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# Market Access Opportunities for Lao PDR



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## **Foreword by the Director-General of the Foreign Trade Policy Department**

The Government of Lao PDR (GoL) has set itself the overall goal in the 6<sup>th</sup> National Social Economic Development Plan (NSEDP) of achieving a minimum of 7.5% GDP annually and of graduating from its least developed country (LDC) status by the year 2020. To achieve these goals, the GoL has adopted a three-prong strategy, which focuses on: maintaining political stability and social security; fostering continuous and sustained national economic growth and improving the living conditions of its citizens. The government is also cognizant of the fact that to build a solid foundation for the national economy, it will need to ensure that the economic structure of the country is equitably balanced and diversified between the three main drivers of the economy i.e. agriculture, industry, and services.

In recent years, Lao PDR has made important strides in integrating into regional and global markets, which has also contributed to the growth of the key sectors of the economy. It is also important to recognize that the public and private sector have played a pivotal role in the sustained economic growth which Lao PDR has experienced over the last 10 years and have paved the way forward to building the foundation toward industrialization and modernization of the Lao Economy.

Recognizing the benefits of a market economy, Lao PDR altered its economic course and embarked on the New Economic Mechanism (NEM) in 1986. Since then, Lao PDR has pursued a gradual, but steady, move towards a modern market economy. Lao PDR's major market reforms have been spearheaded by its efforts to join ASEAN and its current WTO accession negotiations. Whilst liberalization and integration contributes to more efficient markets, it undoubtedly brings about severe competition to domestic producers, creating winners and losers.

Studies have shown that when trade liberalization is adequately sequenced, phased and supported by adjustment programme and regulatory framework, it is able to provide countries like Lao PDR with an opportunity to explore and broaden its foreign markets. Thus trade liberalization, in the right conditions can be a gateway for securing markets for Lao producers, generate income, create jobs, and ultimately reduce poverty.

As an LDC, Lao PDR is a signatory to various bilateral and regional trade agreements, which confers preferential market access into various developed and developing country markets. As an LDC, we are also granted unilateral market access under the Generalized System of Preferences (GSP). However, on analysis of the utilization rate of such market access preferences we note that Lao PDR has not been taking full advantage of these preferences. The reasons are many and complex; however a recurrent problem we have identified when we consult with the private sector and other key stakeholders is that information is not readily available on market access preferences, regional agreements, rules of origins, technical barrier to trade, etc. This is one of the key reasons contributing to producers and exporters missing these market opportunities.

In order to raise awareness of Lao PDR' export opportunities among wider public, the Foreign Trade Policy Department, Ministry of Industry and Commerce has gathered key information particularly on: GSP Schemes that developed countries grant to Lao PDR and market access under preferential agreements between Lao PDR and its trading partners. These have been compiled in this handbook and an accompanying CD which contain tables of preferential tariff treatment for Lao products, which we hope will serve as a useful tool for the public and private sector.

On behalf of the Foreign Trade Policy Department, I would like to convey my sincere gratitude to the National Implementation

Unit (NIU), for their financial support. Last but not least, this handbook is the first publication of the sort from our Department; we would therefore like to invite comments and feedback from our readers so as to help us improve the contents of the next publication. I hope that this handbook will be a useful source of information for all readers.

**Bounsom Phommavihane**  
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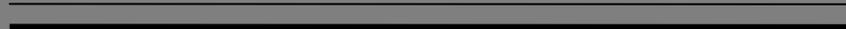
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## **Abbreviations**

ACFTA	ASEAN-China Free Trade Agreement
AFTA	ASEAN Free Trade Area
AIFTA	ASEAN-India Free Trade Agreement
AISP	ASEAN Integration Systems of Preferences
AJFTA	ASEAN-Japan Free Trade Agreement
AKFTA	ASEAN-Korea Free Trade Agreement
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of South East Asia Nations
BTA	Bilateral Trade Agreement
CEPT	Common Effective Preferential Tariff
DFQF	Duty-Free and Quota-Free
DFTP	Duty Free Tariff Preference
EBA	Every But Arms
EHP	Early Harvest Program
EU	European Union
FTA	Free Trade Agreement
GSP	Generalized System of Preferences
LDCs	Least Developed Countries
LDCT	Least Developed Countries Tariff Treatment
SPT	Special and Preferential Tariff



# OVERVIEW OF THE LAO PDR'S FOREIGN TRADE RELATIONS





Lao PDR is pursuing an open trade regime consistently and the trade policy regime has reformed to enhance transparency and secure an enabling trade environment. At the same time the GoL has continually expanded its trade relations with countries around the world.

To date, Lao PDR has broadened its trade relations with more than 50 countries, in which the main trading partners are Thailand, Vietnam, Australia, Korea, Malaysia, England, France, Germany, Japan, and the United States of America. It has concluded and signed trade-related agreements with 18 countries namely Argentina, Belarus, Bulgaria, Cambodia, China, Indonesia, India, Democratic People's Republic of Korea (R.Korea), Kuwait, Malaysia, Mongolia, Myanmar, the Philippines, Russian Federation, Thailand, Turkey, United States of America, and Viet Nam.

The country's major exports are coffee, crops and livestock, non-timber forest products, electricity, mining, garments, and wood products (see table 1). The export values have increased over the last few years; as a result, trade balance has been gradually improved. As a low-income country, Lao PDR imports goods needed for the development and day-to-day life, of its people ranging from consumption goods, fuel, machinery and equipment, construction materials, raw materials, and intermediate goods.

