

Non-Tariff Measures (NTMs) Faced by Exporters of Lao PDR

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What is NTM?

- Non-Tariff Measures (NTMs) are defined as “policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both.
- Non-tariff barriers (NTBs) are a subset of NTMs (NTM \neq NTB), implying a negative impact on trade.
- NTMs do not offer any judgment over legitimacy or lawfulness, and is different from concept of “Procedural Obstacles”.
- NTMs are very diverse and so is their impact on trade. NTMs can add costs to trade (e.g. standards require information and compliance); it can preclude trade (e.g. prohibitions, stringent requirements, etc.); it can divert trade (e.g. quotas, standards, etc.) and also create trade (e.g. SPS and TBT, which guarantee quality, single those safe, etc.).

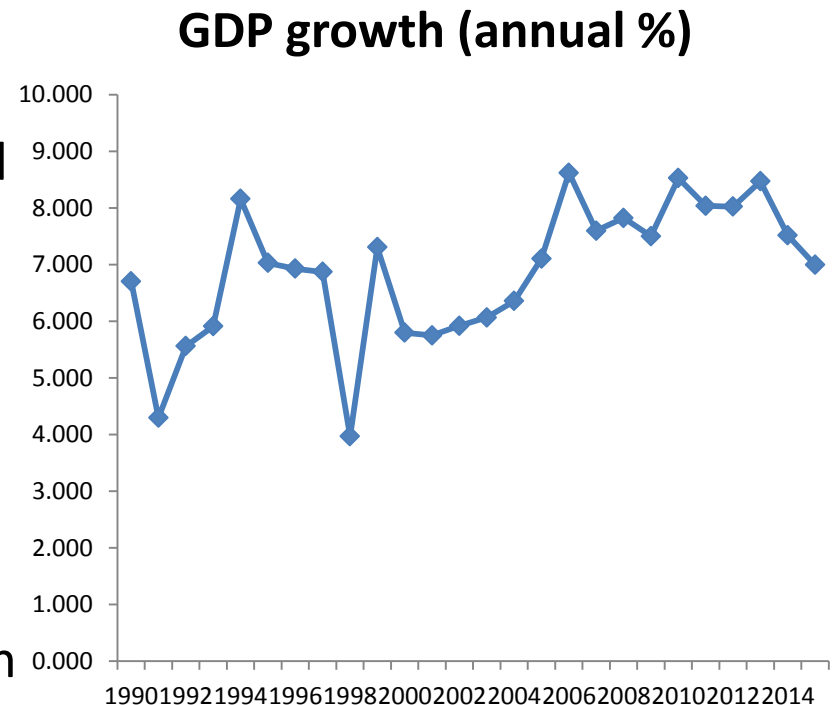
NTMs associated with production to marketing and distribution stages of a product

(1) Production Stage	<p>Regulations on the quality or safety of inputs used</p> <ul style="list-style-type: none">• Follow certain safety processes in production• The producer to have Authorizations to produce, or have Certifications for producer (not for the product)• Registration
(2) Final Product	<ul style="list-style-type: none">• Quality or safety requirements• Testing, inspection• Authorizations or Certifications needed for the product, Labeling, etc.• Traceability information• Registration
(3) Post-Production Stage	<ul style="list-style-type: none">• Transportation• Storage and warehousing• Distribution
(4) Commercial Transaction and Administration	<ul style="list-style-type: none">• Taxes and Quotas• Any price limitation• Regulations on the mode of payment, financial, etc.



Lao PDR – fastest growing economy in ASEAN

- Trade has been identified as a national priority to increase country's growth and thereby welfare of the common people.
- Lao PDR's strategic location trumps its landlockedness. It acts as a bridge-head between Southeast and East Asia.
- Lao PDR is the member of ASEAN and signed the ASEAN Trade in Goods Agreement (ATIGA) in 2010. It is also a member of ongoing RCEP negotiation.
- Lao PDR is a member of WTO; signed and ratified the WTO's Trade Facilitation Agreement (TFA).
- All these agreements require profound modifications on tariffs, NTMs, customs reforms, and trade facilitation.

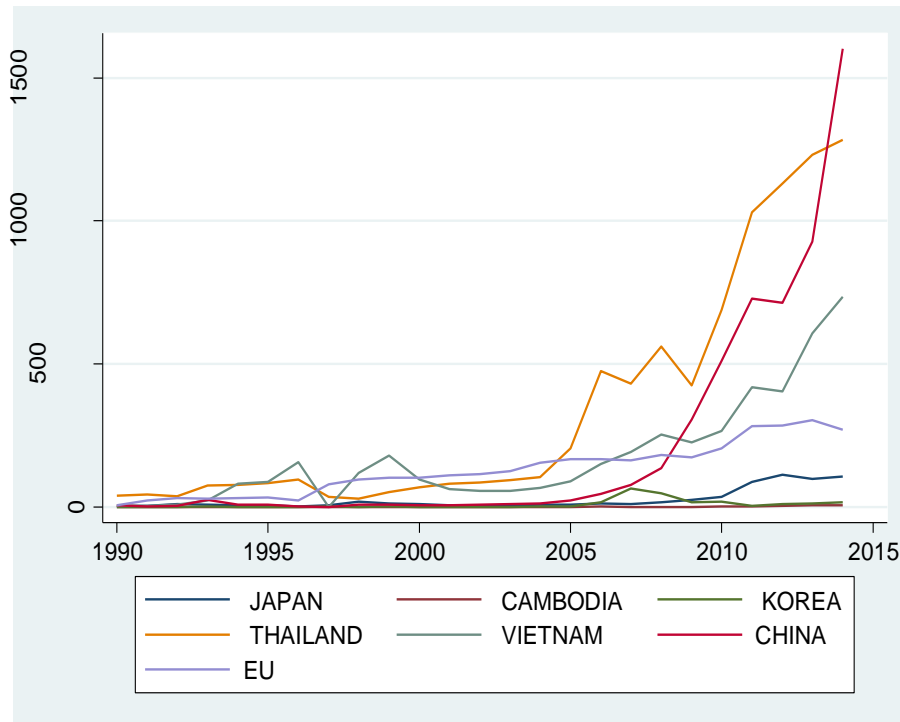


Source: Drawn based on WDI, World Bank

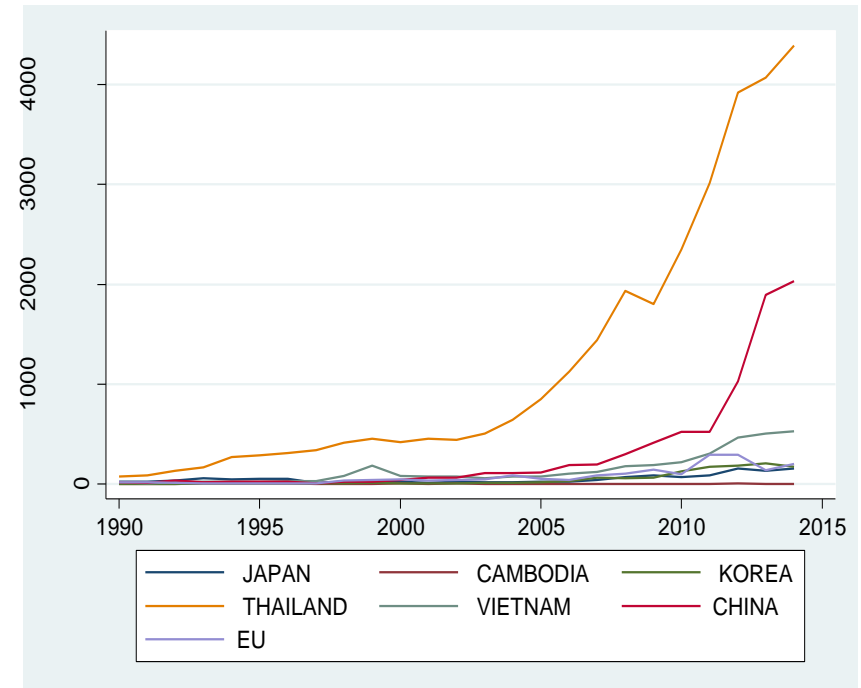
Lao PDR has witnessed sharp rise in exports 2008 onwards

Trends in Lao's export and import

Export



Import



Source: Drawn based on IMF DOTS

Lao PDR's export over time with neighbours

Year	World	Cambodia	Thailand	Vietnam	China
	(US\$ million)				
1990	64.42	0.00	40.33	3.56	5.85
2000	391.34	0.04	68.88	96.12	5.84
2001	375.69	0.02	81.02	61.82	6.78
2002	386.10	0.00	85.01	56.91	8.77
2003	437.54	0.00	94.35	55.18	10.19
2004	535.20	0.00	104.28	67.55	11.47
2005	726.51	0.18	204.39	88.64	23.22
2006	1226.68	0.87	475.45	151.46	45.12
2007	1323.94	1.08	431.47	192.09	77.26
2008	1600.66	0.10	560.79	253.36	135.90
2009	1521.00	0.47	423.74	225.91	305.98
2010	2195.89	1.36	689.68	265.23	510.92
2011	3120.03	1.53	1029.07	418.20	729.03
2012	3323.88	1.59	1131.05	404.28	713.65
2013	3697.28	1.68	1231.02	425.74	927.86
CAGR (%), 2000-2013	18.86	33.31	24.83	12.13	47.68

Source: DOTS, IMF

Lao PDR's top 10 trade partners, 2013

Country	Export (US\$ million)	Share (%)
Thailand	1231.02	33.30
China	927.86	25.10
Vietnam	425.74	11.51
European Union	304.20	8.23
India	101.57	2.75
Japan	97.78	2.64
Australia	50.89	1.38
United States	27.74	0.75
Hong Kong	14.29	0.39
Korea	11.35	0.31
World	3697.28	

*Share in total exports to world

Country	Import (US\$ million)	Share (%)
Thailand	4068.80	55.98
China	1892.62	26.04
Vietnam	488.15	6.72
Korea	205.76	2.83
European Union	136.31	1.88
Japan	133.56	1.84
India	50.08	0.69
Australia	42.00	0.58
Russia	41.05	0.56
Hong Kong	34.09	0.47
World	7268.28	97.58

*Share in total imports to world

Source: DOTS, IMF

Potential exports of Lao PDR

HS Code		Export (US\$ million)	Share (%)	Annual growth in value between 2009-2013, %, p.a.	Share in world exports, %
'4403	Wood in the rough	314.15	10.14	79.00	1.90
'4407	Wood sawn/chipped lengthwise, sliced/peeled	170.03	5.49	29.00	0.50
'4001	Natural rubber, balata, gutta-percha etc	80.49	2.60	53.00	0.30
'0901	Coffee	63.73	2.06	23.00	0.20
'1005	Maize (corn)	41.51	1.34	9.00	0.10
'1701	Cane or beet sugar and chemically pure sucrose, in solid form	33.74	1.09	16.00	0.10
'1006	Rice	8.60	0.28	21.00	0.00
'4409	Wood continuously shaped along any edges	4.35	0.14	-9.00	0.10
TOTAL	All products	3097.79		27.00	0.00

Source: Calculated based on COMTRADE

Three key challenges to sustain trade competitiveness of Lao PDR

1. The biggest challenge is how to sustain the benefits from trade by making exports globally competitive.
2. How to diversify Lao PDR's export through integrating more closely with its neighbours?
3. Removal of barriers to trade, not only at home but also in partner countries

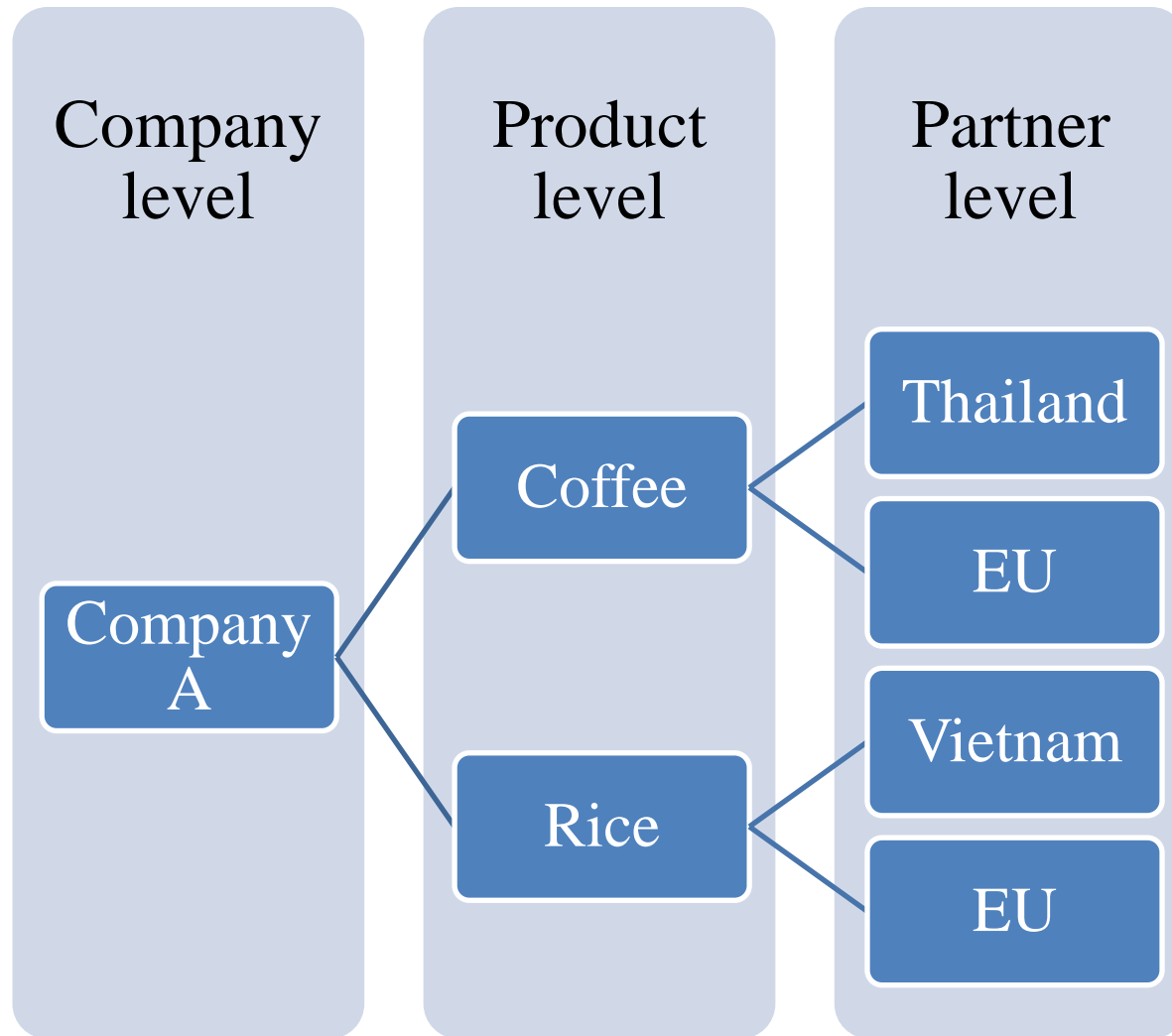
What we aim to assess?

