



Munich Personal RePEc Archive

**Lao PDR Market Access Guide: Trading
with ASEAN Dialogue Partners –
Republic of Korea**

Lord, Montague

1 March 2013

Online at <https://mpra.ub.uni-muenchen.de/61079/>
MPRA Paper No. 61079, posted 03 Jan 2015 13:02 UTC

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

REPUBLIC OF KOREA

**Prepared by
Montague Lord**

March 2013

Table of Contents

Summary	1
PART 1: Guide to Understanding Lao's Exports to Korea	3
2.2. Facts about Korea's Importance as an Export Market	3
2.3. Lao's Exports to Korea	4
PART 2: Guide to Emerging Opportunities in Korea's Market	7
2.1. Lao's Export Compatibility with Korea's Imports	7
2.2. Winners in the Korean Market	8
2.3. Korea's Import Demand Prospects for Lao PDR's Top 10 Exports	13
2.4. Potential Dynamic Markets for Small and Medium-Size Exports.....	14
PART 3: Exporter's Guide to Korea's Market	16
3.1. How Lao Exporters Can Benefit from the ASEAN-Korea FTA	16
3.2. Steps for Lao Exports to Use the ASEAN-Korea FTA.....	16
3.3. Key Elements for Laos of ASEAN-Korea FTA	18
3.4. Requirements for Receiving Preferential Market Access	22
3.5. Export Compliance Requirements	24
PART 4: How to Expand Exports to Korea.....	26
4.1. SWOT Analysis for Lao Exports to Korean Preferential Markets	26
4.2. Five Ways to Benefit from ASEAN-Korea FTA	28
PART 5: Useful Resources	30
5.1. Contacts and Resources	30
5.2. Glossary of Terms	32
ANNEX: The ASEAN-Korea Free Trade Agreement.....	35
APPENDIX: Korean-Lao Trade in Lao Leading Exports.....	36

Summary

Laos benefits from the comprehensive *ASEAN-Korea Free Trade Agreement (AKFTA)*, which in large part has supported the fast growing exports of Laos to Korea. Since Laos became a member of ASEAN in 1997, its exports destined for Korea have increased 10-fold. That expansion is nearly twice as large as Lao exports to all destination and has contributed to Korea being one of its top 10 export destinations.

How Lao Producers and Exporters Benefit from AKFTA

- The AKFTA allows 90% of all products imported into Korea from Laos to enjoy duty-free treatment, and tariffs on the remaining 10% are being lowered to 0% to 10% by 2016. The Agreement also eliminates non-tariff barriers to trade like customs surcharges and import licensing; it facilitates trade in services, particularly communications and shipping between Korea and Laos; and it guarantees equal treatment on investments in Korea by Lao companies.
- Without preferential market access, other foreign suppliers to Korea are subject to an average tariff of over 8%. This high level of protection gives Lao businesses a large competitive advantage over competitors who are not AKFTA members.
- For agricultural products, Korea's average tariff is 65% for non-AKFTA member countries. Lao businesses therefore have a huge competitive advantage in agricultural exports.
- Korea is among the top countries having a highly conducive environment for doing business. Moreover, Korea's logistics environment greatly facilitates trade.
- Korea is one of the fastest growing markets in Asia. Two-way trade between Korea and ASEAN increased by nearly 30% in 2011, and is targeted to expand by another 20% by 2015.

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

There are a number of dynamic product markets in Korea of interest to Lao producers and exporters. Apart from traditional minerals and ores, forest products, and clothing, the following product categories have fast-growing imports in Korea:



These products are those in which Korea has high import growth rates. In some cases, Laos also has high export growth rates of the same products; but some other cases it has 'missed opportunities' to benefit from the high growth markets. Overall, Lao exports are highly compatible with the types of products imported by Korea, especially for the medium and large size exports. Overall, the index of compatibility is similar to that which reflects large intra-industry trade between more developed economies, which suggests that Lao has many of the types of products that are often bought by Korean importers.

How the AKFTA Works

The AKFTA has separate lists for products on the normal and sensitive tracks. The Most Favored Nation (MFN) tariffs for products on the normal track covering 90% of all tariff lines were eliminated by Korea in 2010. For the remaining 10% of tariff lines, which cover sensitive products, Korea's customs duties on imports were reduced to 20% in 2010 and are now in the process of being reduced to between 0% and 5% by 2016. In the case of Laos, customs duties on the 90% of tariff lines listed in the normal track are gradually being eliminated by 2018. Customs duties on the remaining 10% of tariff lines are being lowered to 0%-5% by 2024.

This guide shows how to determine (a) whether there are benefits to using the AKFTA, 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 AKFTA.

Understanding Rules of Origin

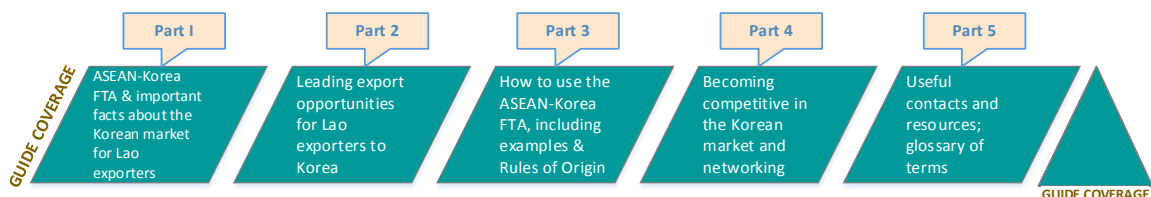
The Rules of Origin (ROO) are an essential feature of the AKFTA. They determine what goods qualify for preferential tariff treatment, that is, what goods count as "Lao" products. There are two ways to qualify:

- A good can be wholly originating from Laos, for example, goods obtained from farming.
- A good can have at least 40% of content originating from Laos, including that occurring after a change in its tariff classification from materials originating in non-AKFTA countries. The rule also applies to goods produced jointly between Laos and other AKFTA countries. The two alternative formula to calculate the regional value content are described in this guide.

How to Compete in Korea's Product Markets

- ✓ *Become informed:* ASEAN and Korean leaders are committed to supporting SMEs as major beneficiaries of the trade expansion, and they strongly support the facilitation of trade through the ASEAN-Korea Centre. This guide provides information about resources and contacts that can help you to become familiar with the requirements and opportunities of AKFTA.
- ✓ *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 Korean 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 Korea.

How This Guide is Organized



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

2.2. Facts about Korea's Importance as an Export Market

2.2.1. Lao's Trade Relations with Korea

Opportunities – Korea has a huge potential for Lao exporters.¹ It is among the top 10 most important destination for Lao exports, and the value of the goods shipped to that country from Laos recently reached over US\$ 20.0 million. Although this amount is small relative to other ASEAN countries, its growth has been among the highest in the region. In fact, the value of exports destined for Korea has increased 10-fold since Laos became a member of ASEAN in 1997. That figure compares with a less than 6-fold increase in Lao's overall exports of goods to all destinations.

How Lao Benefits from the ASEAN-Korea FTA – As a member of ASEAN, Laos benefits from the comprehensive ASEAN-Korea Free Trade Agreement (AKFTA) that was signed in June 2009. The ASEAN-Korea FTA offers benefits in trade of goods and services and in investments:

- For trade in goods, it allows 90% of all products imported into Korea from Laos and other ASEAN members to enjoy duty-free treatment.
- For trade in services, it facilitates communications and shipping between Korea and Laos.
- The Investment Agreement protects foreign companies that are members of the AKFTA from discriminatory measures and it guarantees equal treatment as those received by national investors.

2.2.2. Lao's Preferential Access to Korea's Markets

Gradual Elimination of Tariffs – The Agreement on Trade in Goods under the AKFTA has two separate tracks: (a) Normal Track covering about 90% of all goods; and (b) Sensitive Track covering a limited number of products. Korea eliminated tariffs of products on its Normal Track in 2010. For Laos, tariffs for products in that category are being progressively eliminated by 2020. For the Sensitive Track list, the applied Most Favored Nation (MFN) tariff rates are being eliminated based on two separate schedules, one called the Sensitive List and the other called the Highly Sensitive List.

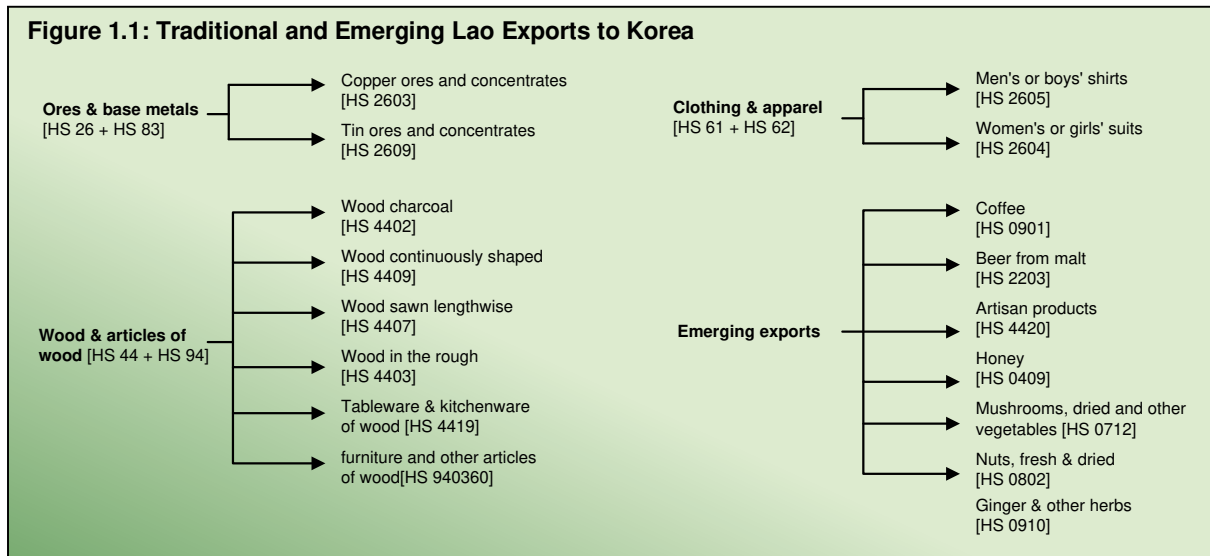
Elimination of Non-Tariff Barriers – The elimination non-tariff barriers to trade on most products means that Lao businesses can ship products to Korea without being subject to restrictions such as import quotas and administrative methods like import licensing requirements. It also removes customs surcharges and variable import levies and supplementary import duties, lengthy customs procedures, and unreasonable standards on products.