**Table 1: Lao PDR' exports and imports (2004-2007)**

In millions of US dollars

N/N	Description of Goods	2004	2005	2006	2007
	<b>Total Exports:</b>	<b>500</b>	<b>648</b>	<b>1,029</b>	<b>1,053</b>
1.	Coffee	15	8	13	31
2.	Crops and livestock	18	30	45	46
3.	Non-timber forest products	4	4	7	3
4.	Electricity	91	105	104	99
5.	Mining	58	203	527	536
6.	Garments	155	138	126	153
7.	wood products	145	137	140	138
8.	Other	16	21	67	48
	<b>Total Imports:</b>	<b>958</b>	<b>1,059</b>	<b>1,397</b>	<b>1,966</b>
1.	Food products	24	28	40	55
2.	Fuel	95	175	201	250
3.	Resource imports	232	358	431	897
4.	Investment goods	287	273	344	308
5.	Consumption goods	157	68.3	223	251
6.	Raw materials and intermediate goods	163	157	157	208
	<b>Grand Total:</b>	<b>1,458</b>	<b>1,707</b>	<b>2,426</b>	<b>3,022</b>

Source: Lao PDR Economic Monitor, World Bank, April 2008

At regional level, Lao PDR had joined the Asia Pacific Trade Agreement (APTA) in 1975 and the Association of South East Asian Nations (ASEAN) in 1997 as well as the ASEAN Free Trade Area (AFTA) in 1998. Lao PDR is gradually integrating into a global forum by applying for the WTO membership and now it is undergoing the accession process.

# MARKET ACCESS OPPORTUNITIES FOR LAO PDR





Lao PDR has market access opportunities under unilateral and reciprocal preferences from 47<sup>1</sup> developed and developing countries. As a LDC, Lao PDR is granted the unilateral tariff preferences under the Generalized System of Preferences (GSP) from 36 countries including the European Union (EU)<sup>2</sup>; Australia, Belarus, Canada, Japan, New Zealand, Norway, Russian Federation, Switzerland, and Turkey. As for the European Union, since 2002, it has granted duty free quota free market access to LDCs under Everything But Arms (EBA) initiative. Moreover, Lao PDR also obtains preferential tariff treatments from some emerging economies like China, R.Korea, Chinese-Taipei, and India. These systems of preferences aim to help LDCs reduce poverty by stimulating their exports.

In addition, Lao PDR is granted unilateral preferential treatments by older ASEAN<sup>3</sup> members: Thailand, Malaysia, the Philippines and Brunei Darussalam under ASEAN Integrated System of Preferences (AISP) scheme. The AISP scheme was adopted on 1<sup>st</sup> January 2002 in order to implement the Initiatives for ASEAN Integration (IAI) for narrowing development gaps between establishing and newly joined ASEAN member countries. Under this scheme, these countries have granted preferential tariffs to CLMV (Cambodia, Lao PDR, Myanmar, and Viet Nam) on a voluntary and bilateral basis. There are in total 1,117 tariff lines eligible for tariff preferences under this scheme. Indeed, only Malaysia, the Philippines, and Thailand have legally enacted the implementation of the AISP Scheme.

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<sup>1</sup> European Union (EU) 27 member countries, Australia, Canada, Japan, New Zealand, Norway, Switzerland, Republic of Belarus, Russian Federation, Turkey, Republic of Korea, Thailand, Malaysia, Philippines, China, Viet Nam, India, Sri Lanka, and Chinese-Taipei.

<sup>2</sup> The 27 members of the European Union are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Rumania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

<sup>3</sup> The 10 ASEAN Member Countries are Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

Apart from that as the LDC Participating States of APTA, Lao PDR has also been granted unilateral preferential tariff treatment from China, R. Korea, India, and Sri Lanka.

With respect to the reciprocal tariff treatments Lao PDR is eligible to export to ASEAN countries under CEPT scheme. Under which the import tariffs of the member states have significantly been reduced to 0% - 5%. Similarly, as a result of FTA negotiation with ASEAN dialogues partners; China, R. Korea, Japan, India, and Australia-New Zealand have scheduled tariff reductions in a reciprocal basis to Lao PDR. Besides, under the APTA Lao PDR is eligible to export some products to China, R.Korea, India, Sri Lanka, and Bangladesh with lower tariff rates.

Apart from that Lao PDR and Viet Nam signed a preferential trade arrangement which focuses on tariff reduction and elimination of some goods with an exception of few products. Policies and conditions on market access of each country differ from one to another as explained in the followings.

Australia is the 15<sup>th</sup> largest import markets in the world ranked. Its imports reached approximately US\$ 69 billion in 2007. Major imports consist of furniture, clothes, alcohol, wood products, and coffee. Since 1998, two-way trade between Lao PDR and Australia has increased significantly due largely to the export of gold. Apart from gold, major exports of Lao PDR to Australia include coffee, furniture, wood products, children's clothes, and handicrafts. Lao PDR is eligible to export to Australian market with low tariff rates through Australian System of Tariff Preferences and ASEAN-Australia-New Zealand Free Trade Agreement.

### **Australian System of Tariff Preferences (ASTP)**

Australia had been granting preferential import duties to developing and least developed countries under the Australian System of Tariff Preferences (ASTP) for over 30 years. On 25<sup>th</sup> October 2002, Australian government announced duty-free and quota-free market access for all products to LDCs, which became effective from 01 July 2003 onwards. Despite of the fact that Lao PDR is eligible to export under the ASTP scheme, there are strict rules of origin that need to be complied with.

### **ASEAN-Australia-New Zealand Free Trade Agreement (ASEAN-ANZ FTA)**

ASEAN and Australia-New Zealand have established economic cooperation in areas of trade in goods, trade in services, investment, Information and Communication Technology (ICT), industry (including SMEs), standards, finance and banking, transportation and communications, mining and energy, intellectual property, tourism, E-ASEAN, agriculture, food, and

aquaculture. The FTA negotiation on trade in goods, trade in services, and investment was concluded leading to the signing of the ASEAN-ANZ FTA at the 14<sup>th</sup> ASEAN Summit in February 2009, Thailand. With respect to the ASEAN-ANZ FTA on trade in goods, Australia-New Zealand will gradually reduce import duties of 6,124 tariff lines (8-digit HS Code) for imports from ASEAN member states including Lao PDR. The import duties of all tariff lines are scheduled to be eliminated by 2020. Similar to other FTAs, there are specific rules of origin governed the imports of products under this FTA to Australia-New Zealand.

