

Chapter 6

Survey on the Utilisation of Free Trade Agreements in Lao People's Democratic Republic

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CHAPTER 6

Survey Report on the Utilisation of Free Trade Agreements in Lao People's Democratic Republic

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This study aims to examine the use of free trade agreements (FTAs) in Lao PDR, determine constraints related to utilisation of FTAs, and provide policy recommendations. Eighty firms, 60 from the manufacturing sector and 20 from the services sector, in Vientiane Capital, Xayaburi, and Savannakhet provinces were surveyed. The findings show that the use of FTAs as well as Certificates of Origin (COOs) in Lao PDR is minimal. The main constraint is the lack of detailed information to enable firms to use FTAs in their export and import activities. Based on these findings, this study recommends improvement of information dissemination to increase the effectiveness of FTAs in Lao PDR.

Keywords: Use of FTA, Lao PDR, Free Trade Agreement

JEL Classification: F1

1. Context

1.1. Background

The Lao People's Democratic Republic (Lao PDR) became a full member of the Association of Southeast Asian Nations (ASEAN) in 1997. After joining the ASEAN Free Trade Agreement the following year, Lao PDR automatically became a participant in the FTAs between ASEAN and non-ASEAN countries, regions, and zones, including ASEAN-China FTA, ASEAN-Japan FTA, ASEAN-Korea FTA, ASEAN-India FTA, and ASEAN-Australia and New Zealand FTA. Lao PDR has also signed other sub-regional, multilateral, and bilateral economic cooperation agreements, including the Greater Mekong Sub-region Agreement and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy. Economic cooperation includes trade and investment facilitation amongst countries.

Since then, external trade and investment in Lao PDR have been increasing gradually. The latest statistical data from the Ministry of Industry and Commerce show that the value of total exports increased from US\$330.2 million in 2000 to US\$621 million in 2005, and to US\$2,190.5 million in 2011, a significantly high average growth rate of 51.2 percent per annum. In 2011, the key export commodities from Lao PDR included minerals (60.3 percent), electricity (16.3 percent), industrial and handicraft products (11.1 percent), agricultural products (6.4 percent), and wood and wood products (5.6 percent). Around 60 percent of the commodities were exported to ASEAN countries, particularly Thailand and Viet Nam.

Over the same period, imports also increased, from US\$535.3 million in 2000 to US\$931.4 million in 2005 and further to US\$2,601.5 million in 2011, a significantly high average growth rate of 35.1 percent per annum. In 2011, about 45 percent of imports came from ASEAN countries, particularly Thailand and Viet Nam. Key import commodities include vehicles and spare parts (23.4 percent), construction materials (16.7 percent), fuel (13.6 percent), electrical equipment (13.5 percent), food (9.4 percent), agricultural production equipment (5.3 percent), and industrial production equipment (4.3 percent).

Alongside trade, foreign direct investment in Lao PDR has been increasing rapidly and constantly, from US\$20.4 million in 2000 to US\$1,245.3 million in 2005, and further to US\$1,530.8 million in 2011. In 2011, about half of the foreign direct investment came from ASEAN countries, particularly Viet Nam and Thailand. Key foreign direct investment sectors

include electricity generation (61.9 percent), agriculture (7.4 percent), industry and handicraft (5.8 percent), services (5.9 percent), telecommunications (5.2 percent), and construction (2.8 percent).

In line with increasing trade and investment, the total number of registered firms in Lao PDR has also been increasing, from 39,000 firms in 2000 to 123,457 firms in 2005 and further to 207,870 firms in 2011, a growth rate of 39.3 percent per annum. Manufacturing firms comprise 22.7 percent of these, whilst 77.3 percent are services firms. Over 99 percent of the firms are small and medium-sized enterprises, with workforces of 100 or less. Over 91 percent of the firms are private domestic ventures, 3.16 percent are foreign-owned, and the remaining 5.1 percent are joint ventures. Only 833 firms, or 0.4 percent of the total, are involved in export and import activities.

Despite this rapid growth in trade, investment, and number of firms, the FTAs agreed to by Lao PDR are not automatically in use. Problems or constraints in obtaining COOs hinder the FTAs' effectiveness. Due to limited studies focusing on this area, questions relating to obtaining COOs in Lao PDR persist. The questions include the process for obtaining a COO, the agencies responsible for that process, the documents an export and/or import company has to submit to obtain a COO, amongst others. Thus, to clarify the process, the National Economic Research Institute conducted a survey in cooperation with the Economic Research Institute for ASEAN and East Asia (ERIA).