Korea's Perceptions about Imports from Laos and Other ASEAN Countries – Korean companies view imports from ASEAN member countries very favorably. In a recent survey, Korean companies ranked the FTA with ASEAN countries as the country's most successful trade agreement.² For Laos, this perception on the part of Korean companies means that importers have a particularly favorable disposition to products originating from ASEAN countries like Laos.

2.3. Lao's Exports to Korea

2.3.1. Traditional and Emerging Exports

Largest Exports to Korea – Lao's major exports to Korea are mainly composed of ores and base metals, wood and articles from wood, and clothing and apparel, these being the traditional types of goods exported by the Lao PDR. In terms of importance, the predominant exports are copper ores and concentrates. The products account for over 85% of the all exports to Korea. Other important exports are shown in Figure 1.1.



Fastest Growing Exports – Most of the largest exports have grown rapidly, especially those of wood and wood products, and clothing and apparel. Coffee and beverage exports have only recently become important exports to Korea, and are expected to become increasingly significant in that market. Other emerging exports in the Korea market are tea, furniture and other articles of wood, artisan products, honey, mushrooms and other types of vegetables, fresh and dried nuts, and ginger and other types of herbs.

2.3.2. How Exports to Korea Differs from Other Markets

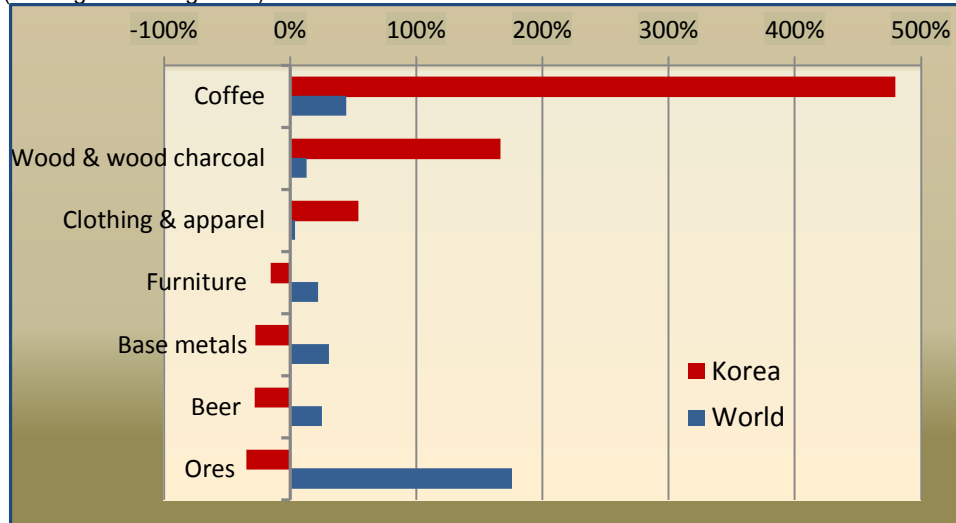
Lao products with dynamic export growth to the Korean market have important differences from those exported to other markets. Lao's exports to Korea of coffee, wood and wood products, and textile and apparel have all grown much faster than exports to other destinations. In contrast, exports to Korea of ores and base metals, furniture and beer have underperformed compared with exports to other destinations (Figure 1.2)

The reason for these differences is that Korea'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 Korean market and how it differs from other markets. Among the major factors determining those differences are the following:

- ✓ The drivers of trade for Korea and its demand for Lao products.
- ✓ Lao's export compatibility with Korean imports, that is, whether Laos is exporting the types of goods that are most in demand by Korea.

- ✓ Whether Laos is focusing its exports on the types of products that have dynamic markets in Korea.

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



2.3.3. Key Drivers for Lao Exports

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

Factors Related to the Korean Market

- In considering the Korean market as a possible market destination, the Lao exporter should examine *growth prospects* and *market access requirements*.
 - (1) Growth prospects for the Korean market are mainly driven by sectoral growth patterns in that country and by the import demand responsiveness to economic activity in Korea.
 - *For more information, see Chapter 2 below.*
 - (2) Market access requirements under the ASEAN-Korea 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 below.*

Factors Related to Lao's Competitiveness and Internal Factors

- The ability of Lao producers to effectively compete for market shares of Korea is determined by the following:
 - (1) The compatibility of Lao exports with Korean imports.
 - *For more information, see Section 2.1.*
 - (2) The strength of institutional support mechanisms to help producers compete in the market.

➤ *For more information, see Section 4.1.*

- (3) 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.*

- (4) 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 profession 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 Korean companies.

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

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

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

Lao exports have a relatively high degree of trade compatibility with Korea's imports, especially among medium and large-size exports.³ For those types of exports, the index of compatibility is in line with that of trade between industrialized countries, which averages 0.55. For the small and emerging exports, the index is lower but still well above the

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

	Index of Trade Compatibility	Examples of Lao exports in category
Large-size Exports	0.44	• Ores and refined metals • Clothing and apparel • Wood products • Coffee
Medium-size Exports	0.48	• Vegetables • Fruits and nuts • Sugar and molasses • furniture • charcoal
Small-size Exports	0.32	• Tea • Beer • Cocoa • Ginger and other spices • Live plants • Starch • Cement
Emerging Exports	0.32	• Footwear • Hides • Minerals • Meats • Cheese • Honey • Soybeans • Foods

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, Lao exporters can take advantage of Korea's fast growing imports in a wide range of industries. Additionally, the ASEAN-Korea FTA gives Lao producers and exporters a competitive advantage over those of non-ASEAN countries in supplying products to that market.

Key Products

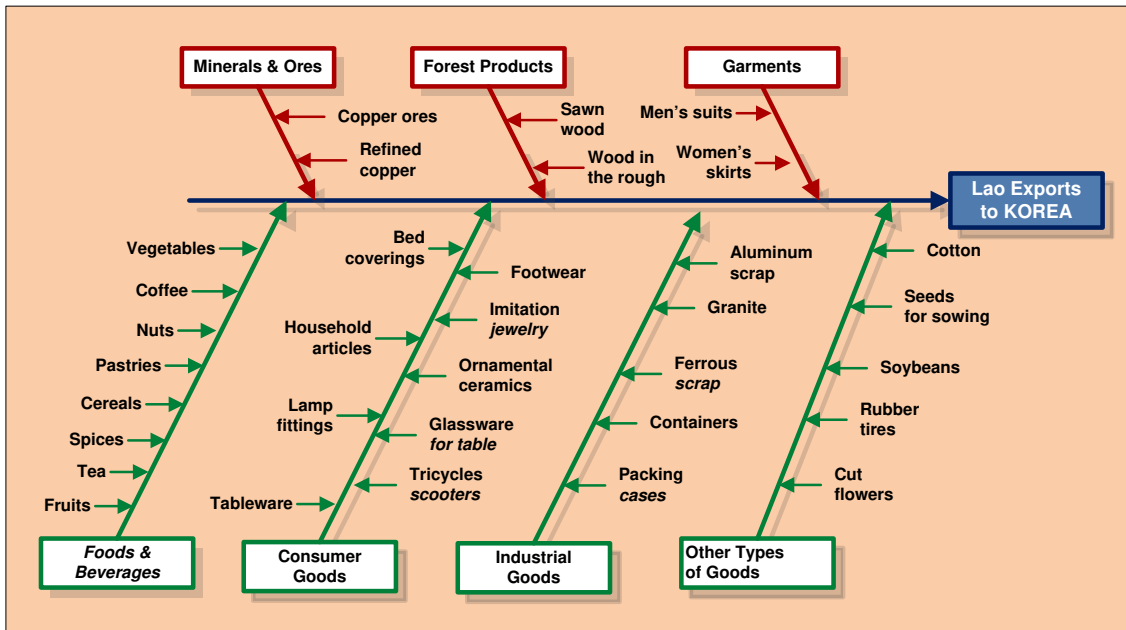
Lao exporters have a wide range of opportunities in the Korean market. There are already large exports of traditional products in the categories of minerals and ores, garments and forestry products (see the statistical Appendix to this guide). Raw material products supporting fast-growing Korean industries will undoubtedly continue to be among the top exports to this market from the Lao PDR. Nonetheless, the greatest opportunities for Lao exports in the near term will be in the areas of agriculture, consumer goods, industrial products and a variety of other products shown in Figure 2.2.

The leading high growth imports in the Korean market are in the following categories:

- *Foods and Beverages*: vegetables and fruits, rice, coffee, nuts, pastries, cereals, tea, beer.
- *Consumer Goods*: footwear, jewelry, bedding covers, household articles, furniture, suitcases, tableware.
- *Industrial Goods*: water heaters, copper scraps, veneer sheets, vacuum pumps.
- *Other Products*: printed brochures, seeds for sowing, soybeans, rubber tires, cut flowers.

Recognizing these opportunities should stimulate the Lao private sector to take advantage of the ASEAN-Korea FTA in order to expand exports to Korea's fast-growing market.