- To assess the extent of barriers faced by Lao's exporting firms in accessing their market and identifying obstacles faced by them in meeting technical requirements and complying with conformity assessment procedures through a survey of firms in the exporting country for selected products.

What key questions we aim to answer?

- How difficult do traders find it to meet the technical requirements and conformity assessment procedures laid down by the importing country?
- What are the associated problems related to meeting technical requirements and conformity assessment procedures?
- What are the impediments related to the regulatory framework?
- What is the expectation regarding the ease of meeting standards and volume of trade in the future?

Field level data collection template



Products selected

Sl. No	HS Code	Product	Importer
1	071410	Dried Cassava	China, Vietnam
2	0803	Banana	China
3	090111	Coffee	Thailand, EU (France, Sweden, Germany, Italy, Belgium)
4	100510	Maize	China, Vietnam
5	100590	Rice	EU (France , Germany, Sweden), Vietnam
6	400121	Rubber	China, Malaysia
7	440290	White Charcoal	Japan, Korea
8	441820 4407291090, 940350,	Wood	Vietnam, Thailand

Selection of samples

Product	Firms (No)	Share (%)	Geographical Location	Exporting to
Banana	6	10.17	Borkeo, Oudomxay, Luangnamtha	China
Coffee	9	13.56	Champasak	Thailand, Singapore, France, Germany
Dried Cassava	8	13.56	Borlikhamxay, Luangnamtha	China, Vietnam
Maize	12	20.34	Huaphanh, Oudomxay, Luangnamtha	China, Vietnam
Rice	5	8.47	Vientiane Capital, Khammouane, Savannakhet, Champasak	Vietnam, Germany, Sweden
Rubber	6	10.17	Luangnamtha, Oudomxay, Khammouane, Borlikhamxay	China, Malaysia
White charcoal	7	11.86	Vientiane Capital, Borlikhamxay, Khammouane, Savannakhet	Japan, Korea
Wood product	7	11.86	Oudomxay, Borkeo, Vientiane Province, Vientiane Capital, Khammouane, Borlikhamxay	Thailand, Vietnam
Total	60			