1.2. Questions

The survey aimed to gather information on many factors, including (i) the types of firms that use FTAs, (ii) the types of FTAs used by firms, (iii) the perception of the private sectors on the effects of FTAs on trade and investment, (iv) the constraints on using FTAs in Lao PDR, and (v) the perceptions of companies on procedures and costs of obtaining COOs.

1.3. Objectives

The general objectives of the survey were to provide evidence on the use of FTAs in Lao PDR, illustrate the effectiveness in the utilisation of FTAs, illustrate the use of COOs, and recommend ways to improve the utilisation of FTAs.

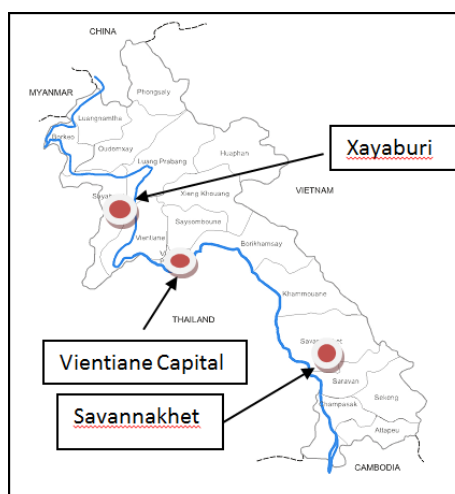
2. Questionnaire Survey

2.1. Survey Location

Due to time and resource constraints, the survey was limited to three manufacturing and services centres in Lao PDR, namely Vientiane Capital and Savannakhet and Xayaburi provinces. These three areas were selected because of the concentration of manufacturing and services firms there, their level of regional economic integration, and their cross-border economic interaction. An enterprise survey conducted by the Lao Statistical Bureau in 2010 shows that 34 percent of all firms in Lao PDR are concentrated in Vientiane Capital, about seven percent in Savannakhet province, and 10 percent in Xayaburi province.

Vientiane Capital is in the central part of Lao PDR, whilst Xayaburi is in the north and Savannakhet in the south (Figure 6).

Figure 6.1. The Size of Surveyed Cities



Source: National Economic Research Institute.

The three provinces share borders with Thailand, have international border gates, and relatively good infrastructure (roads and bridges) connecting to the rest of Lao PDR and facilitating cross-border movement and interaction. Savannakhet, in particular, shares borders with Thailand and Viet Nam, and the East-West Corridor integrates the province to these countries.

Thailand and Viet Nam are important trade and investment partners. Statistical data from the Ministry of Industry and Commerce show that, in 2010, 58.5 percent of total exports from Lao PDR went to Thailand and Viet Nam and over 45 percent of the total

imports came from Thailand and Viet Nam. Finally, 49.4 percent of total foreign direct investment in Lao PDR in the same year originated from Thailand and Viet Nam.

Based on statistical data from the provincial department for industry and commerce, Vientiane Capital accounts for 35 percent of total exports, Savannakhet for 25 percent, and Xayaburi for 10 percent. Vientiane Capital accounts for 30 percent of total imports, Savannakhet for 15 percent, and Xayaburi for 10 percent.

2.2. Determination, Division, and Selection of Sample Size

Statistical data from the Ministry of Industry and Commerce show that only around 833 firms, representing 0.4 percent of the total number of registered firms in Lao PDR, are involved in export and import activities. Of these, over 570 firms, or 68.4 percent of the total, are manufacturing firms, whilst the other 263, or 31.5 percent, are services firms. Based on the approximate proportion of export and import firms, the research team selected 60 manufacturing and 20 services firms for the survey.

The very small sample size represents only 0.1 percent of the total number of firms operating in Lao PDR. The sample size is, however, large enough to represent a general picture of the import–export trade of Lao PDR, since it constitutes about 9.6 percent of active firms.

