,724	192,330,850	556,950	407,717	716,262	570,586	705,104
440110	Fuel wood, in logs or similar forms	549,983	3,228,065	3,857,753	946,456	583,872	1,914,000	13,264,000	8,307,131	2,430,000	603,000
300210	Antisera & other blood fractions by means of biotechnological processes	68,954,692	80,534,320	129,418,052	148,773,523	197,410,022	91,540	77,382	112,688	202,579	108,048
710692	Silver in semi-manufactured forms	197,000,586	80,449,271	66,071,254	413,581,882	962,146,412	463,155	200,506	355,029	650,901	907,039
680422	Millstones, grindstones without frameworks of ceramics	27,511,750	34,957,233	33,108,917	54,898,098	83,163,794	7,265,346	5,695,217	9,649,716	6,814,503	9,707,832
121190	Plants & parts of plants, incl. seeds & fruits used primarily in perfumery or pharmacy	26,502,161	30,835,886	32,217,362	34,569,804	42,296,380	18,206,912	21,799,420	29,830,060	34,182,883	24,210,520
491199	Printed matter	83,949,270	107,804,249	120,502,428	95,974,599	83,740,107	3,066,918	2,049,897	1,635,831	1,314,325	2,264,766
610439	Women's or girls' jackets of textile materials other than wool or synthetic fibres	115,648	302,167	69,653	254,586	760,244	2,296	6,221	1,202	4,658	13,856
740939	Copper plates, sheets & strip, of copper-tin base alloys (bronze), other than in coils	5,274,101	5,998,786	4,837,721	7,260,360	6,142,898	642,525	756,822	895,851	1,184,977	867,103
440729	Wood sawn or chipped lengthwise of tropical wood.	6,416,426	9,889,973	13,413,719	26,451,479	54,582,968	5,601,610	7,661,162	8,824,860	19,935,906	42,573,571
382200	Diagnostic laboratory reagents on a backing certified reference materials	110,519,481	142,256,417	146,456,266	187,741,622	234,321,543	2,227,950	3,386,658	3,653,387	4,457,398	3,562,788
610510	Men's or boys' shirts, knitted/crocheted, of cotton	1,264,718	2,194,028	2,231,256	4,124,029	7,448,306	57,534	94,794	63,586	150,921	269,751
210111	Extracts, essences & concentrates of coffee	1,310,175	1,953,462	1,290,853	2,115,236	2,401,189	293,445	247,694	140,581	209,022	225,538

¹ The *trade compatibility index* measures the similarity between Lao's exported products and products imported by India. The index approaches zero when Lao exports none of what the Indian imports, and it approaches unity when the exports share of product *i* of Lao is identical to the import share of that product by the India. The index of compatibility is usually between 0.50 and 0.60 for trade between industrialized countries, and it averages about 0.20 for trade between developing countries.

² The methodology was developed by the United Nations Economic Commission for Latin America (ECLAC) and applied to its Competitiveness Analysis of Nations (TradeCAN) software. Available: http://extop-workflow.worldbank.org/extop/ecommerce/catalog/product?context=drilldown&item_id=893378

³ The analysis is based on an Auto-Regressive Integrated Moving Average (ARIMA) model, using EViews software to estimate the equations for each product.

⁴ Volume data for imports of India's imports for the products were found to be unreliable at the HS 6-digit level needed to estimate structural equations.

⁵ Lao's small and medium-size exports are defined as those products whose average annual value of exports in the last five years (2007-2011) averaged between US\$1 million and US\$ 10 million. These product groups are defined at the 2-digit HS level.

⁶ Data from World Bank, "World Trade Indicators". Available: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:22421950~pagePK:148956~piPK:216618~theSitePK:239071,00.html>.

⁷ Data from International Finance Corporation, "Doing Business". Available: www.doingbusiness.org.

⁸ For all other countries, Certificates of Origin are issued by the Lao National Chamber of Commerce.

⁹ For Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand and India, the period is between 1 January 2010 and 31 December 2013. For the Philippines, the period is between 1 January 2010 and 31 December 2018 for both Philippines and Indian imports from each other.

¹⁰ The detailed schedule for the Lao PDR of India's tariff reduction schedule by 8-digit HS product code is available at: <http://www.laotradeportal.gov.la/index.php?r=site/display&id=82>.

¹¹ If the applied MFN tariff rate for crude or refined palm oil is lower than the preferential tariff under the AIFTA, the lower applied rate prevails.

¹² A recent analysis of the situation for Lao businesses is available from GIZ, "Enterprise Survey 2011". Vientiane, November 2012.