Location of firms

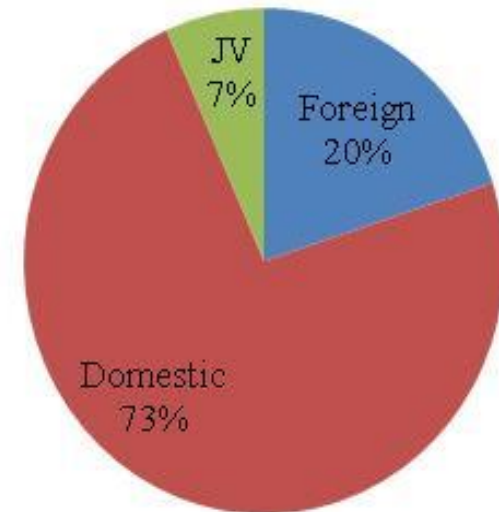


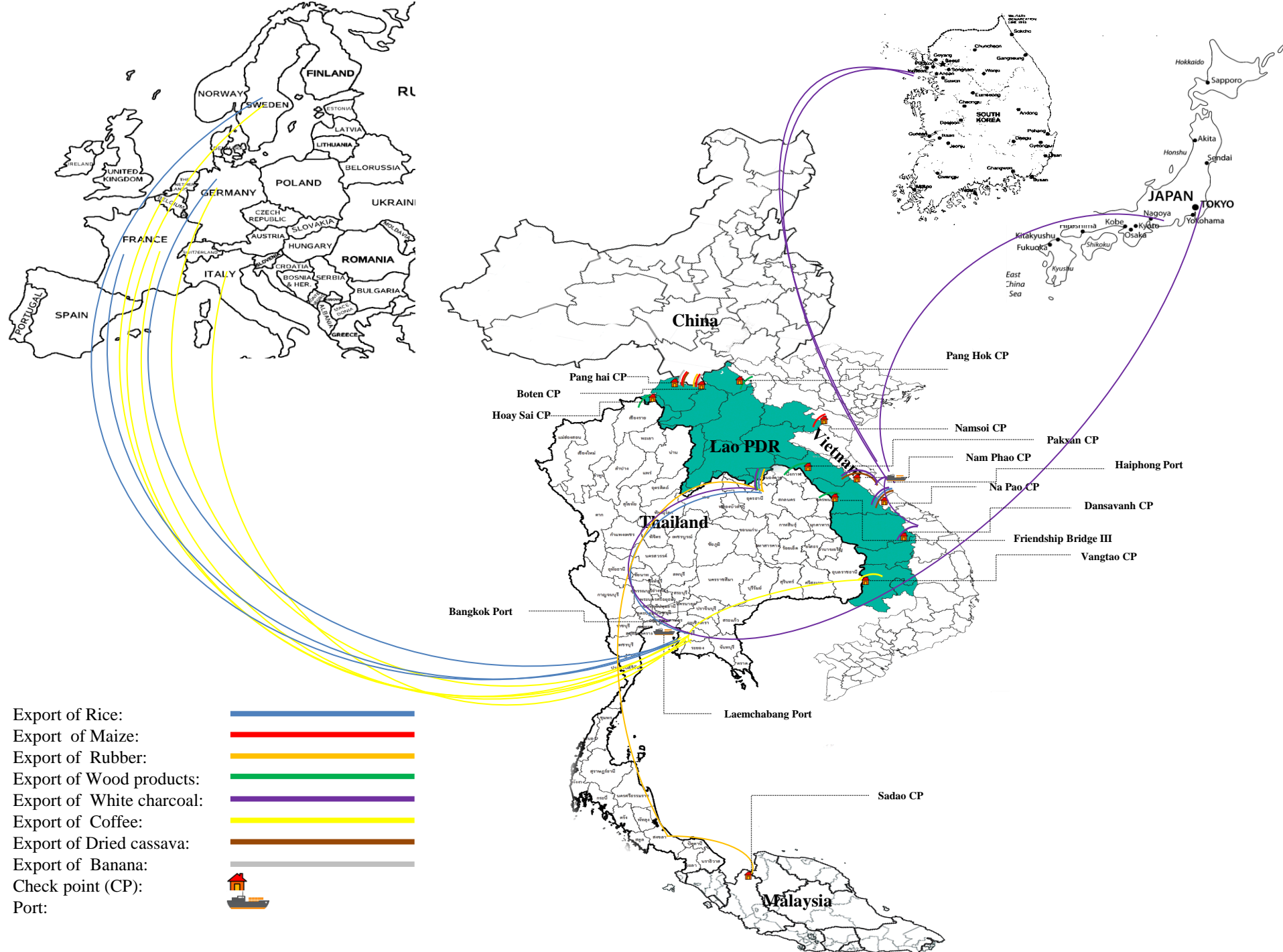
Sample firms

Type of surveyed firms

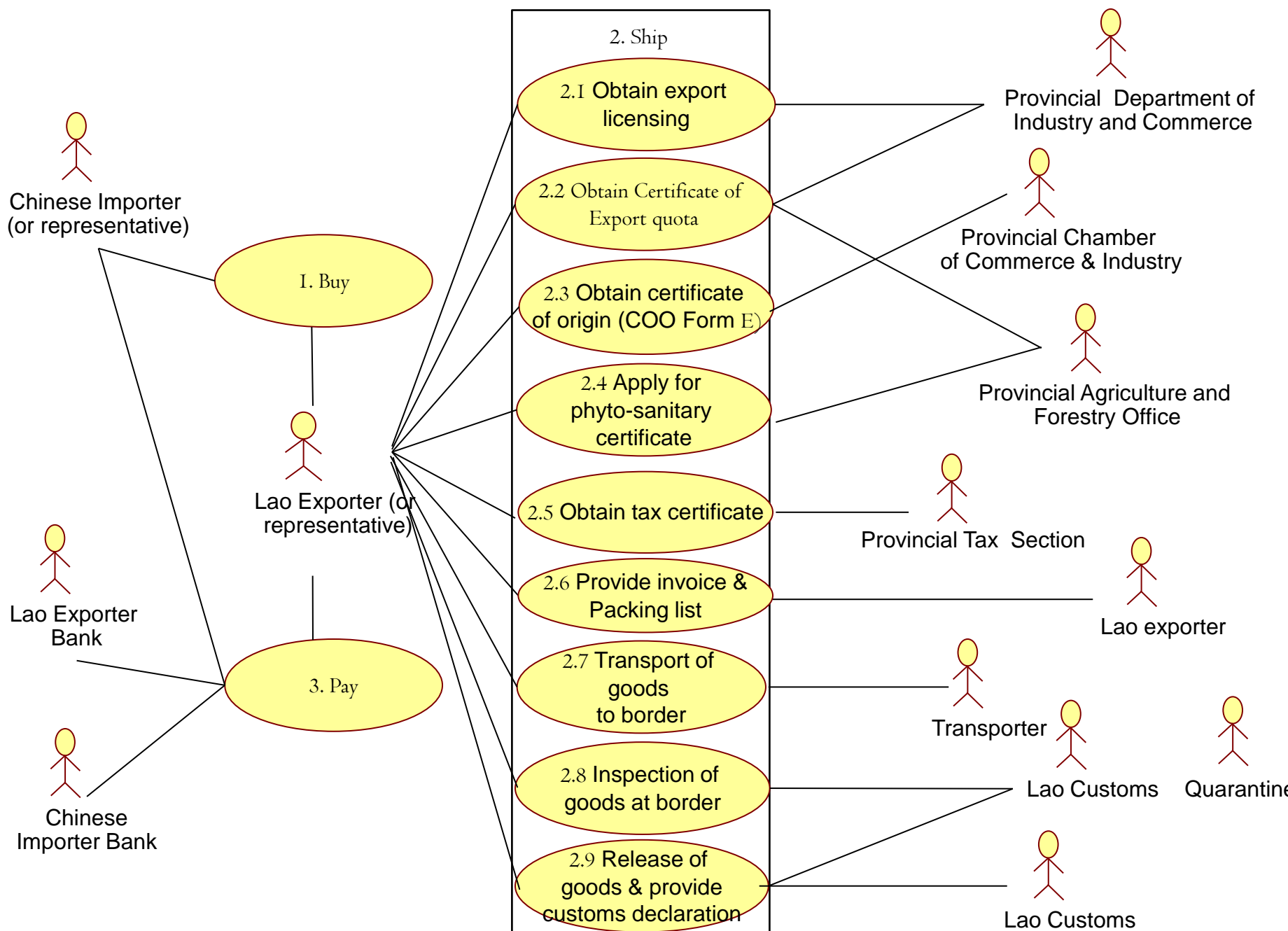


Distribution of surveyed firms

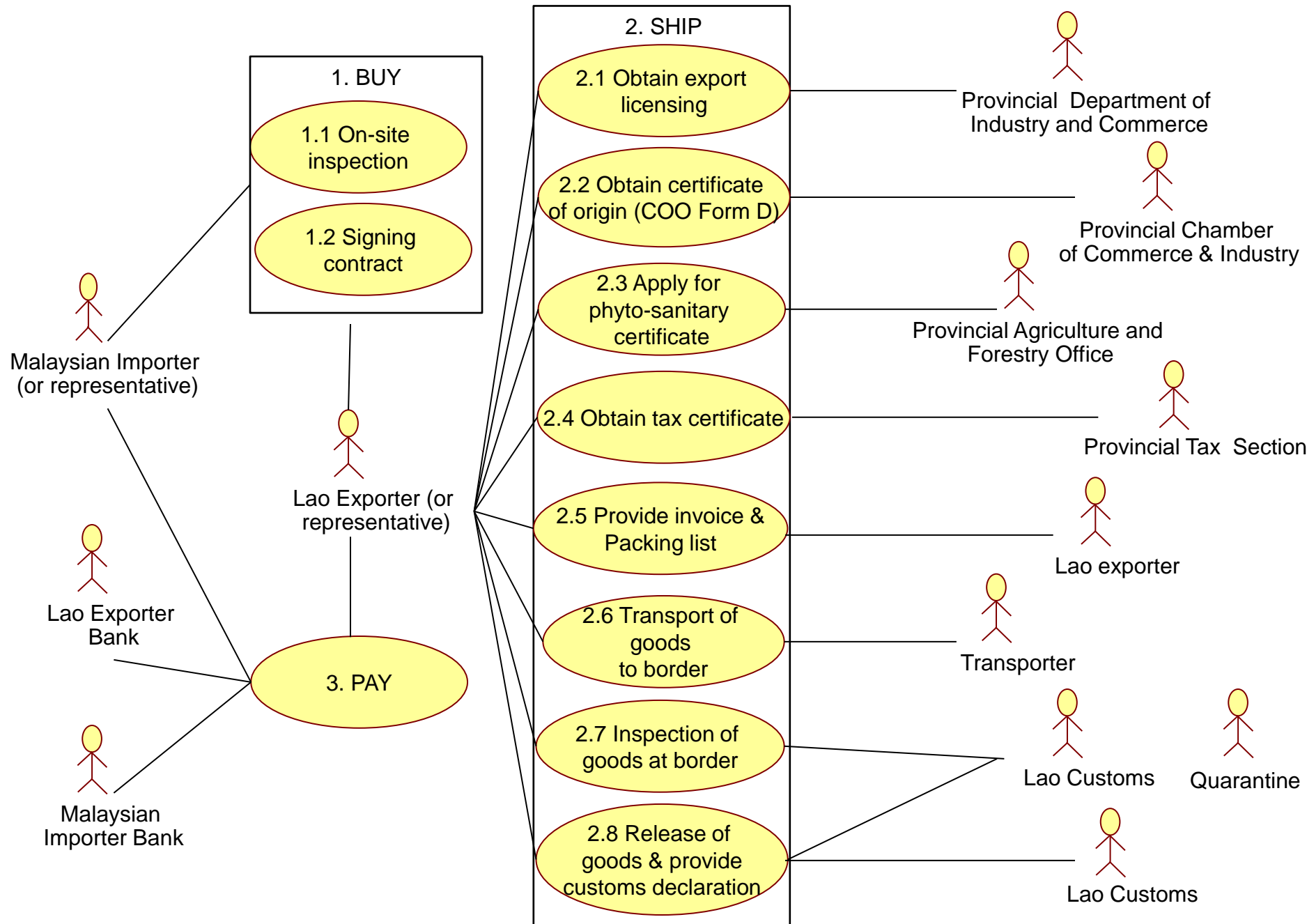




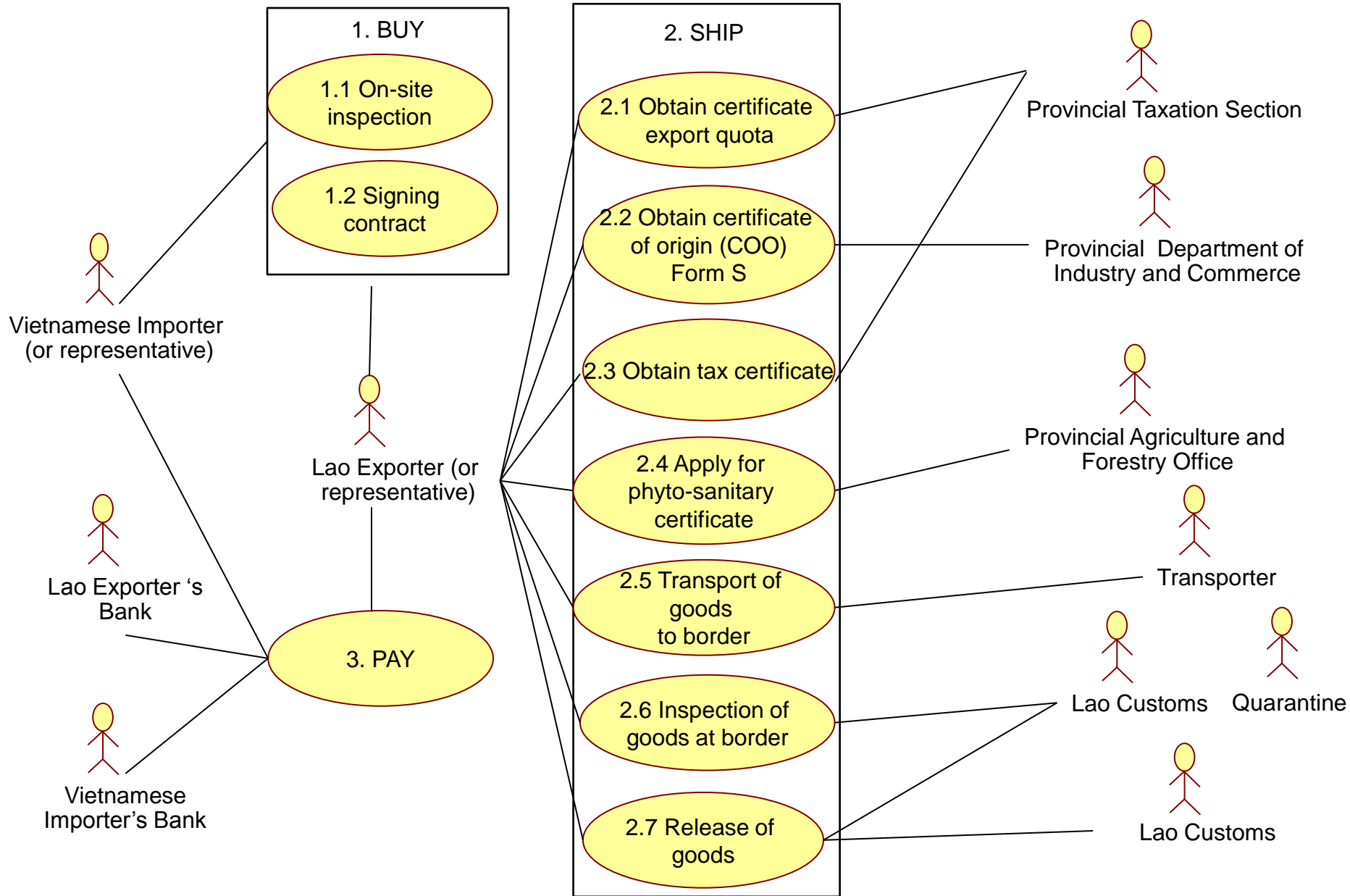