## **Brunei Darussalam, Indonesia, the Philippines**

Among the ASEAN Member States, Thailand, Vietnam, and Malaysia are Lao PDR's key export markets. Whereas, two-way trade between Lao PDR and the other ASEAN Member States is relatively low. Nonetheless, Lao PDR can also gain access to the Philippines, Brunei Darussalam, and Indonesia under the AISP scheme. Only Singapore does not grant AISP to CLMV because of its liberal tariff structure applied to all goods except for alcohol and tobacco.

### **Brunei Darussalam**

Brunei has granted duty free for 20 products (8-digits HS Code) to CLMV under the AISP scheme. Those products consist of wood products, plywood, silversmith, and jewelry.

### **Indonesia**

Since 2006, Indonesia has granted the AISP to Lao PDR for 21 products (8-digit HS Code). These products include agricultural products and wood products. The import duties are either 0% or 5%.

### **The Philippines**

The Philippines has granted zero import duty of 88 products (8-digit HS Code) to Lao PDR under the AISP since 2005. These products include agricultural products, wood products, plants, and vegetables.

To be able to export to these markets under the AISP scheme, specific rule of origin (ROO) need to be fulfilled. Lists of products can be found in the CD-Rom provided with this handbook.

## Canada

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Canada is one of the biggest import markets in the world ranked at the 10<sup>th</sup> in 2007. The main import products include high technology products such as vehicles, aircraft, medicine, and fuel. Trade between Lao PDR and Canada is very low. From 2003 till now Lao PDR' exports to Canada have not exceeded 6 million US dollars. Garment and textile are the major export products of Lao PDR to Canada. As a LDCs Lao PDR is eligible to export all products to Canada with duty free and quota free market access under the Tariff Treatment for LDC's scheme.

### **Least Developed Countries' Tariff Treatment**

Canada grants duty free and quota free for all products originated from LDCs. However, the imported quantity of some products namely dairy products, poultry, and eggs are specifically monitored by the Canadian government.

In order to export to Canada under this scheme, rule of origin has to be fulfilled strictly. Basically all goods currently entitled to the benefits of the LDC Tariff Treatment will be regarded as originating in LDCs: 1) for mineral products, agricultural products, animal etc they shall be wholly originated from Lao PDR ; 2) if the value of the materials, parts or products originated outside Lao PDR, or in an undetermined location, and used in the manufacture or production of the goods is no more than 60% of the ex-factory price of the goods as packed for shipment to Canada, and 3) if there is an interest to export textile and apparels goods specific rule of origin has to be followed (further information can be obtained from the website provided at the end of this handbook).

## European Union

European Union or EU is also one of the biggest import markets in the world. Key imports of EU from the world are industrial products i.e. machinery, chemicals, and energy. The EU is Lao PDR's fourth largest trading partner. As for the EU, Lao PDR is its 156<sup>th</sup> trading partners. In 2007, Lao PDR' export to EU reached US\$ 176 million constituting 11% of the total exports of Lao PDR to the world.

Major exports of Lao PDR to EU are textiles and garments (HS Chapters 50 to 63), agricultural products (HS Chapters 06 to 14). Other products that Lao PDR also exports to the EU but with a low value include vegetable products, precious stones, footwear, hats, umbrellas, etc. Lao PDR is at an advantageous position to export garments and textiles to the EU's market due largely to the derogation from strict rules of origin<sup>4</sup>, which will expire at the end of 2009. Yet, regulations on rules of origin governing the import of textiles and garments remain strict.<sup>5</sup>

### **Everything But Arms (EBA)**

Every Thing But Arms (EBA) was initiated in 2002. The EBA allows all products, with exception of Arms and 41 sub-chapters of sugar and rice to export to the EU with duty-free and quota-free treatment. Rice and sugar are temporally excluded from the EBA due to their sensitivity. Their import duties will be phased out by October and September 2009, respectively. In a period of

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<sup>4</sup> Derogation allows producers to use raw materials in a final process of production more than usual and from many sources, while no conditions on value added for production process in Lao PDR are set.

<sup>5</sup> ASEAN Cumulation is a process of bringing raw materials from ASEAN member countries into production for exports. As for garments, producers can import raw materials (textiles) from ASEAN member countries for their production and get a zero import tariff on a condition that such production can create a value added, which is higher than price of materials imported, to a final product.

non-liberalization, import quotas are applied. Import quotas of sugar and rice for 2008-2009 are shown in the table below. In order to export rice or sugar to the EU, duty free import quota has to be obtained in a competitive basis. As for a sugar local producers in Lao PDR have requested import quota from the EU.

**Table 2** Import quotas of sugar and rice for FY 2008-2009

No	CN Code	Description	Quota granted	Order no.
1	1006	Rice	6,694 tons	09.4178
2	1701 11 10	Sugar	197,335 tons	09.4308

In accordance with the EBA's provision, duration for granting preferences is unlimited and does not require any renewal. That means Lao PDR will continuously enjoy this preferences until it graduates from LDC status. Nevertheless, certain products can be removed from the EBA if an export volume of certain product to the EU exceeds the set ceiling. Moreover, the EU can legitimately impose a countervailing measure on products imported from Lao PDR if it is proven that the products are not originated from Lao PDR, but simply imported from third countries for a sole purpose of re-exporting to the EU market under the EBA.

The EU market is a potentially lucrative market for high value-added products. However, its regulations on standards and sanitation (SPS/TBT) are very strict, particularly on agricultural and animal origin products. These products are governed by specific regulations. Despite of the fact that Lao PDR has been granted the preferential treatment under the EBA, exporters must follow specific import regulation that requires an in-depth study before exporting.

In 2007, India imported a total of US\$ 230.5 billion from the world accounted for 1.61% of the world imports. Thus, India was ranked at the 18<sup>th</sup> of the world largest import markets. Major imports of India include crude oil, machinery, gems, fertilizer and chemicals. As for trade between Lao PDR and India, it remains low. Key exports of Lao PDR to India are wood products, agricultural products, textiles, and bamboo and forestry products. Lao PDR is able to access Indian market in three ways.