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



2.2. Winners in the Korean Market

Another way to measure export opportunities in the Korean 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 Korean market in particular is 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.⁴

Measuring Penetration in Different Types of Markets

Laos' export growth in different types of product markets in the Korean market is 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 Korean imports of those products. The export performance of Laos is classified into the following four categories:

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

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

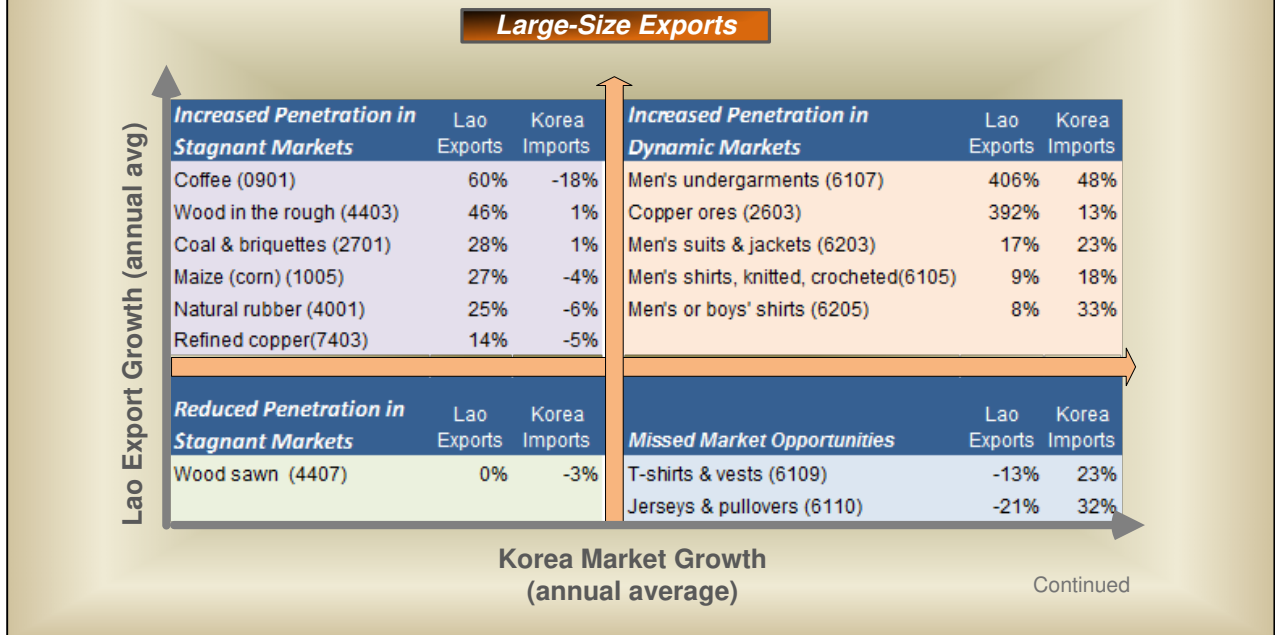
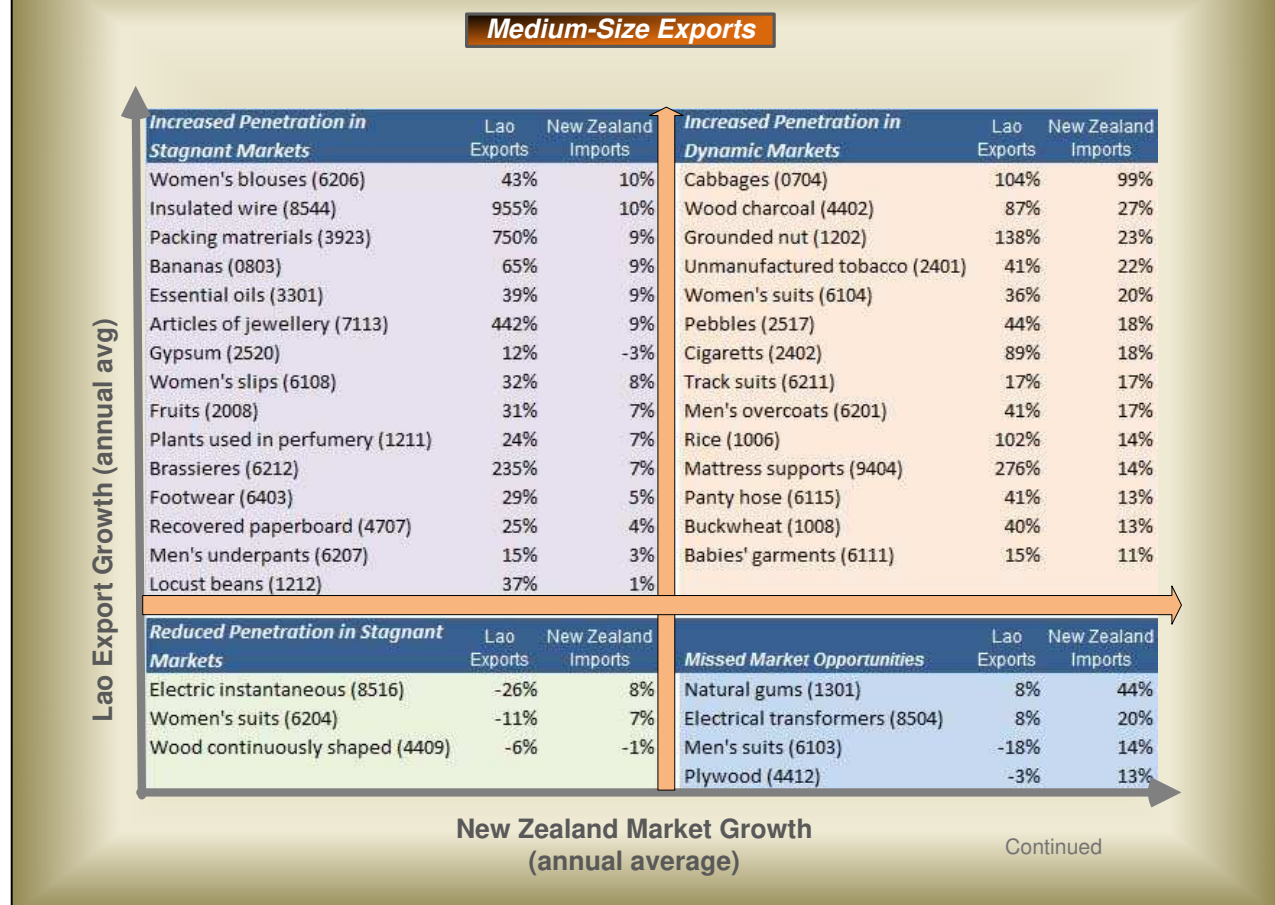


Figure 2.4: Matching High-Growth Lao Exports with Dynamic Korean Imports, 2007-2011 (continued)



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.

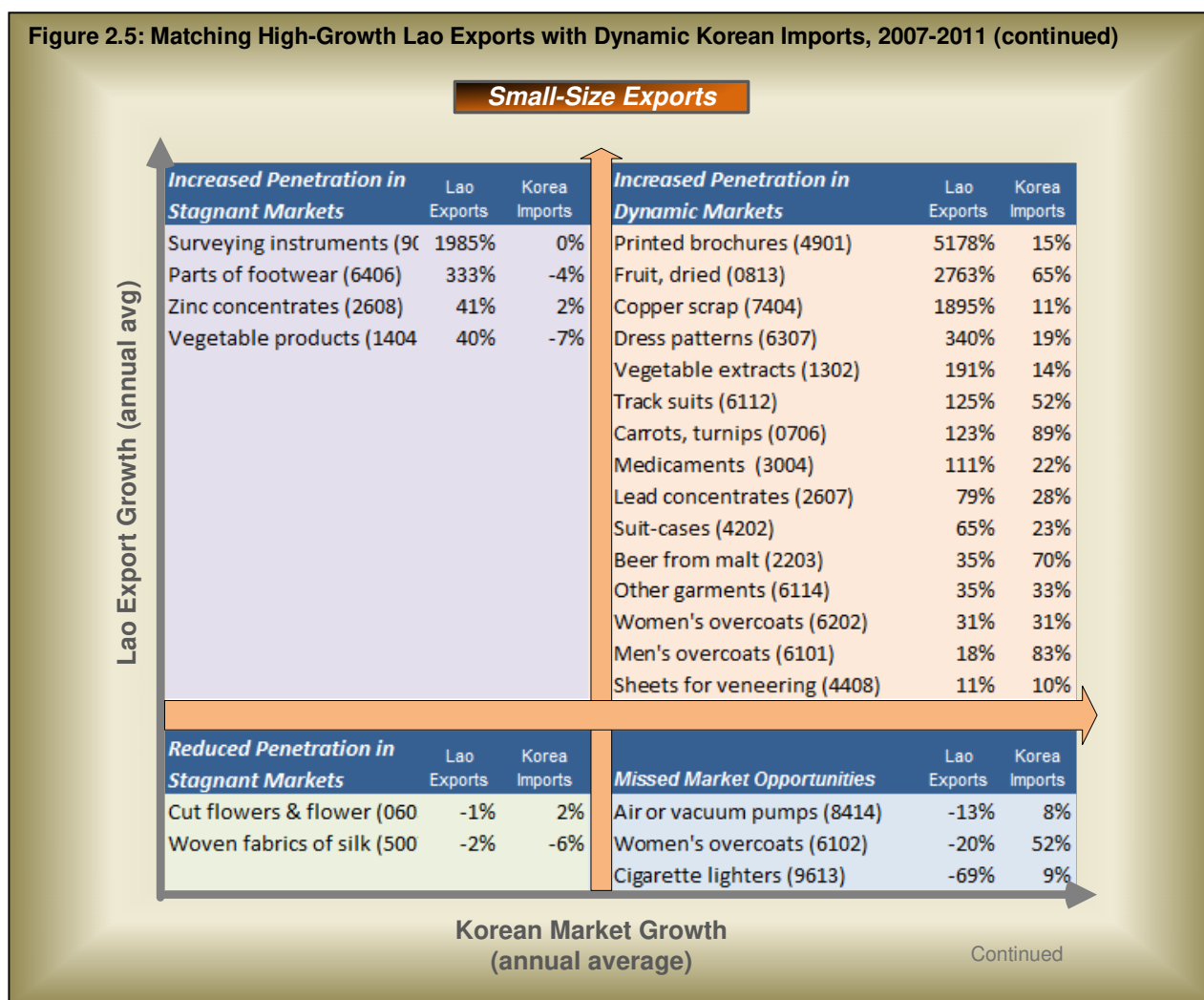
Lao Large-Size Exports

Among large-size exports, some types of men's clothing and apparel and copper ores and concentrates have fast-growing Korean 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, t-shirts, vests and pullovers. Exports have, however, expanded rapidly in several slow-growing or stagnant Korean markets: coffee, wood in the rough, coal and briquettes, maize, natural rubber and refined copper.