Rubber export to China



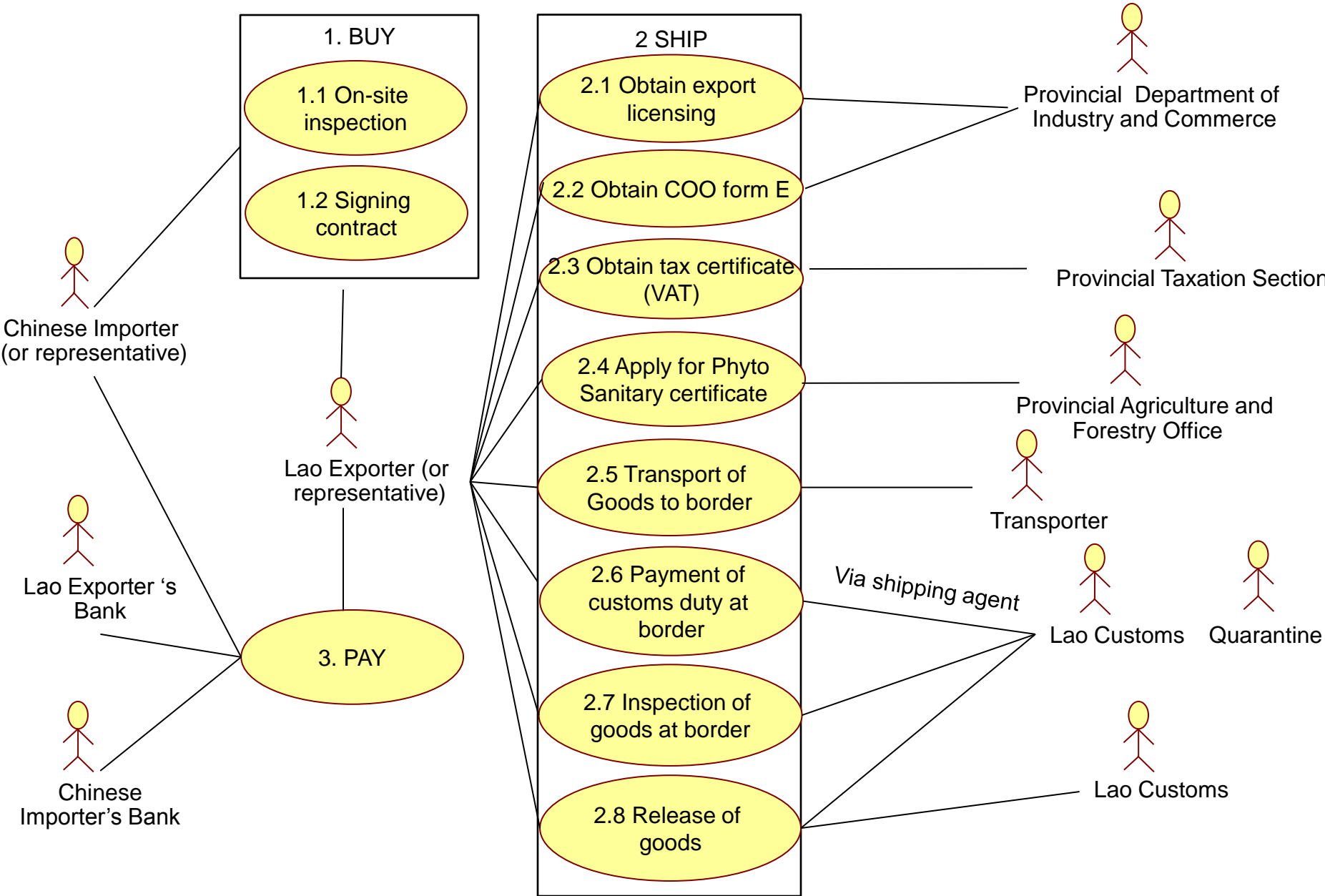
Rubber Export to Malaysia



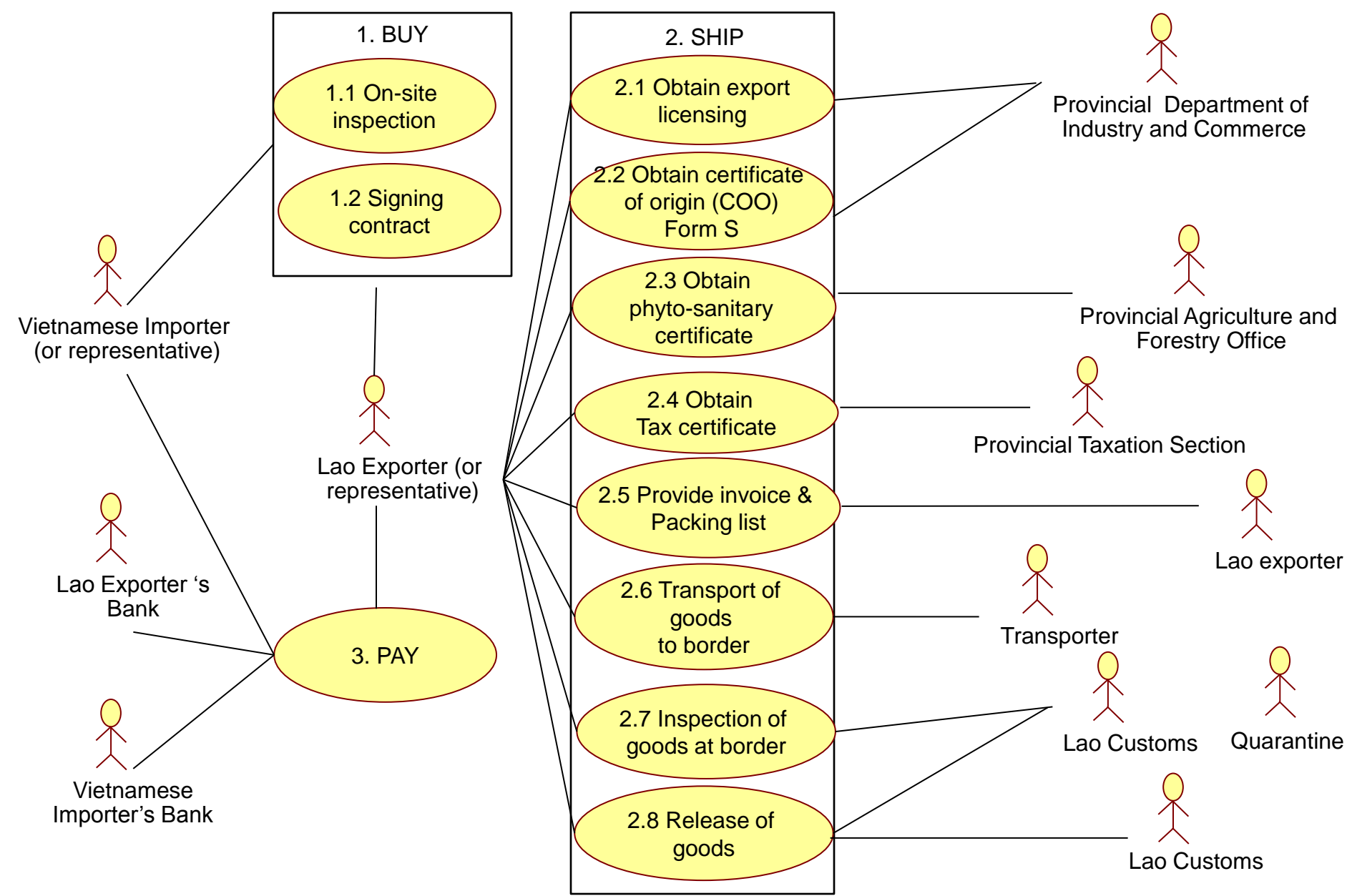
Maize Export to Vietnam



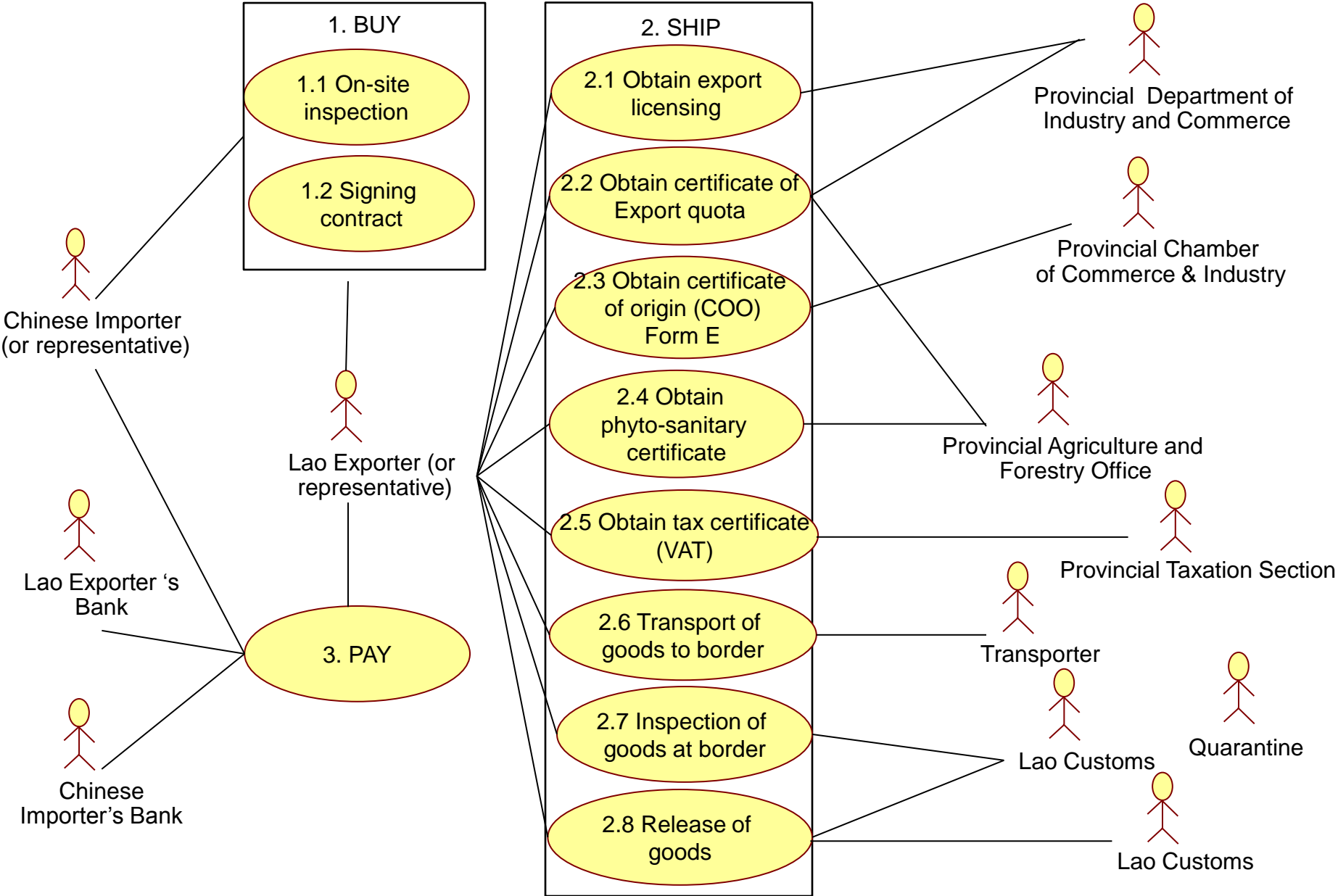
Maize Export to China



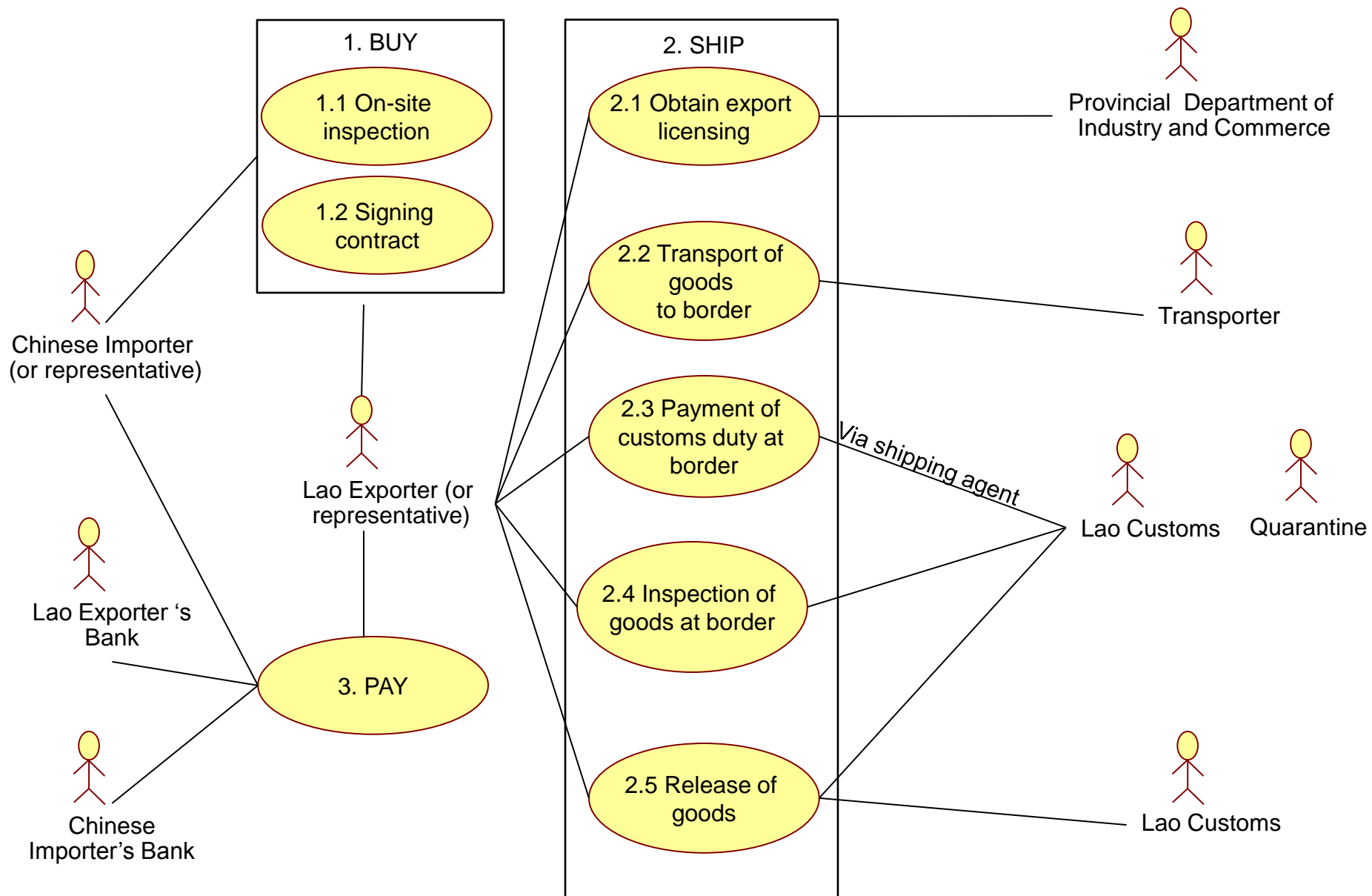
Cassava Export to Vietnam