### **India's Duty Free Tariff Preference Scheme for Least Developed Countries (DFTP)**

India has granted a Generalized Preferential Scheme to 50 LDCs including Lao PDR. This scheme is called 'India's Duty Free Tariff Preference (DFTP) Scheme for Least Developed Countries resulted from Indian Prime Minister's Declaration in India-Africa Forum Summit in New Delhi on 08 April 2008. The scheme has entered into force in 13<sup>th</sup> August 2008. The DFTP Scheme covers 94% of India's total tariff lines which provides preferential market access on tariff lines that comprise 92.5% of global exports of LDCs. The scheme consists of 03 lists as following:

- Duty Free List: there are 4,430 tariff lines which cover 85% of India's total tariff lines.
- Positive List: there are 468 tariff lines which cover 9% of India's total tariff lines. Products under this list will be reduced gradually to 0% within a period of 5 years. Tariff

preferences are available on Margin of Preference (MoP)<sup>6</sup> basis which is the percentage of reduction from the normal Most Favor Nation/MFN rate.

- Exclusion list: there are 326 tariff lines covering 6% India's total tariff lines that are not included under DFTP scheme.

### **Asia-Pacific Trade Agreement (APTA)**

Under Asia-Pacific Trade Agreement (APTA), India reduces tariffs for Lao PDR on MoP basis as followings:

- National Concession List: there are 570 tariff lines (HS Chapters 3 to 96) including fish and aquatic invertebrates, products of the chemical, perfume, miscellaneous chemical products, rubber, wood, papers, cotton, textiles, ceramic products, metal products, and other industrial products where the highest percentage of MoP is 100% and lowest MoP is 5%.
- Special Concession List for LDC members: there are 48 tariff lines consisting of raw hides, paper, steel and steel products. Where the highest MoP is 100% and lowest MoP is 14%.

### **ASEAN-India Free Trade Agreement (AIFTA)**

At the Second ASEAN-India Summit held on 08 October 2003 in Bali, Indonesia, the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India was signed. However, ASEAN and India still have different views on tariff reduction modalities. So, the agreement on trade in goods has yet been signed. When the AIFTA is signed ASEAN and India will agree to reduce tariff mutually. It

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<sup>6</sup> Margin of Preference (MoP) means the percentage of tariff by which tariffs (basic customs duties as included in the National Customs Schedule of India) are reduced on products imported from the Beneficiary Countries as a result of preferential treatment.

is foreseen that starting from early 2009, 80% of all tariff lines will be brought for tariff reduction and elimination. By 2012, import duties of 71% of the agreed tariff lines will be eliminated while the rest of the agreed tariff lines will be eliminated by 2015. For products listed under sensitive and highly sensitive list, tariff reduction modality will be applied separately.

## Japan

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Japan is ranked at the world's fourth largest importing countries after US, Germany and China. Its total imports in 2007 were US\$ 621.1 billion accounting for 4.4 percent of the world imports. Japan trades with 211 countries in the world and in 2007 Lao PDR was ranked as Japan's 133rd importing country. Major exports of Lao PDR to Japan are wood products, handicraft, industrial products, garment, agricultural products, rattan and bamboo, and coffee. Lao PDR is able to access to Japan market with a preferential import duties under GSP scheme, and ASEAN-Japan FTA.

### **Generalized System of Preferences**

In 1971, Japan implemented Generalized System of Preferences in favor of developing and least developed countries. Since 2001, Japan has amended its preferential scheme several times. Recently, on 01<sup>st</sup> April 2007, Japan has extended the list of products eligible for duty-free and quota-free market access for LDCs to 8,859 tariff lines. These products consist of 1,055 agricultural products (6-digit HS Code), 1,999 textile products (6-digit HS Code). In addition, there are industrial products, handicraft and mineral products.

### **ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP)**

A Framework Agreement on Comprehensive Economic Cooperation was signed in Bali, Indonesia in October 2003 by ASEAN and Japan. This agreement aims to open-up and strengthen the cooperation and to facilitate trade, investment and services between ASEAN and Japan. In 2005, ASEAN and Japan started to negotiate Free Trade Agreement on trade in

services, trade in goods, investment and economic cooperation. At the end of 2007, ASEAN and Japan concluded the negotiations and the AJCEP Agreement were signed in April 2008. Under the AJCEP Lao PDR benefits from lower import duties of 0% and 5% on 10,690 products (8-digit HS Code) with the exception of 200 agricultural and industrial products that still maintain high import duties.

## Kingdom of Thailand

In 2007, Thailand was ranked at the 27<sup>th</sup> of the world's largest import markets, its total imports was US\$ 140.8 billion accounting for 1% of the world imports. Thailand trades with 207 countries around the world. In 2007 Lao PDR was ranked as Thailand's 35<sup>th</sup> import market. Lao PDR's major exports to Thailand are electricity, wood products, rattan/bamboo, minerals, forestry products, garment, agricultural products (cabbage, dried coax, bananas, maize, yellow beans, potatoes, dried mulberry bark, ginger, sesame, palm seeds, tamarind, and animal skins). Lao PDR's products are eligible to access Thai market with lower tariffs under the AISP and CEPT scheme.

### **ASEAN Integration Systems of Preferences (AISP)**

Since 2003, Thailand has granted unilateral tariff preferences for 252 tariff lines under the AISP scheme (10-digit HS Code) to Lao PDR. In 252 tariff lines there are 160 products that have zero percent import duties (garment, maize, dried coax, soft drinks, minerals, fruits and vegetables, and forestry products), and the remaining have 5% import duties (live animals, wood products, garments and some agricultural products). The agricultural products are listed in HS Chapters 07 to 24; mineral products are listed in HS Chapters 25 to 27; Wood products are listed in HS Chapters 94, and Garments and Textiles are listed in HS Chapters 61 to 62 of ASEAN Harmonized Tariff Nomenclature.