Lao Medium-Size Exports

Among medium-size exports, there have been numerous products where both Korean imports and Lao exports have grown rapidly. They include jewelry, rice, vegetables such as cabbage, bananas and other fruits, nuts, furniture and parts of furniture, and various types of clothing and apparel. Other fast-growing Korean markets where Lao exporters

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



would do well to increase their market shares are footwear, plywood, water heaters, and certain types of clothing. Some markets, such as that for essential oils in which Lao exports have been fast growing, have contracted in Korea.

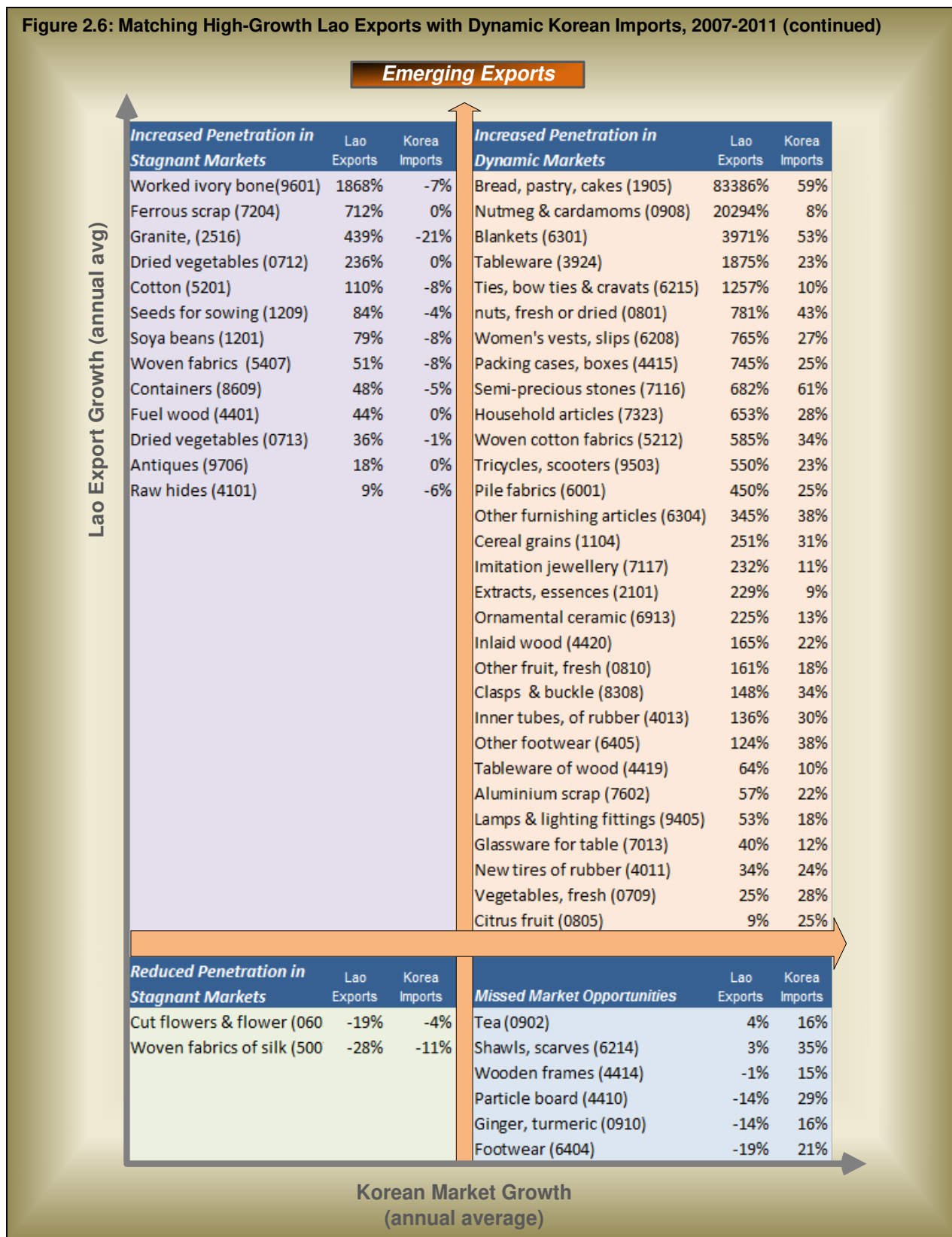
Lao Small-Size Exports

Among Lao's relatively smaller-size exports, there are many types of products with rapidly growing Korean markets where Lao producers have increased their penetration. They range from fresh and dried fruits to beer, copper scrap and lead concentrates, and various types of garments. Some of the rapidly growing markets where Lao exporters have lost market shares because of sluggish exports are air vacuum pumps, women's overcoats and cigarette lighters. In contrast, exports have grown rapidly in markets with relatively slow or stagnant Korean markets, notably footwear parts, zinc concentrates and vegetable products.

Lao Emerging Exports

There are high growth markets for fresh and prepared foods, clothing and household articles, and jewelry and ornaments. Other markets have been mixed. The markets for tea, ginger and other types of spices, and footwear have been robust. In various others like antiques, raw hides, ferrous metal scraps and granite, the Korean markets have either been stagnant or contracted.

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



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

2.3.1. Determinants of Foreign Market Demand

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

Stage 1: Korean 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: Korean 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 Korea 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 Korea, that is, the nominal exchange rate between the Lao kip and the Korean won, 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 Korean 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 Korea'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 trade and actual deviations that have occurred from those patterns in the past.⁵ 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 unreliable or unavailable data, as is the case of trade volumes for Korea's imports of Lao PDR's major export products.⁶

Forecasts – Time series forecasts of Korea'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, Korea's value of imports is expected to expand as follows:

	Historical		Forecast
	1991-2000	2001-2011	2012-2020
Copper ores & concentrates	6%	26%	17%
Cathodes of refined copper, unwrought	8%	18%	13%
Maize (corn)	3%	13%	6%
Men's shirts	38%	17%	18%
Natural rubber, in smoked sheets	5%	18%	10%
Wood, sawn/chipped lengthwise	5%	5%	6%
Footwear without outer soles of leather	19%	19%	12%
Sugarcane, fresh/chilled/ frozen/dried	8%	9%	7%
Gypsum; anhydrite	1%	10%	8%
Coffee, not roasted	10%	18%	12%

As expected, the fast growing imports that are projected for copper, clothing and apparel, coffee and footwear are those products that have had dynamic markets in the past, while those with slower projected growth rates like maize, wood and gypsum have had historically slower rates of growth.

For the average of the 10 products, Korea's overall value of imports is projected to grow by 11% annually in 2012-20, in contrast to 10% in 1991-2000 and 17% in 2001-2011.

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

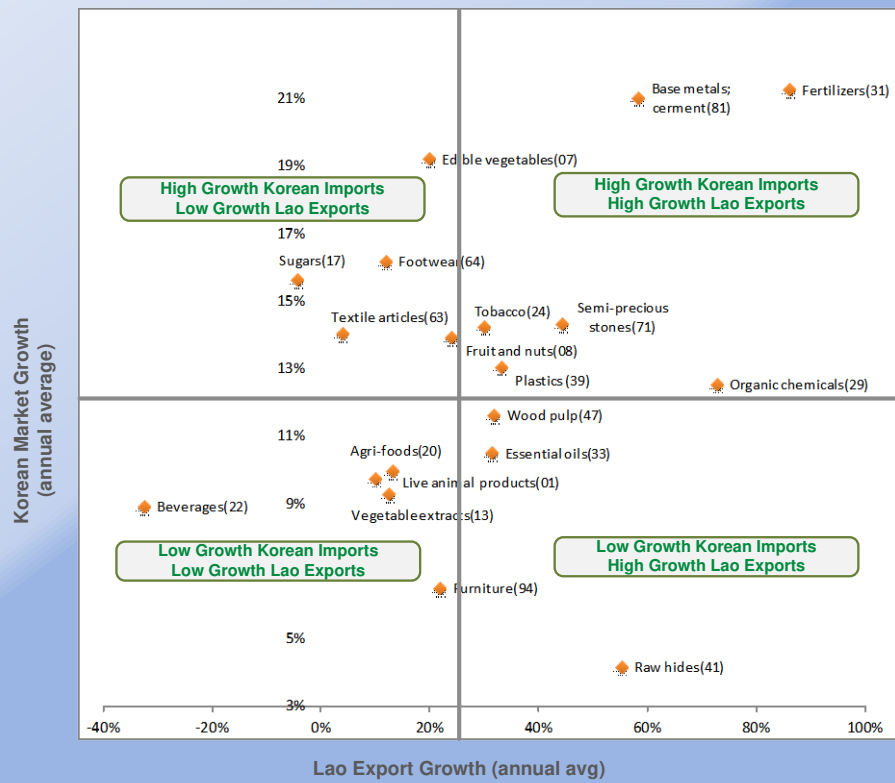
Some of Lao PDR's small and medium-size exports are among Korea's fastest growing imports.⁷ Among the most dynamic ones are those in which Lao's own exports have been growing rapidly in the last five years (numbers in parenthesis refer to the HS code for the product group):