Based on the concentration of firms involved in export and import activities, the research team selected 42 enterprises in Vientiane Capital for the survey, of which 33 are in manufacturing and the remaining nine are in services. The remaining 38 enterprises were selected in Savannakhet and Xayaburi provinces based on the same criterion, focusing on firms involved in imports and exports. However, with regard to size and ownership, the survey team did not select purposely. After dividing the sample by location, the team used the so-called ‘snowball’ selection for selecting a sample in each location. The Lao National Chamber for Industry and Commerce identified the first one for the survey in Vientiane Capital and the provincial departments for industry and commerce did the same in Xayaburi and Savannakhet. As a result, the team surveyed eight large firms, 28 medium-sized firms, and 44 small firms, of which 33 are domestic, 30 foreign, and 17 joint ventures. Table 6.1 presents more details on samples selected by location, size, and ownership.

Table 6.1. Sampling Size, by Firm Size, Ownership, and Location

Sampling Site	Manufacturing	Services	Total
Location	60	20	80
Vientiane Capital	33	9	42
Xayaburi	14	4	18
Savannakhet	13	7	20
Firm size	60	20	80
Large	7	1	8
Medium	27	1	28
Small	26	18	44
Ownership	60	20	80
Domestic	19	14	33
Foreign	25	5	30
Joint venture	16	1	17

Source: Enterprise survey conducted by the National Economic Research Institute.

Based on discussions with the Ministry of Industry and Commerce and with the Lao National Chamber of Industry and Commerce, the use of FTAs and Certificates of Origin (COOs) amongst export and import companies is significant. However, exact statistical data are lacking on how many export–import firms use or do not use FTAs and COOs, because many agencies issue COOs (including the Lao National Chamber for Industry and Commerce, provincial chambers of industry and commerce, the Ministry of Industry and Commerce, as well as provincial departments for industry and commerce) and there is no integrated data collection system. It was therefore impossible to structure the sample based on the proportion of firms using COOs in the total number of exporting firms.

2.3. Key Findings from the Questionnaire Survey

2.3.1. Key Findings from the Manufacturing Survey

Forty-three firms, or 71 percent of firms surveyed, know about FTAs to a greater or lesser extent. Their information comes from many sources, particularly the mass media (television, radio, newspapers, the Internet), and from advocacy materials distributed by government agencies and chambers of commerce and industry, amongst others. A significant number of responding firms, however, have no knowledge of FTAs. The proportion of such firms is higher in Xayaburi and Savannakhet provinces, where information systems are less developed than in Vientiane Capital. Five firms in Xayaburi

(35.7 percent of surveyed firms) and five firms in Savannakhet (38.5 percent) state that they have no knowledge of FTAs (Table 6.2).

Table 6.2. Knowledge of FTAs

Knowledge of FTA	Vientiane Capital	Xayaburi	Savannakhet	Total
Yes	26	9	8	43
No	7	5	5	17
Information Source				
Government	10	0	4	14
Business associations	10	1	2	13
Chambers of commerce	18	7	2	27
Traders, lawyers, private consultants	2	0	0	2
Media	10	1	3	14
Trading partners	4	0	3	7
Others	1	0	0	1

FTA = free trade agreement.

Source: Enterprise survey conducted by the National Economic Research Institute.

The number of firms using FTAs is lower than the number of firms aware of FTAs. Only 24 firms, or 40 percent of responding firms, state that they use FTAs in their export and import activities. The remaining 36 firms (60 percent) do not use FTAs (Table 6.3).

Table 6.3. Prevalence of the Use of FTAs

Using FTA	Yes	No
Vientiane Capital	11	22
Xayaburi	5	9
Savannakhet	8	5
Total	24	36

FTA = free trade agreement.

Source: Enterprise survey conducted by the National Economic Research Institute.

An important observation from Table 6.3 is that the use of FTAs is not closely correlated with knowledge of FTAs. In Vientiane Capital, where the highest percentage of responding firms stated they know about FTAs, the percentage of firms using FTAs is lowest. The reasons for this mismatch are found in the level of firms' understanding and knowledge of FTAs. The majority has acquired general or basic information on FTAs from mass media (television, newspapers, radio, and the Internet). The information, however, is

not detailed enough to enable firms to use an FTA in their practical export and import activities (Table 6.4). Twenty-four or over half (55.6 percent) of responding firms that do not use FTAs state that their main reason for not using an FTA is their lack of information. On further constraints on using FTAs, 10 (19.4 percent) of responding firms that do use FTAs cited rules of origin (ROOs), and six (16.7 percent) cited small trade volumes.