## **ASEAN Free Trade Agreement/Common Effective Preferential Tariff (AFTA/CEPT)**

Lao PDR can also export to Thailand under the CEPT scheme with low import tariffs of 0 to 5%. Tariff lines under this scheme can be divided into three lists: 1) List of products that have 0% import duties consist of 5,380 tariff lines including agricultural products, food products, industrial products, forestry products, leathers, live animals and minerals; 2) List of products that have 5% consist of 5,455 products including agricultural products, wood products, industrial products, forestry products, leathers, live animals, some minerals; and, 3) List of products that are placed in the Sensitive List consist of 20 agricultural products (8-digit HS Code).

## Malaysia

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In 2007 Malaysia imported a total of US\$ 139.1 billion and was ranked as the world's 27<sup>th</sup> largest market. It accounted for 1% of the world's imports. Major imports of Malaysia include electronic equipments, machinery, oil, plastics, automobiles, irons, and steels. Major export of Lao PDR to Malaysia are mining products (copper), wood products, coffee, agricultural products, textile. Lao PDR is able to access Malaysia's market with low import duties under the AISP and CEPT scheme.

### **ASEAN Integration Systems of Preferences (AISP)**

Since 2003, Malaysia has granted duty free of 83 tariff lines (8-digit HS Code) to Lao PDR under the AISP scheme. Those products consist of wood products, silversmith, gold, groundnuts, and textiles.

### **ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT)**

Under the CEPT scheme, Malaysia's import duties are 0 to 5% for almost every tariff line (14,335 products, 8-digit HS Code). There are only 32 tariff lines that have a tariff rate of more than 5%, and 6 tariff lines that have tariff rate of 20%. Some tariff lines such as fruits and rice are still kept at high tariff rates.

In 2007 Norway imported a total of US\$ 77.24 billion and was ranked as the world 40<sup>th</sup> import markets and accounted for 0.56% of the world's imports. Its major imports include machinery, equipments, chemicals, metals, and consumption products. Lao PDR exports few products to Norway such as industrial products (mainly textiles and garments) and wood products. Lao PDR is a beneficiary of the GSP granted by Norway to LDCs.

### **Generalized System of Preferences for LDCs**

Norway introduced GSP scheme in March 1971. Since 2002, Norway had granted GSP with duty-free and quota-free market access for all products from LDCs. There are 64 low-income countries that are eligible for GSP scheme including Lao PDR.

## People's Republic of China

China is one of the biggest import markets in the world. Its key trading partners are the United State of America, Hong Kong, Japan, R.Korea, Germany, and Chinese-Taipei. In 2007, its value of exports and imports reached US\$371.8 billion. China's main import commodities are machinery and equipment, oil and mineral fuels, plastics, Light Emitting Diode (LED) screens, data processing equipment, optical and medical equipment, organic chemicals, steel, and copper.

For Lao PDR, China is a second largest trading partner after Thailand. The GoL and China have set a target to increase bilateral trade value of US\$ 1 billion by 2006-2010. In October 2008, Lao-China trade was worth more than US\$ 348 million. Major exports of Lao PDR to China are mining, agricultural products, handicraft, forestry products, wood and wood products, and furniture. Lao PDR has market access opportunities to Chinese market in several ways.

### **ASEAN-China Free Trade Agreement (ACFTA)**

ASEAN-China Free Trade Area (ACFTA) and the Framework Agreement on Comprehensive Economic Cooperation were established in November 2001 and were signed in 4 November 2002 during the ASEAN-China Summit in Phnom Penh, Cambodia marked the beginning of a process of setting up ACFTA within ten years.

### **Special Preferential Tariff - SPT**

The Framework Agreement on Comprehensive Economic Cooperation is main text of the establishment of ACFTA that focus on reducing tariffs, removing non-tariff barriers between ASEAN and China, and realizing facilitation of trade and

investment. According to the agreement China and the six original ASEAN Member States (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand), and China and the CLMV (Cambodia, Lao PDR, Myanmar, and Vietnam) will eliminate import duties for products listed under normal track by 2010 and 2015 respectively. The Framework Agreement also aims to stimulate faster trade liberalization between the two Parties in specific fields mutually. China committed to help the CLMV to facilitate their integration more effectively and to bridge the development gaps among the Parties. Based on this initiative, Lao PDR has received unilateral preferential treatment from China that covers 330 tariff lines, which enjoys zero tariff rates.

### **Early Harvest Program - EHP**

The Framework Agreement additionally established an Early Harvest Programme (EHP), which aims to reap the immediate concessions offered by the Parties. The EHP allows the reduction of tariff for agricultural products listed in Chapter 1-8<sup>7</sup> of the HS Code. A key element of the EHP is that China has also offered unilateral concession to ASEAN members. ASEAN's exports to China cover all product in HS Chapters 1-8 whereas China's export to ASEAN are not all covered in Chapters 1-8. Therefore, ASEAN is allowed to come up with exclusion lists indication in the items for which they would not grant tariff concession to China. The implementation timeframe of the EHP differs between the older members of ASEAN and China, and the CLMV and China.

As for Lao PDR and China, the implementation of tariff reduction under the EHP was begun on 1<sup>st</sup> January 2006 and import duties of all tariff lines are eliminated by 1 January 2009.

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<sup>7</sup> Chapters 1-8 (live animals, meat and edible meat offal, fish, dairy produce, other animal products, live trees, edible vegetables and edible fruits and nuts)

There are 56 tariff lines at the 6-digit level (HS Code) that Lao PDR excludes from the EHP. While China places 178 tariff lines at the 8-digit level (HS Code) in the exclusion lists. In total China has reduced import duties of 372 products mainly agriculture to Lao PDR.

### **Asia-Pacific Trade Agreement (APTA)**

Under the APTA, China offers two lists of tariff reduction to Lao PDR as follows:

- National List of Concessions consists of 1,967 tariff lines including live animals, fishes and fish products, agricultural products, vegetables, industrial products, wood products, leather, and garments. The highest MoP is 100% and the lowest MoP is 5%.
- List of special concessions to LDC members consists of 161 products including fishes and fish products, vegetables, agricultural products, garments, and leather products. The highest MoP is 100% and the lowest MoP is 20%.