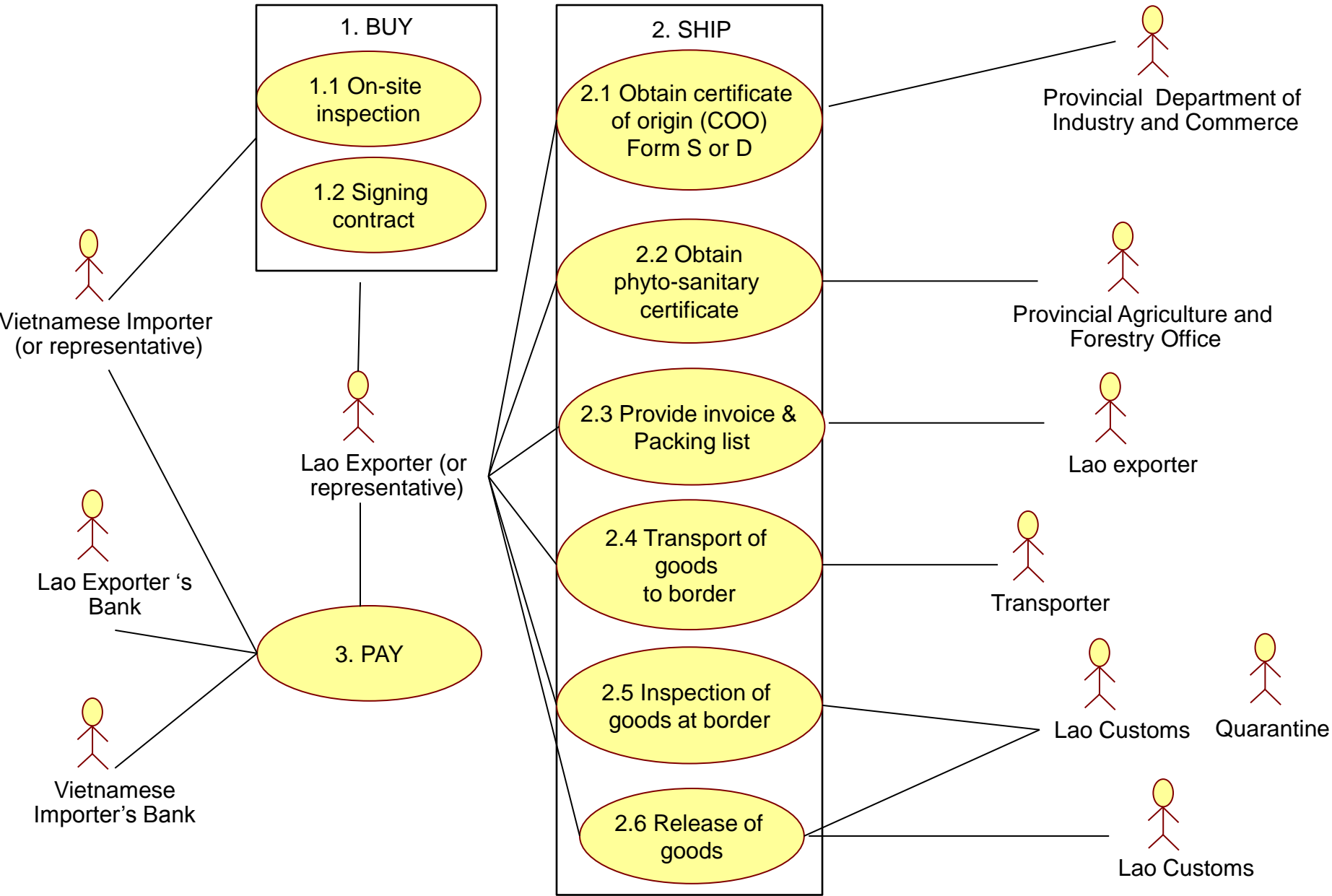
Cassava Export to China



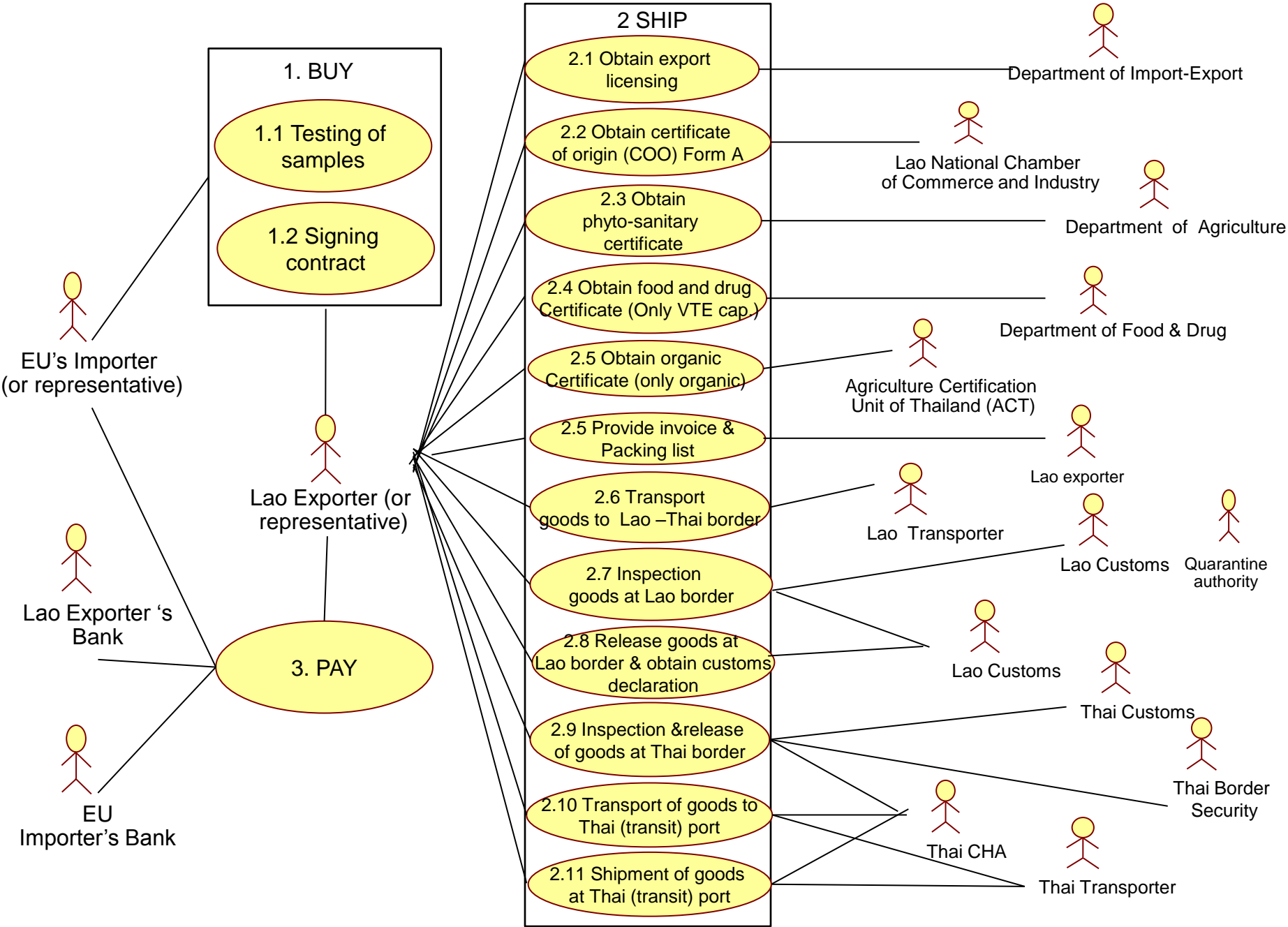
Banana Export to China



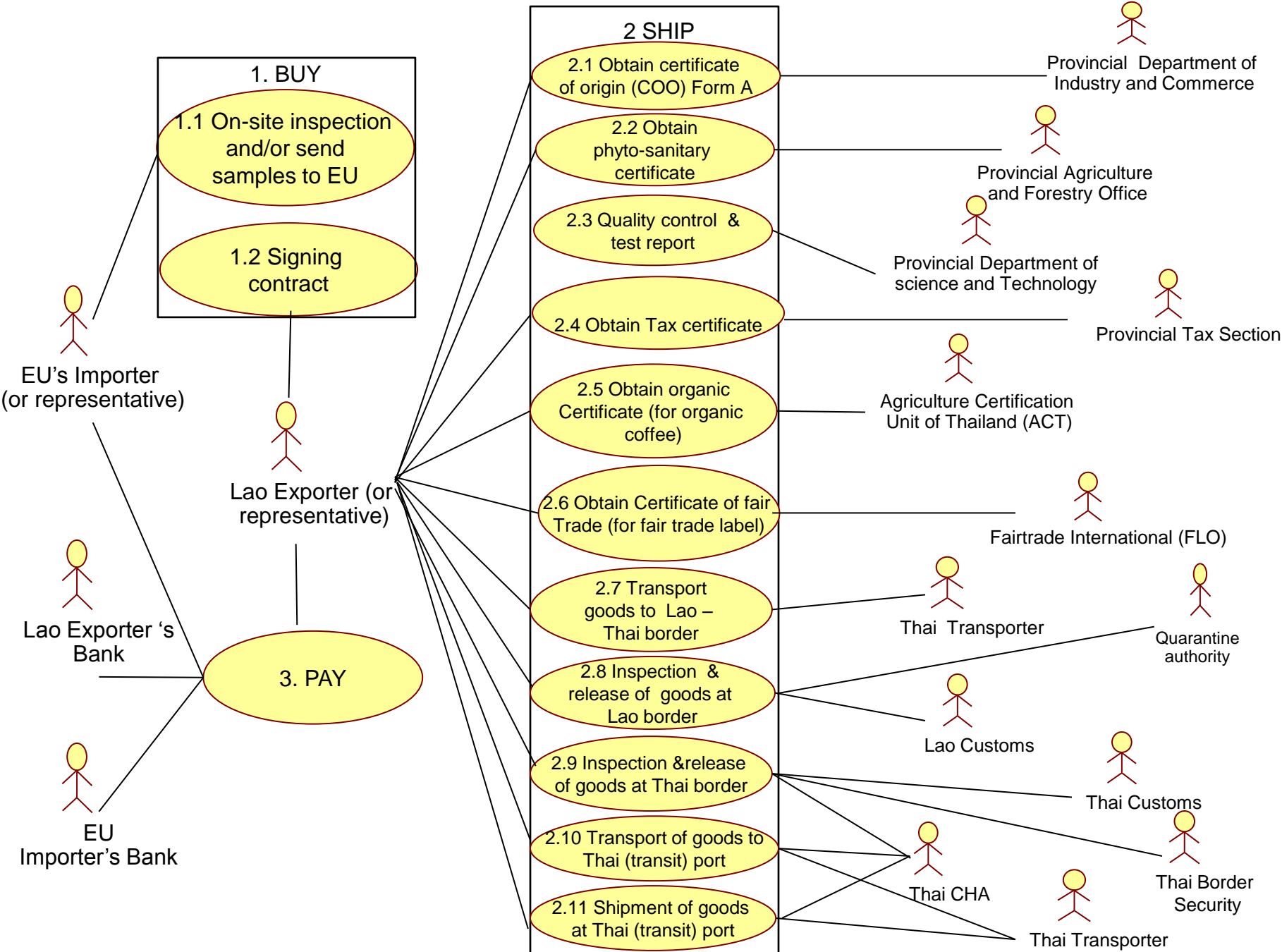
Rice Export to Vietnam



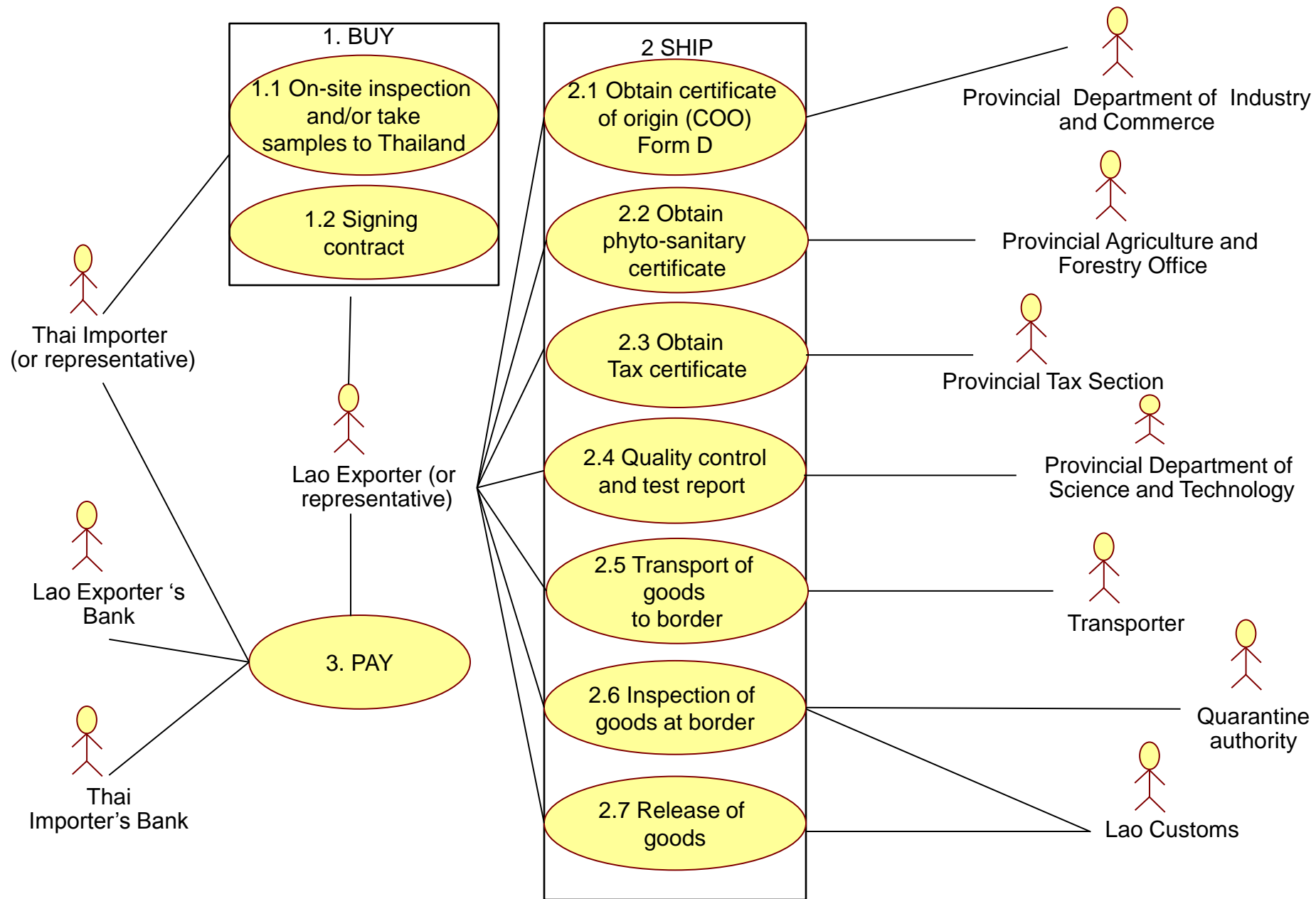
Rice Export to EU- organic rice (VTE capital)