- ◆ Fertilizers (HS 31)
- ◆ Based metals and cement (HS 81)
- ◆ Organic chemicals (HS 29)
- ◆ Semi-precious stones (71)
- ◆ Fruits and nuts (HS 08)
- ◆ Plastics (HS 39)

Other fast growing imports in the Korean market have not been matched by similarly fast-growing exports from Laos, so there are opportunities for a more export rapid expansion in the following products (see Figure 2.7):

- + Raw hides (HS 41)
- + Wood pulp (HS 47)
- + Essential oils (HS 33)
- + Furniture (S 94)

Figure 2.7: Potential Growth Markets for Small and Medium-Size Exports from Lao PDR



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

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

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

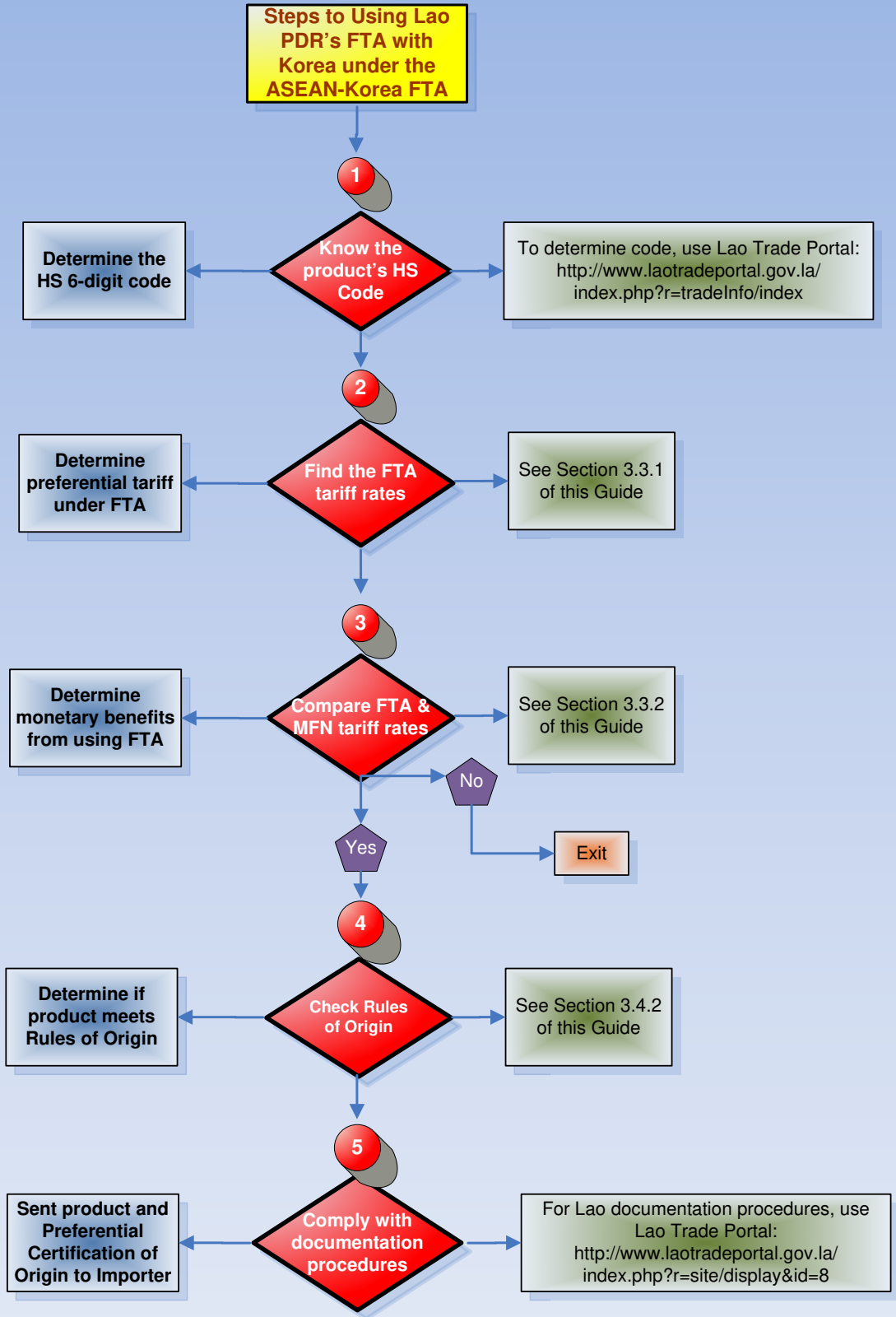
- (1) **High tariff rates for non-preferential suppliers.** Korea's level of protection is higher than most other Asian economies. Its Most Favored Nation (MFN) Tariff Trade Restrictiveness Index (TTRI) in recent years has averaged 8.2%, compared with less than 5% in East Asia. The MFN rate is the non-preferential rate applied to countries.⁸ As a member of ASEAN, Lao exporters can export to Korea under preferential rates and therefore have a substantial competitive advantage in selling their products to Korean businesses at effectively lower prices.
- (2) **High tariff rates for agricultural products.** Korea's tariffs for agricultural products are very high, averaging 65% in recent years, compared with 8% in other East Asian countries. High MFN rates for agricultural products give Lao exporters an especially large competitive advantage over non-preferential suppliers in selling those types of products to Korean businesses.
- (3) **Korea is among the top countries with the most conducive environment for doing business.** For 2013, Korea ranks 8 among 185 countries in Ease of Doing Business.⁹ In trading across borders, it ranks even higher at number 3. It outperforms the average of other industrialized economies in the time and cost of importing goods, as well as the number of documents needed to import goods.
- (4) **Korea's logistics environment is highly favorable to trading.** Korea substantially outperforms the average of other East Asian countries in the efficiency of customs procedures, 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 greatly facilitates the trade environment for Lao businesses.
- (5) **Korea is one of the fastest growing markets in Asia.** Two-way trade between Korea and ASEAN increased by nearly 30% in 2011, and is targeted to expand by another 20% by 2015. ASEAN and Korean leaders are committed to supporting SMEs as major beneficiaries of the trade expansion, and they strongly support the facilitation of trade through the ASEAN-Korea Centre (see Chapter 5 below).

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

Figure 3.1 shows the general steps to using Lao PDR's FTA with Korea under the ASEAN-Korea 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.

It is important to check the coverage of a product since it may not be worth the time and cost of applying for the preferential rate if the product is already subject to a low MFN rate.

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



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 Korea 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).¹⁰

3.3. Key Elements for Laos of ASEAN-Korea FTA

Fast Track and Sensitive Track Tariff Reductions

The Agreement on Trade in Goods provides for the substantial or complete elimination of tariffs and other barriers to trade by 2010 for Korea and the ASEAN-6 countries, by 2018 for Vietnam, and by 2020 for Laos, Cambodia and Myanmar.

Normal Track: The Normal Track covers about 90% of all goods covered by the Agreement.

- ◆ For Korea, and the more advanced ASEAN countries (ASEAN-6), the tariffs in the Normal Track schedules were eliminated between 2006 and 2010.
- ◆ For Laos, tariff lines that in this category have their respective applied MFN rates gradually reduced or eliminated based on the following schedule:

X = Applied MFN tariff rate	ASEAN-Korea FTA Preferential Tariff Rate		
	2012	2015	2018
x > 60%	20	10	10
40% < x < 60%	15	10	10
35% < x < 40%	15	5	0-5
30% < x < 35%	10	5	0-5
25% < x < 30%	10	5	0-5
20% < x < 25%	10	0-5	0-5
15% < x < 20%	10	0-5	0-5
10% < x < 15%	5	0-5	0-5
7% < x < 10%	5	0-5	0
5% < x < 7%	5	0-5	0
x < 5%	5	0-5	0

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

A. Sensitive Track

(1) For Korea

- *Coverage:* Applies to 10% of all the tariff lines.

- *Schedule*: Tariffs were reduced to not more than 20% on 1 January 2012 and they are subsequently being reduced to between 0% to 5% by 1 January 2016.
- (2) For Lao PDR
- *Coverage*: Applies to 10% of all the tariff lines.
 - *Schedule*: Reduces the applied MFN tariff rates of tariff lines placed in the Sensitive List to 20% by 2020, and further reduces them to 0-5% by 2024.

B. Highly Sensitive Track

(1) For Korea

- *Coverage*: Applies to 200 tariff lines at the HS 6-digit level or 3% of all the tariff lines (products) at the HS 6-digit level.
- *Schedules*: There are five groups of highly sensitive products with the following conditions:
 - (1) Group A: Tariff rate to be not more than 50% by 1 Jan 2016
 - (2) Group B: Tariff rate to be reduced by not less than 20% by 1 Jan 2016
 - (3) Group C: Tariff rate to be reduced by not less than 50% by 1 Jan 2016
 - (4) Group D: Application of tariff-rate quotas
 - (5) Group E: Products excluded from granting any concessions

(2) For Lao PDR

- *Coverage*: Applies to 200 tariff lines at the HS 6-digit level or 3% of all the tariff lines (products) at the HS 6-digit level.
- *Schedules*: There are five groups of highly sensitive products with the following conditions
 - (1) Group A – Tariff lines subject to maximum 50% tariff rates: Applied to Laos by 2024.
 - (2) Group B – Tariff lines subject to 20% tariff reductions: Lowered to 20% for Laos by 2024.
 - (3) Group C – Tariff lines subject to 50% tariff reductions: Lowered to 50% for Laos by 2024.
 - (4) Group D – Tariff lines subject to tariff rate quotas: Eliminated in 2007, on entry into force of the Agreement.
 - (5) Group E – Tariff lines exempt from tariff concessions: For Laos, maximum of 40 tariff lines (products) at 6-digit level.

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 cost for non-preferential exports to Korea and the tariff cost for exports to Korea under the increasing preferential rates in 2012-2018.