Table 6.4. Reasons for Non-Use of FTAs

Reason for Non-use of FTAs	Vientiane Capital	Xayaburi	Savannakhet	Total
Lack of information	13	9	2	24
Cannot meet the ROOs	3	7	0	10
Small trade volume	3	0	3	6
Small differences between preferential FTA and normal applied tariff	0	0	0	0
Using other schemes	1	0	0	1
Fee to obtain COO is too high	0	0	0	0
Procedure to obtain COO is too complicated	0	0	0	0
Others	1	0	0	1

COO = Certificate of Origin, FTA = free trade agreement, ROO = rules of origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

The survey also revealed that the use of FTAs is more prevalent amongst large and foreign-owned firms. Large firms use FTAs more than medium-sized firms, and medium-sized firms use them more than small firms. Foreign-owned and joint-venture firms use FTAs more than domestic firms (Table 6.5).

Table 6.5 Use of FTAs Analyzed, by Firm Size and by Ownership

Firm Size¹	Vientiane Capital	Xayaburi	Savannakhet	Total
Small	0	1	2	3
Medium	3	4	2	9
Large	8	0	4	12
Total	11	5	8	24
Firm Ownership				
Domestic	3	0	3	6
Foreign	5	2	3	10
Joint venture	3	3	2	8
Total	11	5	8	24

FTA = free trade agreement.

Source: Enterprise survey conducted by the National Economic Research Institute.

The survey also tried to find out whether the procedures for obtaining COOs constrain the utilisation of FTAs. Twenty-nine firms, representing 48.3 percent of responding firms, state that they use COOs. Associated with use of FTAs, the percentage of firms using COOs is lowest in Vientiane Capital and highest in Savannakhet (Table 6.6).

Table 6.6. Prevalence of Use of COOs

Province/COO	Using COOs	Do not use COOs	Total
Vientiane Capital	14	19	33
Xayaburi	7	7	14
Savannakhet	8	5	13
Total	29	31	60

COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

As cited by 16 firms (58.6 percent), the main reason or incentive for using COOs is the lower tariff they gain access to. The requirement of trading partners and reduction of import costs are also cited (Table 6.7).

¹ The classification of firm size is based on the IFC (International Finance Corporation) classification: a small enterprise has 50 or fewer employees; a medium-sized firm has from 51 to 300 employees; a large enterprise has 300 or more employees.

Table 6.7. Reasons for Using COOs

Reason for Using COOs	Vientiane Capital	Xayaburi	Savannakhet	Total
Lower tariffs	9	5	2	16
Expanding exports	2	1	0	3
Reducing import cost	2	1	2	5
Request from trading partners	4	0	0	4
Request from government	1	0	0	1
Don't know	1	0	0	1

COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

The most favoured types of COO used are Forms A (for Generalized System of Preferences or GSP) and D (for ASEAN FTA).² Thirteen firms, representing 44 percent of firms using COOs, state that they use the forms, indicating that the GSP and AFTA forms are the most prevalent. Form E (for the ASEAN-China FTA) is less used. Five firms (17.2 percent) using COOs state that they use Form E for their export and import activities (Table 6.8).

Table 6.8. Types of COO Used

Type of COO	Vientiane Capital	Xayaburi	Savannakhet	Total
Form A	11	2	0	13
Form B	0	0	0	0
Form D	5	3	5	13
Form E	1	2	2	5
Form AANZ	0	0	1	1
Form AI	0	0	0	0
Form AJ	2	0	1	3
Form AK	1	0	1	2
Others	1	0	0	1

AANZ = ASEAN-Australia and New Zealand, AI = ASEAN-India, AJ = ASEAN-Japan, AK = ASEAN-Korea, COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

It should be noted that half (51.8 percent) of the firms involved in export and import activities state that they do not use COOs at all, mainly because of lack of information, difficulties of qualification according to rules of origin (ROO),³ and small trade volume,

² Form A is for Generalized System of Preferences, Form B for most-favored nations, Form D for ASEAN FTA, Form E for ASEAN-China FTA, Form AANZ is for ASEAN-Australia and New Zealand FTA, Form AI is for ASEAN-India FTA, Form AJ is for ASEAN-Japan FTA, and Form AK for ASEAN-Korea FTA.