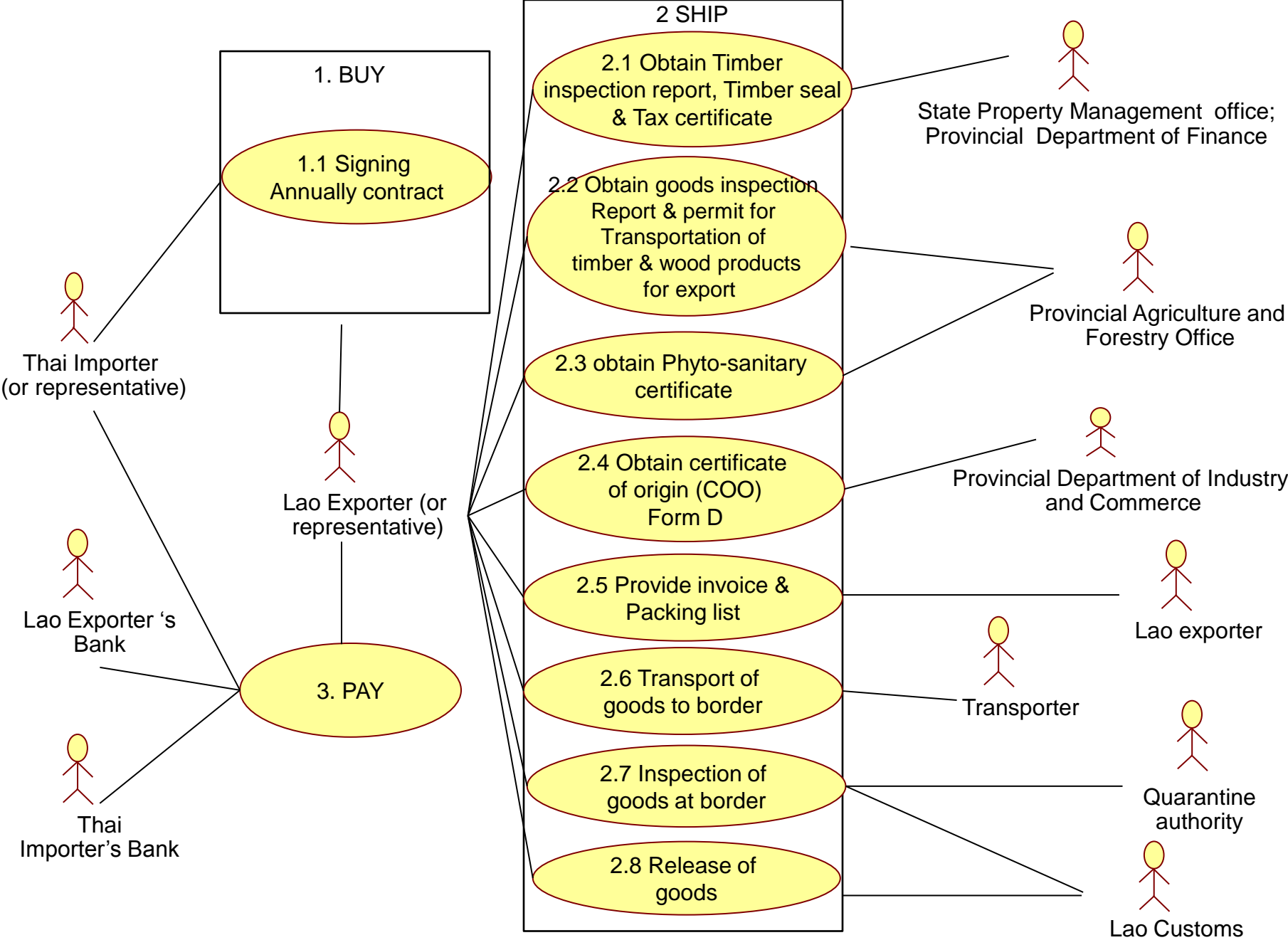
Coffee Export to EU



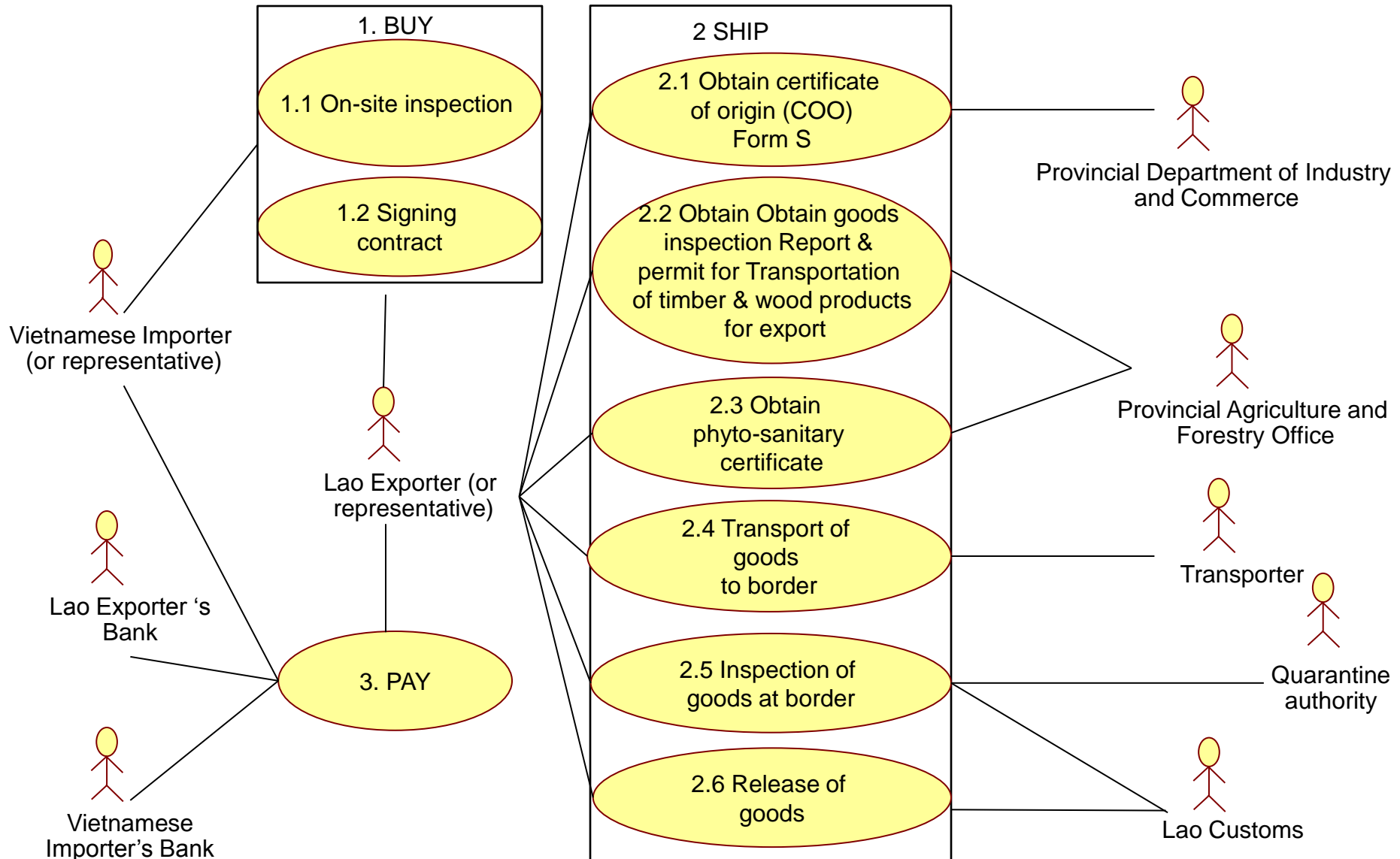
Coffee Export to Thailand



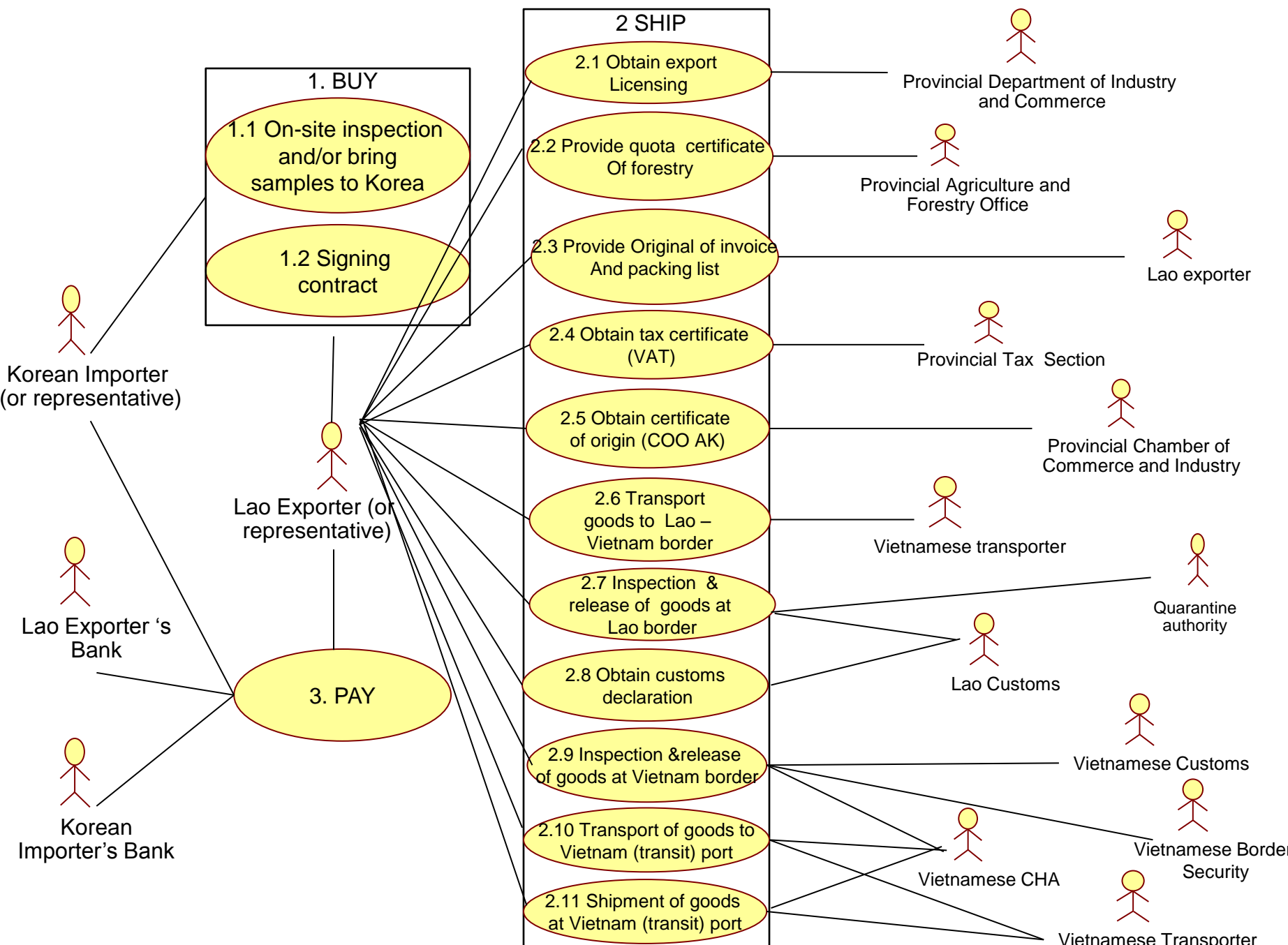
Wood products Export to Thailand



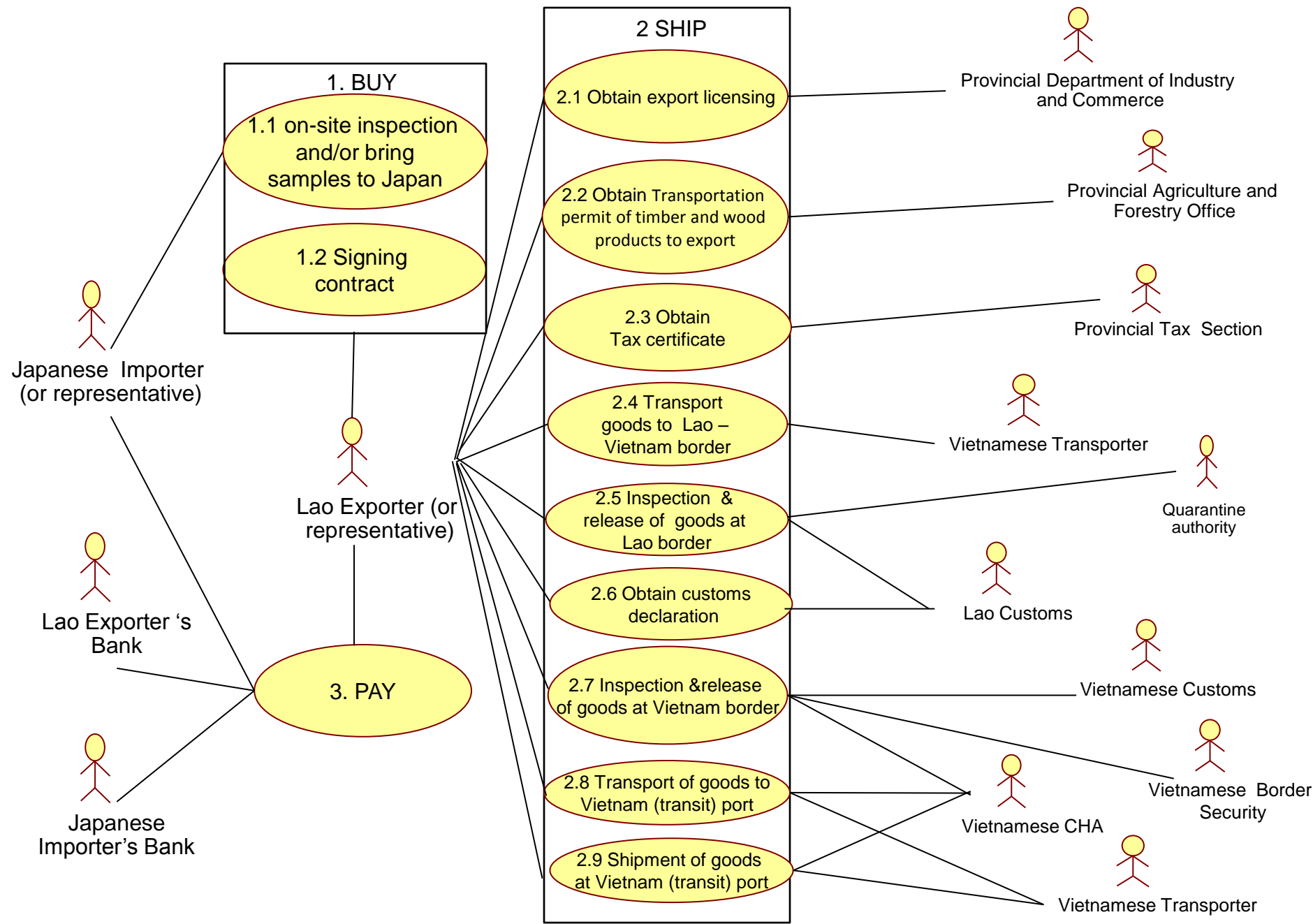
wood products Export to Vietnam



White charcoal Export to Korea



White charcoal Export to Japan



Documentations needed to export of rubber

No.	Documents	Malaysia	China	Submission
1	Copy of phyto-sanitary certificate	3 copies	1 copy	Manual
2	Copy of COO	3 copies	1 copy	Manual
3	Copy of export licensing	3 copies	1 copy	Manual
4	Copy of tax certificate (VAT)	3 copies	1 copy	Manual
5	Copy of export quota certificate		1 copy	Manual
6	Original of invoice and packing list	3 originals	1 original	Manual
7	Customs declaration (ໃບຢັ້ງຢືນ)	3 originals	2 originals	Manual

Documentations needed to export Maize

No.	List of documents	Vietnam	China	Submission
1	Copy of phyto-sanitary certificate	2 copies	2 copies	Manual
2	Copy of COO	2 copies	2 originals	Manual
3	Copy of tax (VAT)	2 copies	1 original	Manual
4	Copy of export quota certificate	2 copies		Manual
5	Copy of export licensing		2 copies	Manual

Documents needed to export Cassava

No.	List of documents	China	Vietnam	Submission
1	Copy of phyto-sanitary certificate		3 copies	Manual
2	Copy of export permission (for agricultural products)	4 copies		Manual
3	Copy of export tax	4 copies	3 copies	Manual
4	Copy of transport tax		3 copies	Manual
5	Original of invoice and packing list		3 originals	Manual
6	Custom clearance (ໃບຢັ້ງຢືນ)		3 originals	Manual

Documentations needed to export Banana

No.	List of documents	China	Submission
1	Copy of export licensing	4 copies	Manual

Documentations needed to export Rice

No.	List of documents	EU		Vietnam	Submission
		Ordinary rice	Organic rice		
1	Copy of phyto-sanitary certificate	2 copies	3 copies	1 copy	Manual
2	Copy of COO	2 copies	3 copies	1 copy	Manual
3	Copy of Food and Drug certificate		3 copies		Manual
4	Original of invoice and packing list	2 originals	3 originals	1 original	Manual
5	Copy of export licensing	2 copies	3 copies		Manual
6	Copy of Quality control & test report	2 copies			Manual
7	Copy of herbicide certificate	2 copies			Manual
8	Copy of organic certificate		3 copies		Manual
9	Custom clearance (ใบศ)	3 originals	3 originals		Manual

Documentations needed to export Coffee

No.	Documents	EU	Thailand	Submission
1	Copy of phyto-sanitary certificate	10 copies	4 copies	Manual
2	Copy of CO	10 copies	4 copies	Manual
3	Copy of testing report	10 copies		Manual
4	Copy of export tax	10 copies	4 copies	Manual
5	Copy of transport tax	10 copies	4 copies	Manual
6	Copy of Investment License	10 copies		Manual
7	Copy of Enterprise Registration	10 copies		Manual
8	Copy of contract	10 copies		Manual
9	Original of invoice and packing list	10 originals	4 originals	Manual

Documentations needed to export White Charcoal

No	List of documents	Korea	Japan	Submission
1	Copy of export permission	1 copy	3 copies	Manual
2	Original of invoice and packing list	4 originals	3 originals	Manual
3	Custom clearance	3 originals	3 originals	Manual
4	Quota certificate from District Forestry	1 copy		Manual
5	Tax certificate (for VAT in each export)	1 copy		Manual
6	Copy of CO	1 copy (CO AK)		Manual

Documentations needed to export Wood Products

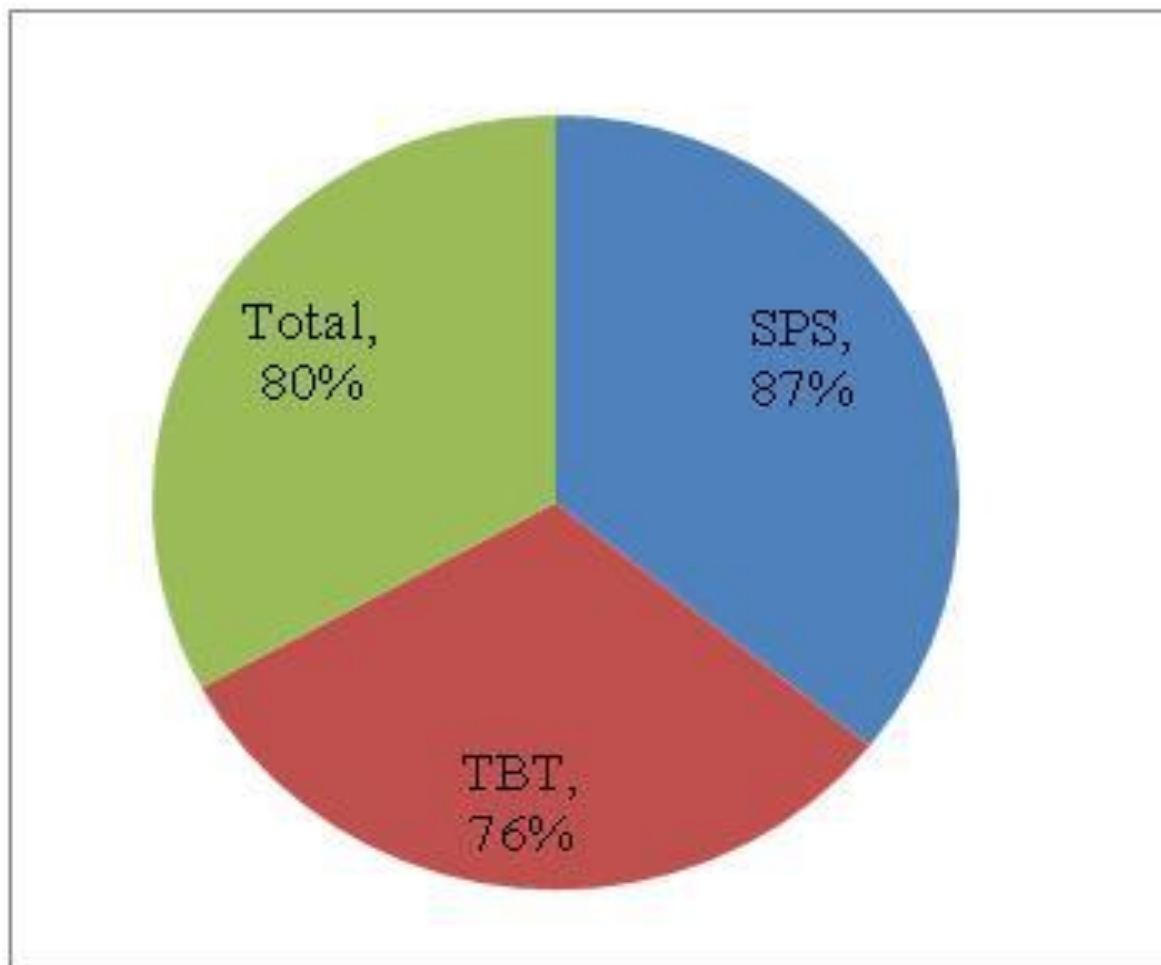
No.	List of documents	Vietnam	Thailand	Submission
1	Copy of export permission	1 original	1 original	Manual
2	Timber seal	1 copy	1 copy	Manual
3	Timber inspection report	1 original	1 copy	Manual
4	Original of invoice and packing list		1 original	Manual
5	Custom clearance (ใบศ)		2 original	Manual