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

Lao Exports of US\$ 100,000 to Korea								
Item		If Exporter Does Not Comply with ASEAN-Korea	If Exporter Does Complies with ASEAN-Korea FTA					
			2012		2015		2018	
HS Code	Description		Preferential Rate	Savings	Preferential Rate	Savings	Preferential Rate	Savings
VEGETABLE PRODUCTS								
070490	Cabbages, kohlrabi, kale fresh/chilled	27% applied tariff	10% applied tariff = \$10,000	\$17,000	5% applied tariff = \$5,000	\$22,000	2.5% applied tariff = \$2,500	\$24,500
090111	Coffee, not roasted	0% applied tariff = \$0.0	0% applied tariff = \$0.0	\$ -	0% applied tariff = \$0.0	\$ -	0% applied tariff = \$0.0	\$ -
100590	Maize (corn), other than seed	1.8% applied tariff = \$1,800	1.8% applied tariff = \$1,800	\$ -	1.8% applied tariff = \$1,800	\$ -	0% applied tariff = \$0.0	\$ 1,800
121299	Sugar cane	6.6% applied tariff = \$6,600	5% applied tariff = \$5,000	\$ 1,600	2.5% applied tariff = \$2,500	\$ 4,100	0% applied tariff = \$0.0	\$ 6,600
MINERAL PRODUCTS								
252010	Gypsum; anhydrite	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
260300	Copper ores & concentrates	1% applied tariff = \$1,000	1% applied tariff = \$1,000	\$ -	1% applied tariff = \$1,000	\$ -	0% applied tariff = \$0.0	\$ 1,000
270119	Coal other than anthracite & bituminous	1% applied tariff = \$1,000	1% applied tariff = \$1,000	\$ -	1% applied tariff = \$1,000	\$ -	0% applied tariff = \$0.0	\$ 1,000
271600	Electrical energy (optional heading)	5% applied tariff = \$5,000	5% applied tariff = \$5,000	\$ -	2.5% applied tariff = \$2,500	\$ 2,500	0% applied tariff = \$0.0	\$ 5,000
CHEMICAL PRODUCTS								
280469	Silicon of silicon	5.5% applied tariff = \$5,500	5% applied tariff = \$5,000	\$ 500	2.5% applied tariff = \$2,500	\$ 3,000	0% applied tariff = \$0.0	\$ 5,500
280530	Rare-earth metals, scandium	5.5% applied tariff = \$5,500	5% applied tariff = \$5,000	\$ 500	2.5% applied tariff = \$2,500	\$ 3,000	0% applied tariff = \$0.0	\$ 5,500
310590	Fertilisers of nitrogen, phosphorus & potassium	6.5% applied tariff = \$6,500	5% applied tariff = \$5,000	\$ 1,500	2.5% applied tariff = \$2,500	\$ 4,000	0% applied tariff = \$0.0	\$ 6,500
RUBBER & RUBBER PRODUCTS								
400121	Natural rubber in smoked sheets	2% applied tariff = \$2,000	2% applied tariff = \$2,000	\$ -	2% applied tariff = \$2,000	\$ -	0% applied tariff = \$0.0	\$ 2,000
400122	Technically spec. natural rubber (TSNR)	2% applied tariff = \$2,000	2% applied tariff = \$2,000	\$ -	2% applied tariff = \$2,000	\$ -	0% applied tariff = \$0.0	\$ 2,000

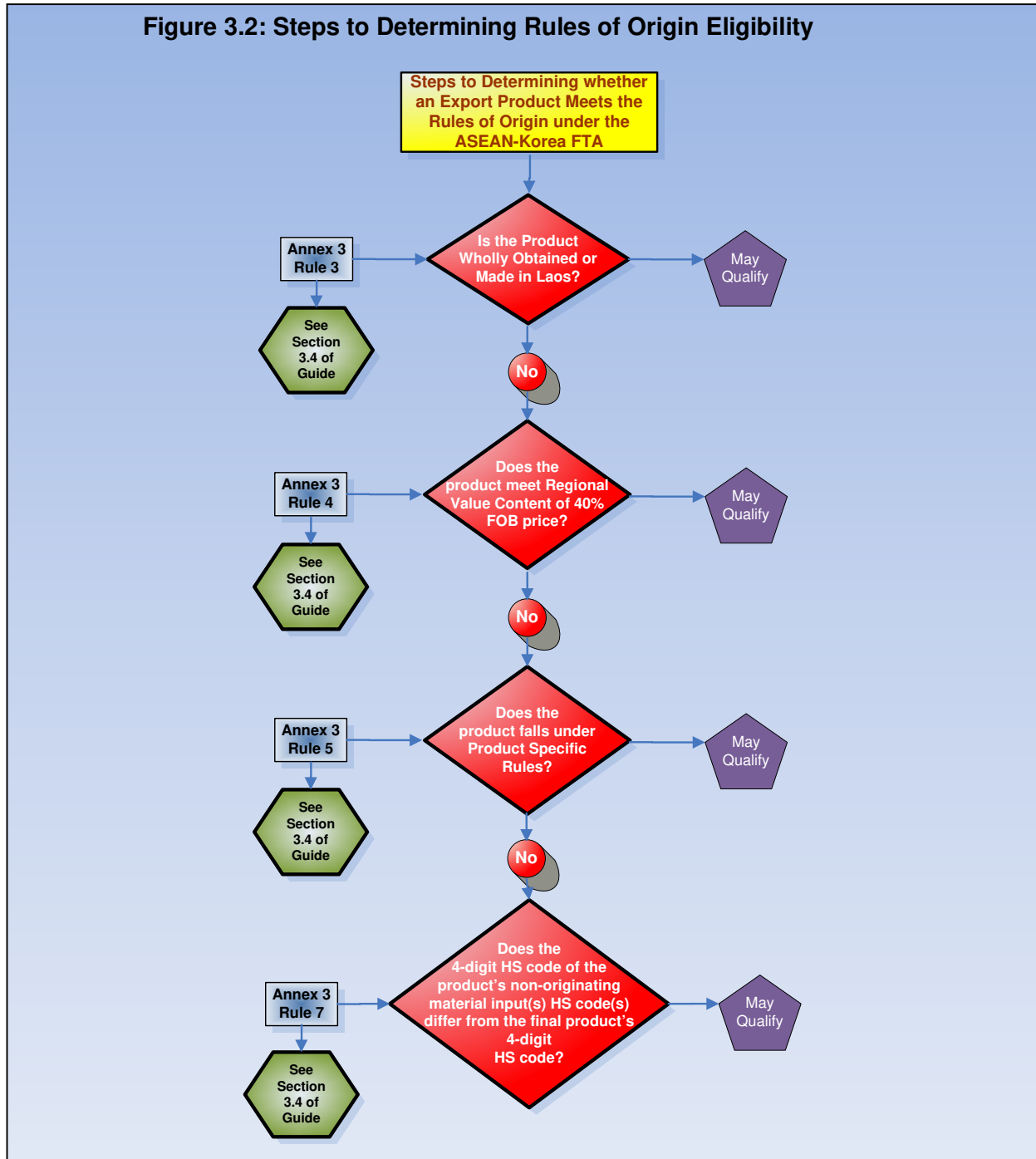
Table 3.1: Difference between Preferential and Non-Preferential Tariffs in ASEAN –Korea FTA for Lao PDR's Top 30 Product Exports (Continued)

Lao Exports of US\$ 100,000 to Korea								
Item		If Exporter Does Not Comply with ASEAN-Korea	If Exporter Does Complies with ASEAN-Korea FTA					
			2012		2015		2018	
HS Code	Description		Preferential Rate	Savings	Preferential Rate	Savings	Preferential Rate	Savings
ARTICLES OF WOOD								
440290	Wood charcoal	2% applied tariff = \$2,000	2% applied tariff = \$2,000	\$ -	2% applied tariff = \$2,000	\$ -	0% applied tariff = \$0.0	\$ 2,000
440399	Wood, in the rough	2% applied tariff = \$2,000	2% applied tariff = \$2,000	\$ -	2% applied tariff = \$2,000	\$ -	0% applied tariff = \$0.0	\$ 2,000
440729	Wood sawn/chipped lengthwise	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
440799	Wood, sawn/chipped lengthwise	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
440929	Wood continuously shaped	13% applied tariff = \$13,000	5% applied tariff = \$5,000	\$ 8,000	2.5% applied tariff = \$2,500	\$ 10,500	2.5% applied tariff = \$2,500	\$10,500
TEXTILES AND TEXTILE ARTICLES								
610510	Men's/boys' shirts of cotton	35% applied tariff = \$35,000	15% applied tariff= \$15,000	\$20,000	5% applied tariff = \$5,000	\$ 30,000	2.5% applied tariff = \$2,500	\$ 32,500
610711	Men's/boys' underpants of cotton	35% applied tariff = \$35,000	15% applied tariff= \$15,000	\$20,000	5% applied tariff = \$5,000	\$ 30,000	2.5% applied tariff = \$2,500	\$ 32,500
610910	T-shirts, singlets of cotton	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
611020	Jerseys, pullovers, cardigans of cotton	35% applied tariff = \$35,000	15% applied tariff= \$15,000	\$20,000	5% applied tariff = \$5,000	\$ 30,000	2.5% applied tariff = \$2,500	\$ 32,500
611030	Jerseys, pullovers of man-made fibres	35% applied tariff = \$35,000	15% applied tariff= \$15,000	\$20,000	5% applied tariff = \$5,000	\$ 30,000	2.5% applied tariff = \$2,500	\$ 32,500
620343	Men's/boys' trousers, of synthetic fibres	16% applied tariff = \$16,000	10% applied tariff = \$10,000	\$ 6,000	2.5% applied tariff = \$2,500	\$ 13,500	2.5% applied tariff = \$2,500	\$ 13,500
620520	Men's/boys' shirts of cotton	16% applied tariff = \$16,000	10% applied tariff = \$10,000	\$ 6,000	2.5% applied tariff = \$2,500	\$ 13,500	2.5% applied tariff = \$2,500	\$ 13,500
621133	Track suits of man-made fibres	16% applied tariff = \$16,000	10% applied tariff = \$10,000	\$ 6,000	2.5% applied tariff = \$2,500	\$ 13,500	2.5% applied tariff = \$2,500	\$ 13,500
BASE METALS								
640399	Footwear without outer soles of leather	13% applied tariff = \$13,000	5% applied tariff = \$5,000	\$ 8,000	2.5% applied tariff = \$2,500	\$ 10,500	2.5% applied tariff = \$2,500	\$10,500
740200	Unrefined copper	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
740311	Cathodes of refined copper, unwrought	10% applied tariff = \$10,000	5% applied tariff = \$5,000	\$ 5,000	2.5% applied tariff = \$2,500	\$ 7,500	0% applied tariff = \$0.0	\$ 10,000
811292	Germanium, vanadium, gallium	5% applied tariff = \$5,000	5% applied tariff = \$5,000	\$ -	2.5% applied tariff = \$2,500	\$ 2,500	0% applied tariff = \$0.0	\$ 5,000