### **Border Trade**

In 1990s, the Chinese Government adopted special policies to boost economic development and border trades in the border areas between China and its neighboring countries including Lao PDR. Residents, who live in the border areas, are exempted from taxation on the import of daily products at a small scale below RMB 3,000 (US\$ 360). In November 2008, China increases the import value ceiling to RMB 8,000 (US\$1,171.3).<sup>8</sup>

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<sup>8</sup> Website of the Ministry of Commerce of China

## **Chinese-Taipei's Preferential Tariff Treatment**

Since 10 January 2006, Chinese-Taipei has granted preferential tariff treatment to 50 LDCs including Lao PDR. Hence, Lao PDR is eligible for duty free and quota free market access of 125 products to Chinese-Taipei.<sup>9</sup>

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<sup>9</sup> Taiwan Times

## Republic of Korea

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R. Korea is the world's thirteenth largest import country. In 2007 its total imports were US \$ 356.8 billion accounting for 2.5% of the total world imports. R.Korea trades with 207 countries in the world. Lao PDR is ranked at the 83<sup>rd</sup> import sources of R.Korea in 2007. Lao PDR' major exports include wood products, mineral, metal, handicrafts, industrial products, garment, agricultural products, and coffee. Lao products have opportunities to access R.Korea market with special tariff treatment in three ways.

### **Preferential Tariff Treatment for LDCs**

On 1<sup>st</sup> January 2000, R. Korea implemented preferential tariff treatment for LDCs, including Lao PDR. Recently, R. Korea has offered duty-free and quota free market access for 253 products (6-digit HS Code). These products consist of 60 chapters listed in the Harmonized Tariff Nomenclature such as fishes, shrimps, fruits, beans, coffees, cigarettes, wood products, clothes, metals, gold and others.

### **ASEAN-Korea Free Trade Agreement (AKFTA)**

ASEAN-Korea Free Trade Agreement was signed in 2004 leading to the FTA negotiation between R. Korea and ASEAN which was successfully concluded and signed in December 2005. The R. Korea is committed to reduce tariff rate on the products listed in the Normal Track. Tariff reduction and elimination modality are as follows:

- R. Korea has gradually reduced tariff rates to Lao PDR for 5,060 tariff lines (6-digit HS Code), the implementation of tariff rates will be started in 2010 onwards.

- 4,734 tariff lines shall be brought for tariff elimination in 1 January 2010.
- 326 tariff lines mostly cover garment and electronic products shall be brought for tariff reduction to 0-5% on 1 January 2016.

### **Asia-Pacific Trade Agreement (APTA)**

Under the APTA, R. Korea offers Lao PDR two lists of tariff reduction. These are as follows:

- National List of Concessions consists of 1,367 products (10-digit HS Code) including live animals, fishes and fish products, agricultural products, vegetables, minerals, garments, industrial products, leather (listed in chapters 3 to 95 of the Harmonized Tariff Nomenclature). The highest MoP is 50% and the lowest MoP rate is 10%.
- List of special concessions to LDC members consists of 306 products (10-digit HS Code) including fishes and fish products, vegetables, agricultural products, garments, industrial products and leather (chapters 3 to 95 of the Harmonized Tariff Nomenclature). The highest MoP is 100% and the lowest MoP is 20%.

## Russian Federation

Russia is one of the biggest import markets in the world. Main trading partners of Russia are Netherlands, Italy, Germany, Turkey, Belarus, Ukraine, China, Japan, US, R.Korea, and Italy. In 2007, its exports and imports reached US\$ 78.31 billion. Main imports of Russian Federation are machinery and equipment, consumption goods, medicines, meats, sugar, and semi-finished metal products.

Lao PDR and Russia signed Bilateral Trade Agreement in 1976. Although trade volume between the two countries remains small, both countries continue to strengthen and broaden their trade relation and cooperation. The main export products of Lao PDR to Russia include garments, medicines, footwear, and agricultural products. Lao PDR is a beneficiary for GSP scheme granted by Russia.

### **Generalized System of Preferences**

In 1992, Russia implemented the Generalized System of Preferences in favor of 102 developing and 50 least developed countries. A list of products that are granted GSP to developing and least developed countries is unified. It consists of 65 tariff lines (4 and 6 digits HS Code), accounting for approximately a quarter of Russia's tariff lines. With in 65 tariff lines it consist of agricultural products (33 items), industrial products (11 items), textiles & clothing (11items), wood & wood products (04 items), furniture (03 items), medicament (01 item), and work of art & antique (01 item). All products covered by this scheme and originated from LDCs are in principle given a duty-free and quota-free market access to Russia.

## Socialist Republic of Vietnam

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In 2007 total import of Socialist Republic of Vietnam stood at US\$ 59 billion, ranking Vietnam as the world's 42<sup>nd</sup> import market. Major imports of Viet Nam include crude oil, machinery and spare parts, steel and steel products, and textiles.

Lao PDR and Viet Nam have a long establishment of economic and trade relation. A Bilateral Trade Agreement was signed on 9<sup>th</sup> March 1998 based on that agreement on 28 July 2005, The Ministry of Industry and Commerce of Lao PDR and Viet Nam concluded a Lao-Viet Preferential Tariff Arrangement which allows exports from each country to enjoy tariff reduction and exemption for some goods originated from both sides. Over the period of 2001 to 2008, trade relations between the two countries have been developed and have grown significantly. The Lao-Viet Preferential Tariff Arrangement was amended on 17 January 2009.

### **Lao-Viet Preferential Tariff Arrangement**

The Lao-Viet Preferential Tariff Arrangement broadened product coverage of export from Lao PDR to Vietnam which include electric rice cookers, electric fans, the pressure in juice, spare parts of motorcycles, Beer Lao, tobacco, coffee, rice in the husk, corns, and mineral products.