³ Regulations, categories, or process to obtain COOs.

making the application for COO⁴ not much different to exporting and importing without a COO (Table 6.9).

Table 6.9. Reasons for Not Using COOs

Reason for Not Using COO	Vientiane Capital	Xayaburi	Savannakhet	Total
Lack of information	12	5	3	20
Cannot meet the ROOs	8	2	1	11
Small trade volume	2	0	1	3

COO = Certificate of Origin, ROO = rules of origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

As in the use of FTAs, the use of COOs rises with firm size and firm ownership (Table 6.10).

Table 6.10. Use of COO Analysed by Firm Size and Firm Ownership

Firm Size	Vientiane Capital	Xayaburi	Savannakhet	Total
Small	0	1	2	3
Medium	3	4	2	9
Large	11	2	4	17
Total	14	7	8	29
Ownership				
Domestic	4	0	3	7
Foreign	5	5	3	13
Joint venture	5	2	2	9
Total	14	7	8	29

COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

An application for a COO requires from one to five documents (three on average), depending on the exported and imported commodities and the COO form used. The length of time for the process varies from one to five working days (two on average), and the document costs from US\$15 to US\$65 (US\$36 on average). The survey tried to discover whether the number of documents required, the time taken, and the cost of obtaining a COO are acceptable to firms or not (Table 6.11).

⁴ COOs are important international trade documents attesting that goods in a particular export shipment are wholly obtained, produced, manufactured, or processed in a particular country.

Table 6.11. Opinions of Responding Firms on Number of Documents, and Time and Cost for Obtaining COOs

Opinion on Obtaining COO	Vientiane Capital	Xayaburi	Savannakhet	Total
A. Number of documents required				
-Very few	1	2	3	6
-Reasonable	11	5	5	21
-Many	1	0	0	1
-Too many	1	0	0	1
B. Length of time for obtaining COO				
-Very quick	2	6	7	15
-Reasonable	10	1	1	12
-Lengthy	2	0	0	2
-Very lengthy	0	0	0	0
C. Cost for obtaining COO				
-Very low	4	2	0	6
-Reasonable	7	5	5	17
-Costly	3	0	3	6
-Very costly	0	0	0	0

COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

Based on the findings, there seems to be no significant problem in the COO administration process. A clear majority of responding firms state that the number of documents, the length of time taken, and cost of obtaining a COO are reasonable. However, six firms (20.7 percent) claim that the cost of obtaining a COO is high.

2.3.2. Key Findings from Services Sector Survey

In general, the key findings from the services sector survey are similar to those of the manufacturing sector survey. The proportion of responding firms stating that they know about FTAs is neither very low nor very high. Twelve firms (60 percent) say they know about FTAs. The number of responding firms stating they know about FTAs is lowest in Xayaburi, with just one firm (25 percent). The relatively low public information infrastructure development may be an important factor constraining information dissemination in the province.

The use of FTAs in services is much lower than in manufacturing. Only six firms (30 percent) confirm their use of FTAs. The use of FTAs seems to be particularly low (one firm) in Xayaburi.

The main reasons, incentives, or benefits for using FTAs are, as in manufacturing, lower tariffs (three firms, 60 percent), reduction of import costs (five, 80 percent), the requirements of trading partners (two, 40 percent), and others (three, 60%). The main constraints on firms using FTAs are, as in manufacturing, lack of information (11 firms, 84.6 percent), difficulties in qualifying for ROOs (one, 7.7 percent), and other reasons (two, 15.4 percent) (Table 6.12).

Table 6.12. Knowing and Using FTA

Item	Vientiane Capital	Xayaburi	Savannakhet	Total
Knowing About FTAs	5	1	6	12
Information source				
Government	3	0	3	6
Business associations	0	1	0	1
Chambers of commerce	0	0	1	1
Trade lawyers, private consultants	0	0	0	0
Media	4	0	1	5
Trading partners	1	0	1	2
Others	3	0	0	3
Using FTA	2	1	3	6
Reasons for using FTA				
Lower tariffs	0	0	3	3
Reducing import cost	2	1	2	5
Requirement of trading partners	0	0	2	2
Others	1	0	2	3
Using FTA, by firm size				
Small	1	1	3	5
Medium	1	0	0	1
Large	0	0	0	0
Using FTA, by firm ownership				
Domestic	2	1	0	3
Foreign	0	0	2	2
Joint Venture	0	0	0	0