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-Korea FTA and determines whether goods will be given preferential tariff treatment under the Agreement. It prevents products from outside the ASEAN-Korea region from having access to FTA benefits. Therefore compliance to ROO is important in exporting products under the ASEAN-Korea FTA, and is outlined in Annex 3 of the Agreement.

Figure 3.2: Steps to Determining Rules of Origin Eligibility



Annex 3 –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 party as set out and defined in Rule 3; or
- (2) A good is not wholly obtained or produced in the territory of the exporting Party, provided that the good is eligible under Rule 4 or 5 or 6 or 7.

Annex 3 – 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.

Annex 3 – 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 *Regional Value Content (RVC)* is at least 40%; or
- (2) There is a change in the tariff classification at the four digit-level of the Harmonized System (HS).

Regional Value Content (RVC) – Two alternative formulas are available for calculating the RVC, one called the *build-up method* and the other called the *build-down method*:

Let RVC = Regional Value Content
 FOB = Free on Board value of the good
 VOM = Value of Originating Materials of the good
 VNM = Value of Non-Originating Materials of the good

(1) **Method A: Build-Up Formula**

$$RVC = \frac{VOM}{FOB}$$

Example: A Lao business sells its product to a Korean buyer for \$100 a unit. The value of the originating materials in the good is \$60. Those originating material costs consist of the sum of originating material costs, direct labor costs, direct overhead costs, transportation, and profits. Using the build-up method, the RVC is calculated as follows:

$$60\% = \frac{\$60}{\$100}$$

Since the calculated RVC of 60 percent is greater than the 40% minimum requirement, the product is eligible for preferential treatment.

(2) Method A: Build-Down Formula

$$RVC = \frac{FOB - VNM}{FOB}$$

Example: A Lao business sells its product to a Korean buyer for \$100 a unit. The company buys material inputs from China (a non-originating supplier under the AKFTA) at a cost of \$40 a unit. As in the previous example, the value of the originating materials in the good is \$60. Using the build-down method, the RVC is calculated as follows:

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

Since the calculated RVC of 60 percent is greater than the 40% minimum requirement, the product is eligible for preferential treatment.

Annex 3 – Rule 5: Product Specific Rules

Goods that satisfy the Product Specific Rules in Appendix 2 of Annex 3 are considered to be originating in the territory of Laos where work or processing of the goods has taken place. A good not wholly obtained or produced in Laos could satisfy the origin requirements under this rule if the materials have undergone a change in tariff classification or a specific manufacturing or processing operation, or if they satisfy regional value content or a combination of any of these criteria.

Annex 3 – Rule 6: Treatment of Certain Goods

Certain goods are considered to be originating even if the production process or operation has been undertaken in an area outside the territories of Korea and ASEAN Member Countries (i.e. industrial zone) on materials exported from Laos and subsequently re-imported into Laos.

Annex 3 – Rule 7: Accumulation

A good originating in the territory of Laos that is used in the territory of another ASEAN country as material for a finished good eligible for preferential tariff treatment is considered to be originating in the territory of the other country where working or processing of the finished good 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 Korea 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.

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 La 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 Korea

4.1. SWOT Analysis for Lao Exports to Korean 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-Korea 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.¹¹

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 Korean markets. Some of the key opportunities are as follows:

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

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

	Supply Chain Structure and Functioning	Korean 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 Korean supply chains. • Laos has a comparative advantage in terms of distance to Korean market relative to other agricultural and resource rich countries. 	<ul style="list-style-type: none"> • Korean demand for quality agri-food products and natural resources is growing rapidly. • Sourcing from non-Korean producers is outpacing domestic sourcing. • Korean 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-Korean FTA provides special treatment for SMEs. • Strengthening of domestic SPS measures is greatly facilitating agi-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 Korea under preferential arrangements. • SMEPDO is implementing business networks and exchange of best practices for SMEs to access foreign markets like those in Korea.

(Continued)

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

	Supply Chain Structure and Functioning	Korean Market	Small and Medium-Size Enterprises	Institutional Framework
Weaknesses	<ul style="list-style-type: none"> • Laos lacks sufficient Export Quality Infrastructure (EQI) to meet Korean quality standards. • Impediments for Korean 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-Korean FTA. • Lao producers lack awareness of ASEAN-Korean FTA, for example, how to read and interpret FTA provisions. 	<ul style="list-style-type: none"> • Relatively few SMEs meet Korean product standards. • SME lack access to information technology (IT) needed to compete in Korean markets. • SMEs lack sufficient technical and skilled labor in supply chains of importance to Korea. • SMEs have low perception about benefits of Korean 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 Korean 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 Korean specialized companies and supermarket chains. • Organic food ingredients and food products are one of the fastest growing segments of the food Korean market. 	<ul style="list-style-type: none"> • Implementation of outreach programs for Lao SMEs to use ASEA-Korea FTA, similar to existing programs for SMEs to use Korea-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 Korea and other preferential markets. • Implement support programs to assist businesses certify that goods destined for Korea meet Rules of Origin requirements. • Establish outreach programs to target sectors with high Koran market potential. • SMEPDO and LNCCI to support businesses networks with Korean 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"> • Korean importers focus on suppliers from other ASEAN countries having a faster tariff reduction track than Laos. • Korean 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-Korean 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 Korea and other preferential markets. • Lack of export financing leads to high export risks, which in turn lowers incentives to target Korean 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-Korea FTA

Channel 1: Preferential Pricing for Korean Importers

Lao businesses can take advantage of cost-cutting measures from the ASEAN-Korea FTA. The cost structure of Korean 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 Korean importers than they are from non-preferential supply sources, this cost advantage can greatly increase the demand of Korean industries for Lao exports.

Channel 2: Focus on High Growth Markets

The Lao PDR has an abundance of natural resources that are essential to Korean industries, and it also produces a number of products that have dynamic markets in Korea. They include garments and apparel, refined minerals and mineral ores, 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-Korea 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 Korean 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 Korean buyers.

Channel 4: Improve Export Quality Infrastructure

Access to overseas markets like the ones in Korea 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 Korea and other markets. Similarly, standards exist for clothing and footwear produced for multinationals operating in Korea. 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 mechanism:

- ✓ Information systems such as the Lao Trade Portal.
- ✓ Korean 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 Korea 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 Korean 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 Korean 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 Korean health product standards and controls.
Demand Conditions	<ul style="list-style-type: none"> ■ Increasing use of Korean-consistent product standards. ■ Experience in marketing and distribution in ASEAN regional market. ■ Strong Korean 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. ■ Korean 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 Korean market. ■ Lack of attention to design and manufacturing processes. ■ Weak product design feedback loop.

PART 5: Useful Resources

5.1. Contacts and Resources

ASEAN-Korea Centre

Description: Their website contains up-to-date details about events related to trade and investment in various sectors and industries.

Site: www.aseankorea.org

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.
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.
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.

Term	Acronym	Description
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.
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.

Term	Acronym	Description
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 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

Term	Acronym	Description
		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-Korea 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 Korea* is available online at the following site:

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

APPENDIX: Korean-Lao Trade in Lao Leading Exports

A. TOP 35 LAO EXPORTS TO KOREA (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	-	20,178,605	15,060,271	17,182,441	-	-	10,980,000	10,028,080	10,065,340	-
440290	Wood charcoal	6,471	163,811	357,656	661,736	1,041,404	82,206	424,717	783,860	1,139,263	1,308,441
440929	Wood continuously shaped	1,137,099	607,329	493,879	649,700	363,338	1,221,284	613,872	485,010	693,780	314,797
260900	Tin ores & concentrates	-	-	-	597,195	518,824	-	-	-	90,000	223,000
830510	Fittings for loose-leaf binders	-	-	-	136,423	129,506	-	-	-	60,085	56,679
620463	Women's trousers of synthetic fibres	1,205	-	409	95,000	15	16	-	-	5,148	-
441900	Tableware & kitchenware, of wood	119,097	88,214	87,202	93,911	126,280	87,908	80,672	66,784	81,780	81,315
440799	Wood sawn/chipped lengthwise	140,924	88,294	108,974	86,446	15,844	96,813	80,460	52,594	75,489	45,470
620520	Men's shirts of cotton	2,729	-	6	81,339	174,931	93	-	-	1,744	3,606
610510	Men's shirts, knitted/crocheted, of cotton	-	21,070	24,190	72,128	190,025	-	541	716	1,853	3,915
440729	Wood sawn lengthwise of tropical wood	396,168	105,554	143,405	70,375	1,113,876	580,456	170,183	209,376	110,270	1,361,207
440710	Wood sawn lengthwise of coniferous	-	6,400	35,746	58,361	90,540	-	69,091	21,239	71,460	137,187
440320	Wood in the rough, coniferous	-	-	-	53,584	-	-	-	-	40,400	-
090121	Coffee, roasted, not decaffeinated	20,772	-	-	33,957	-	3,000	-	-	2,880	-
440210	Wood charcoal of bamboo	-	-	-	23,520	35,361	-	-	-	36,000	54,000
090111	Coffee, not roasted, not decaffeinated	1,000	2,000	10,284	17,781	338,147	-	-	2,103	5,328	72,200
220300	Beer made from malt	-	2,345	-	11,609	8,337	-	2,376	-	13,724	13,067
610442	Women's dresses of cotton	-	-	-	10,510	-	-	-	-	189	-
940360	Wooden furniture	-	10,337	9,866	8,043	5,937	-	13,926	19,454	18,866	8,404
610610	Women's blouses of cotton	-	3,721	4,044	6,988	194	-	63	92	115	-
442190	Articles of wood n.e.s.	-	7,571	471	6,920	-	-	7,392	514	12,472	-
903281	Hydraulic/pneumatic regulating apparatus	-	-	-	6,209	-	-	-	-	40	-
210112	Preparations with a basis of coffee	826	-	-	6,119	-	486	-	-	2,000	-
850300	Parts of machines	-	-	-	3,528	-	-	-	-	13	-
611030	Jerseys, pullovers of man-made fibres	-	-	744	2,926	20	-	-	16	53	-
610910	T-shirts of cotton	19,594	24,149	15	2,014	6,632	406	263	-	29	36
620213	Women's overcoats of man-made fibres	-	-	62	1,848	-	-	-	-	32	-
630231	Bed linen of cotton	-	-	-	1,551	-	-	-	-	80	-
940180	Seats	-	-	-	907	-	-	-	-	600	-
940350	Wooden furniture of bedroom	-	-	-	806	-	-	-	-	1,200	-
200892	Mixtures of edible parts of plants	-	-	-	603	-	-	-	-	30	-
854370	Other apparatus for electrical machines	-	-	-	554	-	-	-	-	1	-
630900	Worn clothing & other worn articles	-	117	178	439	11,597	-	35	30	30	280
690100	Bricks, blocks, tiles & other ceramic goods	-	-	-	424	-	-	-	-	139	-
970300	Original sculptures & statuary	-	-	-	123	-	-	-	-	50	-

B. KOREAN IMPORTS FROM ALL COUNTRIES (Top 35 Lao Exports to Korea)

HS Code	Description	Value (US dollars)					Quantity (Weight in kilograms)				
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
260300	Copper ores & concentrates	3,346,511,481	3,514,024,543	3,293,513,383	4,536,877,428	5,634,034,192	1,393,658,918	1,458,115,267	1,402,886,402	1,483,914,339	1,597,262,572
440290	Wood charcoal	48,210,223	60,204,989	64,439,945	69,268,635	84,688,965	-	-	108,958,115	109,567,393	112,335,716
440929	Wood continuously shaped	44,084,911	54,785,702	80,076,356	83,741,804	82,783,291	-	-	35,756,017	40,352,825	62,868,819
830510	Fittings for loose-leaf binders	4,004,598	3,633,897	3,295,538	3,053,093	2,790,944	1,696,181	1,942,235	1,571,955	1,259,778	1,175,871
620463	Women's trousers of synthetic fibres	72,789,423	80,552,046	67,789,481	92,318,448	135,763,059	6,403,578	6,213,903	6,749,049	5,931,356	5,689,847
441900	Tableware & kitchenware, of wood	29,005,740	28,838,603	25,512,587	28,631,537	36,034,550	21,510,680	25,118,390	24,925,055	22,487,837	20,641,131
440799	Wood sawn/chipped lengthwise	85,404,450	66,495,492	53,856,769	52,861,332	68,333,005	118,221,138	122,166,843	121,798,378	84,626,249	72,271,015
620520	Men's shirts of cotton	120,261,607	96,178,886	70,284,695	87,406,719	111,422,426	6,241,646	7,540,851	6,728,724	4,082,417	2,599,303
610510	Men's shirts, knitted/crocheted, of cotton	36,557,969	37,513,810	39,877,629	42,666,739	70,962,967	1,557,961	1,454,136	1,635,163	1,332,835	1,447,879
440729	Wood sawn lengthwise of tropical wood	33,449,846	22,668,742	16,777,428	11,692,677	13,005,669	52,989,066	51,256,733	55,165,370	35,223,737	24,853,644
440710	Wood sawn lengthwise of coniferous	156,538,605	175,772,388	155,693,281	246,853,522	335,956,190	254,403,740	279,970,540	365,284,465	421,039,128	431,032,983
440320	Wood in the rough, coniferous	833,482,583	766,329,940	561,036,220	659,564,008	730,639,806	4,870,784,833	5,088,096,325	5,391,589,456	4,600,219,552	4,021,641,825
090121	Coffee, roasted, not decaffeinated	24,897,061	35,476,768	40,737,638	52,967,921	87,123,182	1,147,625	1,567,348	2,443,441	3,011,836	3,461,772
440210	Wood charcoal of bamboo	8,715,982	1,785,685	2,269,976	1,070,539	600,275	-	-	18,063,409	3,522,827	3,932,998
090111	Coffee, not roasted, not decaffeinated	174,294,755	248,731,116	230,593,345	313,128,307	522,870,731	82,482,401	83,990,389	83,596,830	97,039,169	96,044,201
220300	Beer made from malt	30,579,235	39,373,358	37,156,285	43,749,648	58,445,185	22,828,460	26,911,579	35,815,957	43,196,279	41,491,717
610442	Women's dresses of cotton	4,788,770	8,563,553	8,420,801	8,941,419	13,613,583	59,922	132,224	187,179	258,195	243,958
940360	Wooden furniture	228,152,605	204,984,016	130,697,426	158,343,378	193,311,771	63,886,656	100,376,492	116,160,765	101,961,647	59,997,487
610610	Women's blouses of cotton	42,024,009	32,860,481	25,070,580	25,228,581	34,409,883	1,953,452	2,486,381	2,364,213	1,514,236	1,186,335
442190	Articles of wood n.e.s.	23,895,082	22,821,183	22,316,047	21,845,700	23,593,882	17,602,002	14,190,336	13,919,692	10,909,270	10,106,049
903281	Hydraulic/pneumatic regulating apparatus	46,579,609	49,157,602	24,399,971	42,660,251	39,148,114	437,961	337,214	448,110	469,120	415,696
210112	Preparations with a basis of coffee	24,703,778	24,120,070	19,885,029	21,522,765	18,064,526	6,110,364	4,595,216	3,074,928	3,083,700	2,656,807
850300	Parts of machines	294,217,848	297,143,932	310,853,993	305,683,691	293,642,523	24,377,557	28,479,358	31,780,153	30,579,868	24,086,699
611030	Jerseys, pullovers of man-made fibres	150,810,993	117,300,192	77,159,046	108,800,992	153,076,500	8,573,739	8,414,234	8,228,254	4,949,904	3,923,011
610910	T-shirts of cotton	341,006,487	369,084,001	253,846,845	304,083,332	365,343,557	16,391,615	22,707,848	25,585,074	23,798,525	17,297,499
620213	Women's overcoats of man-made fibres	80,299,071	69,675,501	53,515,520	86,312,145	117,978,375	1,387,812	2,759,401	3,515,215	2,847,195	2,262,048
630231	Bed linen of cotton	5,589,104	4,631,558	2,990,904	2,943,405	3,952,556	947,132	1,008,362	888,401	683,165	320,613
940180	Seats	37,545,800	41,669,246	36,491,250	50,729,612	59,165,187	8,198,572	10,268,794	9,863,421	7,705,635	6,922,519
940350	Wooden furniture of bedroom	89,415,770	89,638,481	65,339,263	83,606,117	93,601,191	29,079,519	45,780,101	56,432,169	50,875,812	34,154,538
200892	Mixtures of edible parts of plants	18,616,338	18,122,708	12,060,827	13,674,055	20,932,439	19,591,937	19,339,518	22,073,765	19,824,177	12,592,257
854370	Other apparatus for electrical machines	1,162,257,137	1,337,369,032	1,025,736,198	1,232,192,149	1,343,428,548	-	-	5,313,306	4,506,738	3,992,954
630900	Worn clothing & other worn articles	12,305,215	15,415,998	18,410,162	24,004,588	35,895,487	20,076,102	23,072,352	28,152,457	35,121,285	39,231,859
690100	Bricks, blocks, tiles & other ceramic goods	7,670,077	6,867,349	6,730,603	7,954,882	9,309,008	38,805,451	21,382,185	22,142,156	18,552,783	19,738,072
970300	Original sculptures & statuary	118,570,490	115,176,612	41,383,929	87,336,084	50,545,193	762,095	1,075,146	1,133,514	1,089,656	1,081,393

ENDNOTES:

¹ Throughout this guide, Korea refers to South Korea, officially known as the Republic of South Korea.

² "S. Korea's FTA with ASEAN most successful: poll". Yonhap News Agency. 27 September 2012. Available: <http://english.yonhapnews.co.kr/business/2012/09/27/88/0501000000AEN20120927007600320F.H TML>.

³ The *trade compatibility index* measures the similarity between Lao's exported products and products imported by Korea. The index approaches zero when Lao exports none of what the Korean 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 Korea. 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.

⁴ 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

⁵ The analysis is based on an Auto-Regressive Integrated Moving Average (ARIMA) model, using EViews software to estimate the equations for each product.

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

⁷ 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.

⁸ 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>.

⁹ Data from International Finance Corporation, "Doing Business". Available: www.doingbusiness.org.

¹⁰ For all other countries, Certificates of Origin are issued by the Lao National Chamber of Commerce.

¹¹ A recent analysis of the situation for Lao businesses is available from GIZ, "Enterprise Survey 2011". Vientiane, November 2012.