Major findings

Level of procedural barriers faced by Lao exporters

Sl. No	Export Product	Partner (Importer)	Level of Procedural Barriers		
			Document	Process	Actor
1	Banana	China	Low	Low	Low
2	Coffee	EU	High	High	High
3	Coffee	Thailand	Medium	Medium	Medium
4	Dried Cassava	China, Vietnam	Medium	Medium	Medium
5	Maize	China, Vietnam	Low	Low	Low
6	Rice	EU	Medium	High	High
7	Rice	Vietnam	Low	Low	low
8	Rubber	China, Malaysia	Low	Medium	Medium
9	White Charcoal	Japan	Low	High	High
10	White Charcoal	Korea	High	High	High
11	Wood	Vietnam	Low	Medium	Medium
12	Wood	Thailand	Medium	Medium	Medium

Companies facing difficulties with NTMs: Affected exporters in Lao PDR



Lao exporters facing SPS measures

[illegible]

Lao exporters facing TBT measures

[illegible]

Most common NTMs faced by Lao exporters

NTM	Particulars
Labeling requirements (B31)	<ul style="list-style-type: none">▪It covers the measures regulating the kind, colour and size of printing on packages and labels and defining the information that should be provided to the consumers.▪Labelling is any written, electronic, or graphic communication on the packaging or on a separate but associated label, or on the product itself.▪It may include requirements on the official language to be used as well as technical information on the product, such as voltage, components, instruction on use, safety and security advice.
Inspection requirement (B84)	<ul style="list-style-type: none">▪It is a part of conformity assessment is the requirement for product inspection in the importing country – may be performed by public or private entities.▪It is similar to testing, but does not include laboratory testing.

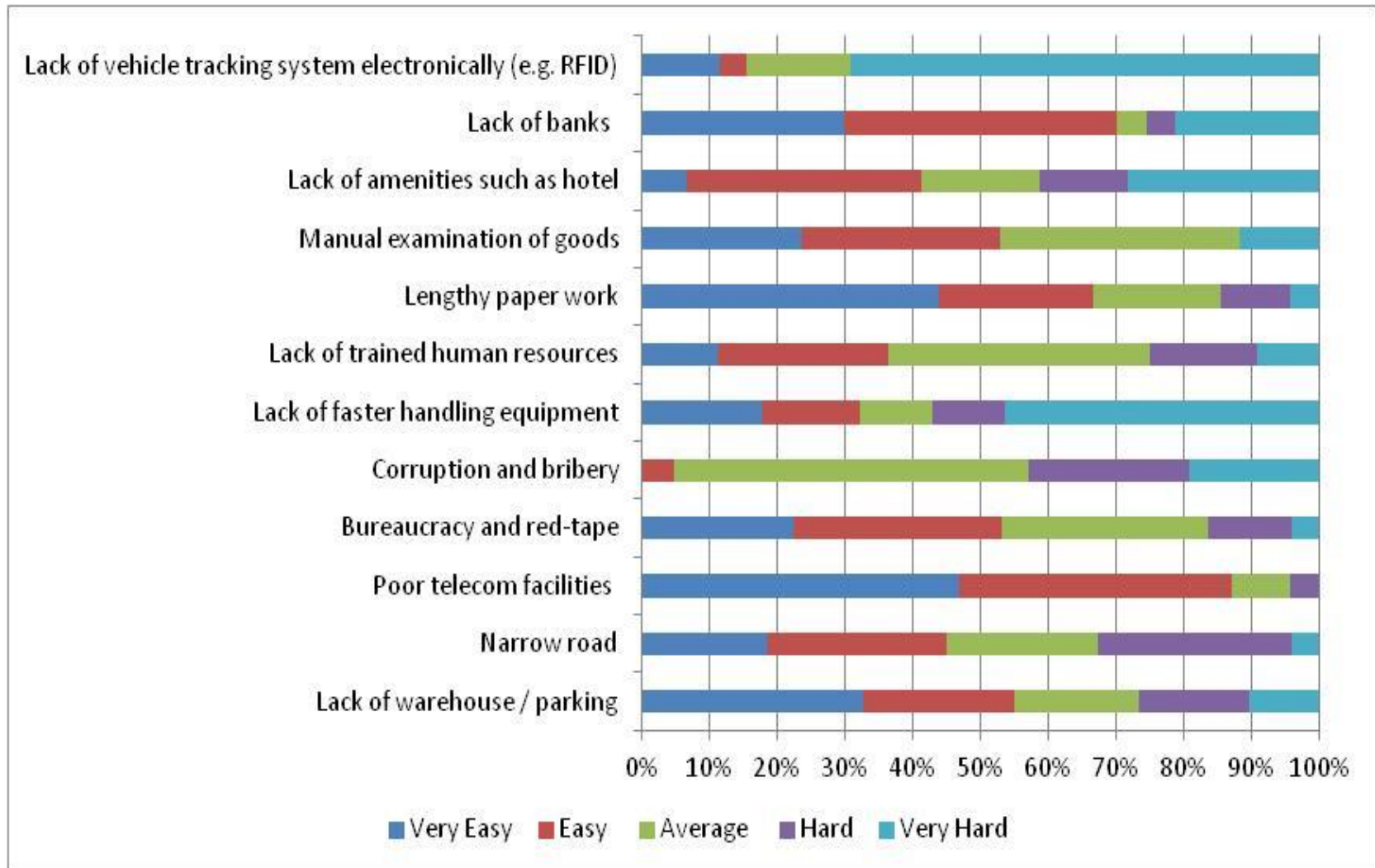
Most restrictive NTMs faced by Lao exporters

NTM	Particulars
Quarantine requirement (A86)	<ul style="list-style-type: none">▪It is a requirement to detain or isolate animals, plants or their products on arrival at a port or place for a given period in order to prevent the spread of infectious or contagious disease, or contamination.▪Product: Rice (Importing country: EU)
Certification requirement (B83)	<ul style="list-style-type: none">•Certification of conformity with a given regulation that is required by the importing country, but may be issued in the exporting or the importing country.•Product: Wood products (Importing country: Thailand, Vietnam)

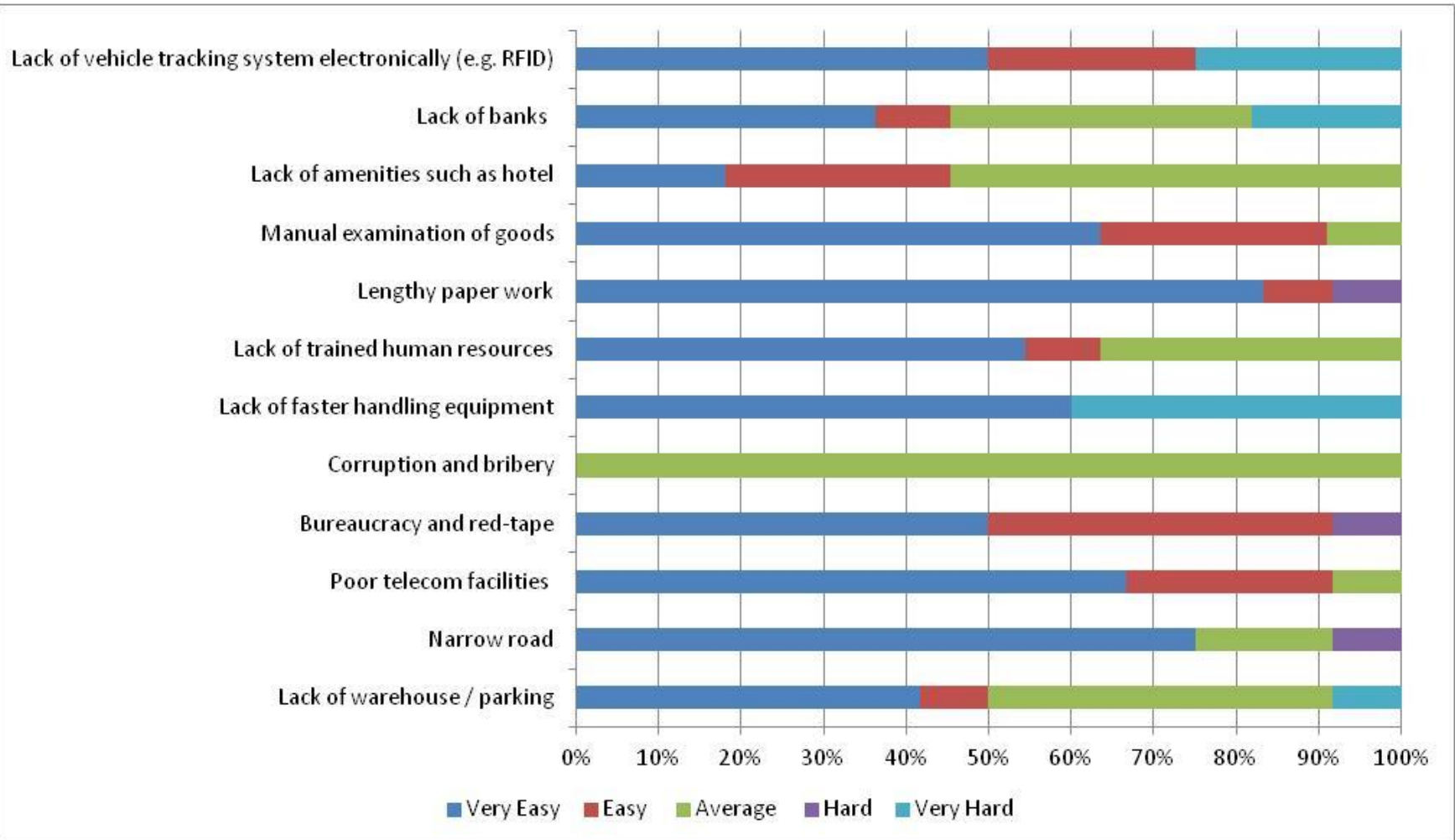
Selected opinion of exporters on restrictiveness

- Out of eight products, exporters are of the opinion that they do not face much restrictiveness from SPS and TBT measures except one or two cases.
- Rice exporter in Lao PDR has found quarantine requirement (A86) in EU is very restrictive. Otherwise, they do not face much restrictiveness in SPS.
- Lao exporters of wood products to Vietnam and Thailand have found the certification requirement (B83) is very restrictive.
- Labeling requirements (B31) and inspection requirement (B84) are the two common TBT measures faced by Lao exporters, which were not identified as restrictive.
- Exporters in Lao PDR have to comply with higher number of NTMs, even though none of the measures has been identified as restrictive in Lao PDR by the respondents: quarantine requirement (A86) and certification requirement (B83)
- SMEs are proportionally more vulnerable to NTMs than large companies.