Items	Vientiane Capital	Xayaburi	Savannakhet	Total
Do Not Use FTA	6	3	4	13
Reasons for not using FTA				
Lack of information	6	3	2	11
Cannot meet the ROOs	1	0	0	1
Others	0	0	2	2
Do not know	0	1	0	1

FTA = free trade agreement, ROO = rules of origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

The use of COOs in services is similar to that in manufacturing. Twelve firms (60 percent) confirm their use of COOs. COOs are most used in Savannakhet (six firms, 85.7 percent) and Xayaburi (two, 100 percent). Use is proportionally lowest in Vientiane Capital (four of nine firms, 44.4 percent). The main determinants for the use of COO are, as in manufacturing, lower tariffs, reduced import costs, and the requirements of trading partners.

However, eight firms (40 percent) state that they do not use COOs. Many reasons are cited, particularly the lack of information, small trade volumes, and little to gain (Table 6.13).

Medium-sized services firms use more COOs than small firms, whilst foreign-owned enterprises use more COOs than joint-venture and domestic firms.

Table 6.13. Prevalence of Usage of COOs in the Services Sector

Item	Vientiane Capital	Xayaburi	Savannakhet	Total
Using COOs				
Yes	4	2	6	12
No	5	2	1	8
Reasons for Using COOs				
Lower tariffs	0	1	3	4
Reducing import cost	2	2	1	5
Requirement from trading partners	0	1	3	4
Request from government	0	0	0	0
Don't know	1	0	0	1
Others	1	0	0	1
Items	Vientiane Capital	Xayaburi	Savannakhet	Total
Reasons for Not Using COOs				
Lack of information	3	1	0	4
Small trade volume	0	0	0	0
Small differences between preferential FTAs and normally applied tariff	1	1	0	2
Others	1	0	1	2
Using COOs by Firm Size				
Small	3	0	6	9
Medium	1	2	0	3
Large	0	0	0	0
Using COOs by Firm Ownership				
Domestic	4	1	3	8
Foreign	0	1	3	4
Joint venture	0	0	0	0

COO = Certificate of Origin.

Source: Enterprise survey conducted by the National Economic Research Institute.

The most used forms in the services sector are D (eight firms, 66.7 percent) and E (three, 25.0 percent). Forms A, AI, and AJ are used less frequently (Table 6.14).

Table 6.14. Types of COOs Used in the Services Sector

Type of COO	Vientiane Capital	Xayaburi	Savannakhet	Total
Form A	0	0	1	1
Form B	0	0	0	0
Form D	4	1	3	8
Form E	0	1	2	3
Form AANZ	0	0	0	0
Form AI	0	0	1	1
Form AJ	0	0	1	1
Form AK	0	0	0	0
Others	0	0	0	0

AANZ = ASEAN-Australia and New Zealand, AI = ASEAN-India, AJ = ASEAN-Japan, AK = ASEAN-Korea, COO = Certificate of Origin.

Note: See footnote 2 for definitions of forms.

Source: Enterprise survey conducted by the National Economic Research Institute.

3. Official Data on the Use of COOs in Lao PDR, 2010–2012

Since 2012, the issuance of COOs in Lao PDR has been decentralized. The Ministry of Industry and Commerce, the Lao National Chamber for Industry and Commerce, the provincial departments for industry and commerce, and the provincial chambers for industry and commerce are all authorized to issue COOs. COOs are available in 17 offices, although a countrywide data collection system is not yet established.

For this project, NERI collected data from each office, in cooperation with the Lao National Chamber for Industry and Commerce. Only data on the use of COOs for exports are available.

According to the data collected, the use of COOs in Lao PDR has been increasing during recent years because of firms' increasing knowledge of FTAs and COOs. The increase was particularly significant in 2012 due to the decentralization of the issuance of COOs. According to the data, the number of COOs issued increased rapidly from 656 in 2010 to 1,064 in 2011 and to 2,084 in 2012. The value of exports using COOs also rose from US\$56.7 million in 2010, to US\$93.8 million in 2011, and US\$552.8 million in 2012. One reason for the large increase in export values in 2012, according to statistical data provided by the Lao National Chamber for Industry and Commerce, is that large mining enterprises such as

Phubia Mining and SRI RAMIPEK have started to export significant quantities of minerals to India using Form AI (Table 6.15).