Under the Lao-Viet Preferential Tariff Arrangement all products originated from Lao PDR shall enjoy import duties of 0% from Vietnam except for a list of goods receiving 50% preferential tariff reduction of Vietnam's CEPT rate, which consists of 32 items (10 digit HS Code)<sup>10</sup>, and a list of goods that are excluded from preferential import duties from Vietnam, consist of 155

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<sup>10</sup> Annex 1b, Lao-Viet Preferential Programme

items (10 digit HS Code).<sup>11</sup> For some sensitive products such as rice, tobacco Viet Nam grants preferential import duties of zero percent by imposing import quotas which is valid until 2010. The import quota for rice is allocated for 40,000 tons per year. Rice is categorized into semi-milled or wholly milled rice, whether or not polished or glazed (HS 1006.10.00.90); fragrant rice (HS 1006.30.19.00); Glutinous rice whether semi-milled or wholly milled, whether or not polished or glazed (HS 1006.30.30.00); and other rice whether semi-milled or wholly milled, whether or not polished or glazed (HS 1006.30.90.00). The import quota for tobacco is allocated for 3,000 tons per year. The tobacco is categorized into Virginia type, flue-cured, not stemmed/stripped (HS 2401.10.10.00), Virginia type, not flue-cured, not stemmed/stripped (HS 2401.10.20.00), other, flue-cured (HS 2401.10.30.00), other, not flue-cured (HS 2401.10.90.00), Virginia type, partly or wholly stemmed/stripped, flue-cured (HS 2401.20.10.00), Burley type, partly or wholly stemmed/stripped (HS 2401.20.40.00), and tobacco stems (HS 2401.30.10.00).

Moreover, there are some products that are imposed import quotas for overall import of Viet Nam namely poultry eggs (HS 0407.00.91, 0407.00.92, 0407.00.99), salt (HS 2501), raw sugar and sugar (HS 1701). The export of those products from Lao PDR to Viet Nam can enjoy zero import duty if a volume of exports does not exceed overall import quotas of Vietnam.

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<sup>11</sup> Annex 2b, Lao-Viet Preferential Programme

## Switzerland

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In 2007 Switzerland's total imports stood at US\$ 187.1 billion, ranking it as the world 21<sup>st</sup> import market. Its imports accounted for 1.36% of the world total imports. Major imports of Switzerland include machinery, chemicals, automobiles, metals, agricultural products, and textiles. Lao PDR exports some products to Switzerland namely agricultural products (sticky rice), industrial goods (textiles, beer, etc), handicrafts, and mines (copper and diamond). Lao PDR is a beneficiary of GSP scheme that Switzerland grants to LDCs.

### **Generalized System of Preferences**

Switzerland introduced GSP scheme in March 1972 which provided duty-free for large number of products (all industrial goods and some of agricultural goods). Following the conclusion of Uruguay round, Switzerland undertook a thorough revision of its GSP scheme which came into force on March 1997. In particular, the preferences for LDCs have been extended so the product coverage includes large numbers of agricultural products but with quantitative restriction. For industrial goods under Chapters 25 to 97, their import duties are eliminated with no quantitative restriction except for textile and clothing which are granted 50% tariff reduction from MFN rate. In 2007, Switzerland introduced duty-free and quota-free market scheme for LDCs covering all products with exception of broken rice, animal feed, cane and beet sugar and chemically sucrose in solid form. This GSP scheme has unlimited timeframe.

## Turkey

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In 2007 total import of Turkey was US\$ 162 billion and it is ranked at 22<sup>nd</sup> of the world import markets. Its import accounts for 1.2% of the world's total imports. Turkey's major imports include machinery, chemicals, semi-finished goods, petroleum, and transportation equipments. Lao PDR exports very few products to Turkey such as garments and some industrial goods and its export value is relatively low. Lao PDR is a beneficiary of Generalized Systems of Preferences that Turkey grants to LDCs.

### **Generalized System of Preferences of Turkey to LDCs**

On the 1<sup>st</sup> of January 2002, Turkey granted Generalized System of Preferences to all LDCs including Lao PDR. The GSP granted by Turkey is similar to the EU's system. Lao PDR is eligible for duty-free and quota-free access to Turkish markets for all industrial products falling under chapters 25-97 (except chapter 93) and for some agricultural products covered by a customs union between Turkey and EU.

## The United States of America

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The United States of America is the world's largest importing country, its total imports in 2007 was US\$ 2,020.4 billion contributing 14.2% of the world's imports. Major imports of the United State include cruel oil and petroleum, luxury goods, mobiles, consumption goods, raw materials for manufacturing, food and beverage. The United States trades with 232 countries around the world. Lao PDR is ranked as its 182<sup>nd</sup> trading partners in 2007 moving up from the 193<sup>rd</sup> in 2005. Main export of Lao PDR to the US consist of apparel and clothing accessories knitted or crocheted; coffee, tea, mate and spices; apparel and clothing accessories not knitted or crocheted; works of art, collector's pieces, or antique; and others.

Lao PDR has established Normal Trade Relation (NTR) with the United States as a result of a signatory to a Bilateral Trade Agreement (BTA). However, Lao PDR is not a beneficiary of the GSP that the United States grants to some LDCs.

### **Agreement on Trade Relations between Lao PDR and the Untied States of America**

In 1997, Lao PDR launched and concluded a negotiation on Trade Relation Agreement with the United States which was signed on 18 September 2003. Lao PDR was granted "Permanent Normal Trade Relation or PNTR" by the US Parliament in late 2004, following the ratification of the Lao-US BTA by the Lao National Assembly, Lao PDR acquired the NTR status and the BTA officially entered into force in February 2005. The Lao-US BTA is composed of 40 Articles with four main provisions: trade in goods, trade in services, trade-related intellectual property, and general provisions. Most of provisions under the BTA are based on the WTO's principles

such as Most Favor Nation (MFN), National Treatment (NT), Transparency, and Market Access (MA).