Barriers faced by exporters at the Lao Border: Perception



Barriers faced by exporters at the Lao trade partners border: Perception



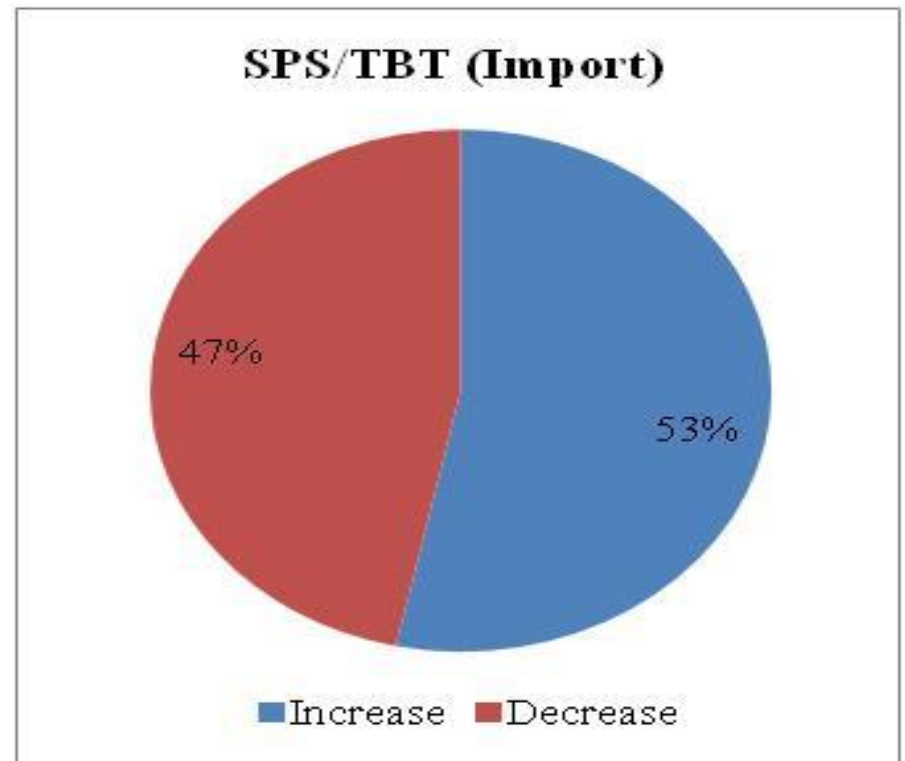
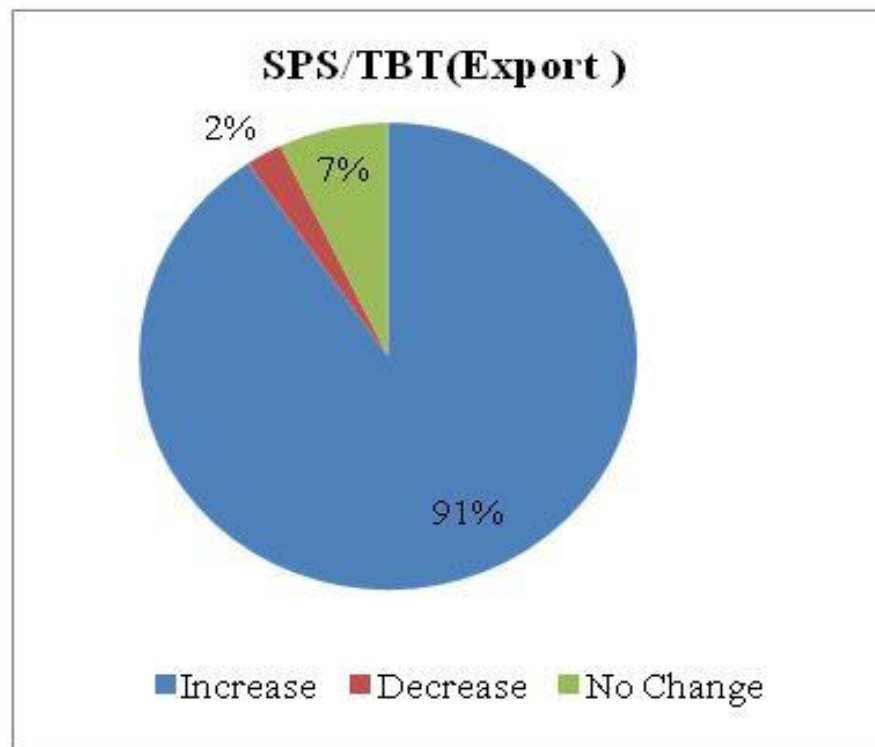
Transaction time at border and transit

- Time at customs is a highly significant barrier to trade when Lao trades with neighbouring countries.
- Lao exports face both high transaction time and cost at land borders sharing with neighbouring countries as well as transit ports in Thailand.
- Time at transit country and port are found to be much higher than transportation time in Lao PDR in some selected products.
- Cost of transit per container is also found to be much higher than inland haulage charges in exporting countries.
- In the perception of Lao respondents, most of the trade barriers are average or low in nature.

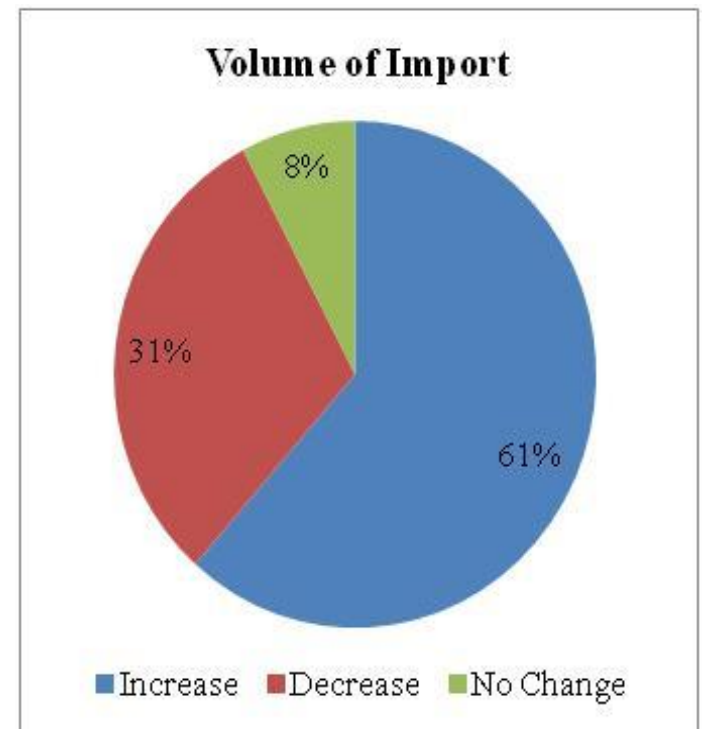
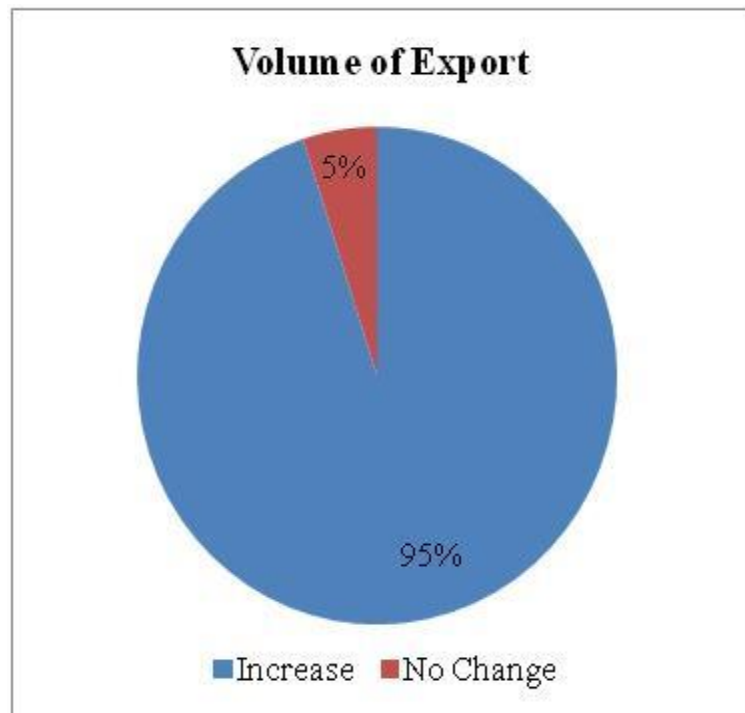
Border infrastructure

- Infrastructure at the border posts is inadequate and services of border agencies including security are not always supportive.
- Lack of faster handling equipment and vehicle tracking system at the Lao PDR side of the border as major barriers to trade.
- About 19 percent of respondents identified corruption and bribery as a barrier to trade. Unlike popular belief, 29 percent of respondents also found road condition in Lao side as a barrier.
- About 40 percent of respondents have identified faster handling of goods at the border of partner countries as a major barrier to trade.
- Besides, 100 percent of respondents have identified corruption in the partner side as average type of barriers to trade in case Lao PDR's export.
- In view of the respondents, overall, trade barriers have remained low in partner's side while exporting to them or through them.

Do you expect ease of meeting trade barriers (SPS/TBT) between Laos and its partner countries will increase/ decrease / unchanged in the coming 3 Years?



Do you expect volume of trade between Laos and its partner countries to increase/decrease/unchanged in the coming 3 years if NTMs and other trade barriers are removed/ reduced?



Dealing with barriers: Suggestions on Thailand

1. Provide suitable export quota for company
2. Provide more information about market and regulations
3. Disseminate information to all concerned industry associations and provincial officials. For example, withdrawing the regulation on weight limit check point nation-wide.
4. Government to particular in informing industries changes in notifications on time. Currently, government frequently change regulations and send a late notice to related wood industries.
5. The regulation on taxation from Ministry of Finance s to be clearly notified
6. Set-up single window for all approvals
7. Reduce documentations and costs, making it more export friendly
8. Reduction in paper work process, adopt quicker approval mechanism. No need to get approval/sign at district level, which leads to time-consuming
9. Use IT system to facilitate trade at the border, which will reduce time and costs
10. Need to revise the standard price for service charge (export related documents) and strictly apply; because we still pay extra-money for that
11. Improvement of infrastructure such as establishment of railway infrastructure, wider roads, etc.

Dealing with barriers: Suggestions on China

1. The custom duty at the border should contain a list of services fee/taxes for goods clearly
2. Reduce extra payment without receipt at the police check point in Ban Pong of Luangnamtha province. Each payment must be receipt to making that tax goes to central government directly.
3. Government should provide information centre about trade between Laos and China in both languages.
4. Government should reconsider the weight limits in Laos. In Laos, the truck should be not more than 20 tonnes, whereas the Chinese trucks carry 38 tonnes and as a result we have to pay an extra for overweight.
5. Government should designate the concerned office for the on-site inspection for the Phytosanitary Certificate;
6. Government should protect the right of Lao business people and look at the effect of FDI in Laos
7. Promote the transportation companies in Udomxai because they lost their job after Chinese companies use Chinese transportation
8. Government should increase the export quota and distribute appropriately to Lao exporters

Dealing with barriers: Suggestions on Vietnam

1. Government should facilitate the value chains
2. Improve the infrastructure, esp. road expansion and comply weight limits with international standard)
3. Government should revise the tax fee (e.g: Although it is tax exemption on exporting, government still collects so-called 'transportation tax' ~ 1kg/15,000 kip (1.8 \$), which is too high).
4. Reduce the on-site inspection process of the provincial agriculture and forestry office
5. Notifications from the government should reach the exporters quickly
6. Establish the Lab center for agricultural products in Laos
7. Reduce unnecessary security. Exporters feel unsafe when traffic police very often stops export vehicle and check the documents, especially night time.
8. Too much problems with foreigner middlemen; who come to buy the dried cassava directly. This attitude extremely impacts in Lao business. It is great if we could establish the association for dried cassava.

Recommendations (1)

- Utilise trade policy instruments
 - Harmonization of standards among the countries is also vital to eliminate repetitive procedures and practices.
 - Simplification and harmonization of trade processes would be essential in order to transform the trading environment as well as improving the competitiveness of Lao exports.
- Ease the burden of regulatory barriers
 - Enhancing the regulatory environment in goods sector is essential to eliminate unnecessary regulatory divergences that can only restrict the trade flows.
 - Lao PDR shall introduce a regulatory environment that helps facilitate trade.

Recommendations (2)

- Introduce fullest transparency
 - Disseminate all SPS and TBT notifications of importing countries among the exporters in a transparent, timely and speedy manner.
- Strengthen capacity of exporters
 - Strengthening the capacity of exporters on SPS and TBT requirements would help achieve higher trade.
 - For example, rice exporter in Lao PDR has found quarantine requirement (A86) in EU is very restrictive. Quarantine requirement is to detain or isolate animals, plants or their products on arrival at a port or place for a given period in order to prevent the spread of infectious or contagious disease, or contamination. Certain category of rice coming from Lao PDR needs to be quarantined to terminate or restrict the spread of harmful organisms.

Recommendations (3)

- Build infrastructure
 - Border infrastructure (e.g. faster handling equipment, widening the approach road, etc.)
 - Testing laboratories, accreditation of testing labs, mechanism for certification of conformity, etc.
 - For example, Lao exporters of wood products to Vietnam and Thailand have found the certification requirement (B83) is very restrictive.
- Set-up Lao NTM Fund to support the country's preparedness with NTMs

Recommendations (4)

- Reduce transit costs
 - Reduce the transit cost of Lao goods, which has been found much higher than inland haulage charges.
 - Transit port handling charges are abysmally high, thereby making the Lao's export relatively uncompetitive.
 - Transit through Thailand provinces adds further costs to Lao's export.
 - Thailand should allow a fast track transportation of Lao exports. Allowing Lao vehicles to deliver goods at the transit port in Thailand would reduce the transportation costs.

Recommendations (5)

- Introduce Customs Single Window and/or attach with ASEAN Single Window
 - Lengthy documentation and absence of transparent environment make Lao exports uncompetitive.
 - Simplification of documentation is needed. Submission of customs documents has to be through digital portal (EDI system).
- Introduce single stop border inspection facilities
 - Augment regional action to harmonize SPS and TBT implementation,
 - Enable mutual recognition of laboratory findings,
 - Refine border risk identification and risk management procedures, and
 - Make pertinent information accessible to all trade regulation agencies.

Recommendations (6)

- Facilitate standard-related documentation
 - In the perception of firms, easing the standards or removing the NTMs will lead to increase Lao's export.
 - Lao PDR should modernize their oversight and application of SPS and TBT measures by:
 - (i) eliminating or at least reducing unnecessary inspections and testing-related delays,
 - (ii) formulating a transition strategy for replacing requirements with international standards, and
 - (iii) mainstreaming SPS and TBT concerns into the agenda of national and regional transport and trade facilitation bodies.
 - Some of the Lao PDR's trading partners need the weight certificate, issued by the government or recognized institution. It takes long time to receive the quality control certificate and test report from the Provincial Science and Technology Section.
 - Using the digital interfaces, it is possible that the regulator may notify the duration for getting these certificates.
 - Online application would save time as well as make the system transparent and faster.

Recommendations (7)

- New diagnostics study
 - SMEs are proportionally more vulnerable to NTMs than large companies. Therefore, it is worth logical to carry diagnostic assessment, identify the procedural obstacles and derive actions in more than one dimension to rationalise the NTMs.
- Technical assistance
 - Short-term technical assistance and funding by international development organization for the following activities:
 - Review of the laws and regulations that govern the oversight and application of SPS and TBT measures;
 - An inventory of laboratory assets in the country;
 - An assessment of the training needs of each Ministry of Lao PDR country, and specification of the order of priority of the programs needed to meet those needs; and
 - Identification of the needs, opportunities, and practices that would engage SPS and TBT agencies in collaborative border management.

Recommendations (8)

- Supportive coordination
 - Coordination among different Ministries, capacity building of officials dealing standards, etc. is needed to boost the export from Lao PDR.

Thank you