Table 6.15. Use of COOs for Export in Lao PDR, 2010–2012

No.	Types of COO	2012			2011			2010		
		Number of firms	Number of COOs	Total value (US\$ million)	Number of firms	Number of COOs	Total value (US\$ million)	Number of firms	Number of COOs	Total value (US\$ million)
1	GSP	46	416	57.0	37	308	35.1	32	230	25.4
2	MFN	29	249	11.0	2	2	0.0	4	6	0.0
3	Form D	49	371	69.0	14	87	12.1	12	113	5.4
4	Form E	45	184	171.0	7	18	0.4	36	55	1.1
5	From AANZ	8	23	0.2	8	36	0.7	0	0	0.0
6	Form AI	5	23	217.1	0	0	0.0	0	0	0.0
7	Form AJ	45	474	24.1	25	338	15.1	0	0	0.0
8	Form AK	14	32	0.3	7	23	0.6	13	32	0.4
9	Others	54	312	3.2	26	252	34.3	20	220	24.3
Total			2,084	552.8		1,064	98.3		656	56.7

AANZ = ASEAN-Australia and New Zealand, AI = ASEAN-India, AJ = ASEAN-Japan, AK = ASEAN-Korea, COO = Certificate of Origin, GSP = Generalized System of Preferences, MFN = most-favored nations.

Note: See footnote 2 for definitions of forms.

Source: Summarised by the National Economic Research Institute based on data provided by the Lao National Chamber for Industry and Commerce.

In terms of the number of COOs, 70.7 percent of COOs used for export are used by medium-sized firms, whilst about 25.2 percent are used by large firms and small firms. In terms of export value, however, about 95 percent of the usage is attributable to large firms, whilst about five percent is attributable to medium-sized firms and only a small fraction of one percent comes from small firms. This finding indicates that the use of COOs has a positive correlation with firm size. Exports from two large mining enterprises alone, Lanxang Mineral and Phubia Mining, amounted to 60 percent of total exports using COOs in 2012.

Analytical findings indicate that the joint-venture enterprises use the most COOs in terms of export value; foreign firms follow, then domestic firms, with only 1.7 percent of

total export value. Over 60 percent of the value of exports using COOs in 2012 was accounted for by mineral exports by two large joint-venture enterprises (Table 6.16).

Table 6.16. Use of COOs, by Firm Size and Firm Ownership

Firm Size	COO (%)	Export Value (%)
Small	4.0	0.04
Medium	70.7	4.86
Large	25.2	95.1
Total	100	100
Ownership		
Domestic	32.3	1.7
Foreign	23.7	18.4
Joint venture	44.0	79.8
Total	100	100

COO = Certificate of Origin.

Source: Summarised by the National Economic Research Institute based on data provided by the Lao National Chamber for Industry and Commerce.

4. Conclusions and Some Policy Considerations

It seems that the use of FTAs by manufacturing and services firms in Lao PDR is not very high. Only 40 percent of responding firms in the manufacturing sector and 25 percent of responding firms in the services sector say they use FTAs. The remaining 60 percent in manufacturing and 75 percent in services state that they do not use FTAs. The survey findings thus indicate that the use of FTAs in Lao PDR is minimal. The main constraint on firms is the lack of information, particularly detailed information to enable firms to use FTAs in their export and import activities.

The use of COOs is also limited, with 51.7 percent of manufacturing firms and about 40 percent of services firms stating that they do not use COOs. The main constraint on the use of COOs is similar to that on FTAs: lack of information. However, the number of documents, the time taken, and the cost of obtaining COOs seem to be neither major constraints on COO use nor on FTA use. The majority of responding firms in both sectors confirm this to be the case.

Based on the survey findings, we emphasize that the lack of detailed information is the major constraint on the use of COOs and on the utilisation and effectiveness of FTAs.

Provision of detailed information is thus highly important in enhancing the effectiveness and utilisation of FTAs in Lao PDR.

Reference

LNCCI (2013), COO records, Lao: Lao National Chamber for Commerce and Industry. Decree of President on the promulgation of the Customs Law N41/RDP 13.8.94.