The BTA enables Lao products to access the US market at MFN rates that are imposed for 228 trading partners of the US except People's Republic of Korea and Cuba. Before the NTR exports of Lao PDR to the United States faced with an average import duties of 45%, and now the average import tariff is only 1.93%

Import duties on agriculture products, mainly coffee, green tea, and tropical fruits, are relatively low (1.10% on average). Indeed the United States has very liberal tariffs due to many rounds of negotiations under the WTO. There are 632 agricultural and industrial products enjoyed zero import duties. However, for some products such as clothing and other textile products i.e. footwear and umbrella products their import duties remain high on average 12.86% and 15.87% respectively. The fact that Lao PDR is not eligible for GSP granted by the United States puts local producers of clothing at a disadvantage compared to other US-GSP beneficiary countries such as Africa and Caribbean.

Moreover, the United States prohibits and restricts imports of some products such as alcohol, live animals and animal products, certain types of medicines, gun and arms and military arms, fruits, beans, meat and meat products, live poultry and poultry products, petroleum and petroleum products, and vegetables. Importation of such products, thus, requires an authorization by a special body of the US; for instance, importing of fruits, vegetable, and beans must get an approval from the Department of Agriculture.

# STEPS TO CONSIDER BEFORE EXPORT





In order to utilize the market access opportunities mentioned above, there are steps that need to take into consideration.

**Step 1:** Check HS Code and check whether import duty is exempted or not.

**Step 2:** Check whether products to be exported are listed on a list of preferential treatment granted by an importing country given that some products might be excluded from the list.

**Step 3:** Check Origin's requirements of a product. For detailed information, please contact the C/O Division, Import-Export Department, Ministry of Industry and Commerce.

**Step 4:** Check consignment conditions as there might be regulations of a particular importing country required a direct shipment of a product without warehousing or processing in the third country.

**Step 5:** Prepare a certificate of origin according to its requirements with an approval from the Import - Export Department, or a provincial department of industry and commerce.

**Step 6:** Submit all necessary documents regarding the exports to Custom Office of an importing country.

The aforementioned steps accommodate the export of products receiving the preferential tariff treatments under the GSP and the FTA. For an ordinary export like, exports to the US; it does not require a Certificate of Origin (CO). However, following document must be submitted to the Customs Office of the importing country.

- Commercial invoices
- Packing lists
- Lists of imported goods
- Bill of landing, airway bill, carrier's certificate
- Other relevant document required by an importing country

# LISTS OF REQUIRED FORMS TO BE ABLE TO EXPORT





<b>No</b>	<b>Countries</b>	<b>Schemes</b>	<b>Required Form</b>
1.	Canada, Switzerland, Norway, Turkey, Russia, Japan	Generalized Systems of Preference (GSP)	Form-A
2.	European Union (27 countries)	Every Thing But Arms (EBA)	Form-A
3.	R Korea, Chinese-Taipei	Preferential Tariff Treatment for Least Developed Countries	Form-C/O for R Korea, Form-C/O for Chinese-Taipei
4.	Thailand, Malaysia, Indonesia, Brunei, Philippines	ASEAN Integration Systems of Preferences (AISP)	Form-AISP
5.	ASEAN Member Countries	ASEAN Free Trade Area/ Common Effective Preferential Tariff (AFTA/CEPT)	Form-D
6.	China	Special and Preferential Treatment (SPT)	Form-SPT
7.	China	Early Harvest Program (EHP)	Form-E
8.	China, R.Korea, India	Asia-Pacific Trade Agreement (APTA)	Form-C/O for APTA

9.	R.Korea	ASEAN-Korea Free Trade Agreement (AKFTA)	Form-AK
10.	Japan	ASEAN-Japan Free Trade Agreement (AJFTA)	Form-AJ
11.	Vietnam	Lao-Viet Preferential Tariff Arrangement	Form-S
12.	Australia	Australia System of Tariff Preferences (ASTP)	Commercial invoice
13.	India	India's Duty Free Tariff Preference Scheme for Least Developed Countries	Form-DFTP

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[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/rules\\_origin/preferential/article\\_781\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/article_781_en.htm)
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**TABLES OF TARIFF  
CONCESSION UNDER  
PREFERENTIAL TREATMENTS  
PROVIDED ON CD-ROM**





- 1. Australia**
  - List of products under the ASEAN-Australia-New Zealand Free Trade Agreement (AANFTA) of Australia
  
- 2. Brunei Darussalam**
  - List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Brunei
  
- 3. China**
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  - List of products under the Special and Preferential Treatment (SPT)
  - List of products under the Preferential Tariff for Least Developed Countries of Chinese-Taipei
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- 5. Indonesia**
  - List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Indonesia

## **6. Japan**

- List of products under Japan's Generalized System of Preferences to Least Developed Countries
- List of products under the ASEAN-Japan Free Trade Agreement (AJFTA) of Japan

## **7. Malaysia**

- List of products under the ASEAN Integration Systems of Preferences (AISP) of Malaysia
- List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Malaysia

## **8. Philippines**

- List of products under the ASEAN Integration Systems of Preferences (AISP) of Philippines
- List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Philippines

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- List of products under Preferential Tariff for Least Developed Countries
- List of products under the ASEAN-Korea Free Trade Agreement (AKFTA) of Korea
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  - National List of Concession
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- List of products under Russia's Generalized System of Preferences to Least Developed Countries

### **11. Thailand**

- List of products under the ASEAN Integration Systems of Preferences (AISP) of Thailand
- List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Thailand

### **12. Turkey**

- List of products under Turkey's Generalized System of Preferences to Least Developed Countries

### **13. Vietnam**

- Annex 1b: List of goods enjoying a 50% tariff reduction pursuant to Lao-Viet Preferential Program
- Annex 2b: List of goods exempted from Vietnam's tariff reduction pursuant to Lao-Viet Preferential Program
- List of products under ASEAN Free Trade Area/Common Effective Preferential Tariff (AFTA/CEPT) of Vietnam