



USAID
FROM THE AMERICAN PEOPLE

Business Perceptions Survey *Trade Liberalization in Laos*

**Lao PDR-U.S. International and ASEAN
Integration Project (LUNA II)**

April 2015

This publication was produced by the LUNA II Project at the request of the Lao PDR Ministry of Industry and Commerce (MOIC) and the United States Agency for International Development/ Regional Development Mission for Asia (USAID/RDMA).

Business Perceptions Survey *Trade Liberalization in Laos*

Lao PDR-U.S. International and ASEAN Integration Project (LUNA II)

Submitted: April 2015

Contract No. AID-OAA-I-12-00039, Task Order AID-486-TO-14-00003

Contract/Agreement Period: March 21, 2014 thru September 20, 2018

COR: Sait Mboob

Counterpart: Ministry of Industry and Commerce, Lao PDR

Submitted by

Ashok Menon, Chief of Party

Nathan Associates Inc.

Ban Naxay, Unit 41, Building 429, 5th Floor

Saysettha District, Vientiane, Lao PDR

Tel: +856 20 760 24886

DISCLAIMER

This document is made possible by the support of the American people through the United States Agency for International Development (USAID). Its contents are the sole responsibility of the author or authors and do not necessarily reflect the views of USAID or the United States government.

Contents

Acknowledgements	i
Abbreviations and Acronyms	iii
Executive Summary	v
1. Introduction	1
2. Comparison with Other Recent Business Surveys	3
3. Methodology	5
4. Sample Characteristics	9
5. Survey Findings: Engagement with International Trade	13
6. Survey Findings: Trade Policies and Practices	29
7. Survey Findings: Maximizing the Benefits of Trade for Lao PDR	39
8. Summary and Conclusions	47
Appendix A. Graphical Data Summary	54
Appendix B. Data Summary Table	81
Appendix C. Business Perception Survey Questionnaire	95
Appendix D. Coding for Open-ended Questions (see Section 7)	109
 Tables	
Table 3-1. Sample Design—Number of Businesses in Each Size Category	6
Table 4-1. Actual Sample Count by Business Size and Province	9
Table 4-2. Sample Count by Business Size and Number of Full-time Jobs	10
Table 4-3. Sample Count by Business Size and Sector	11
Table 4-4. Sample Count by Business Size and Gender of Ownership	12
Table 4-5. Sample Count by Business Size and Nationality of Ownership	12
Table 5-1. Involvement in Export Sales, by Business Size and Province	14
Table 5-2. Involvement in Export Sales, by Sector and Type of Ownership	15

Table 5-3. Prospects for Export Growth: Number Replying "Yes" by Business Size	17
Table 5-4. Prospects for Export Growth: Number Replying "Yes" by Sector	19
Table 5-5. Number of Actions to Increase Export Sales, by Business Size	20
Table 5-6. Number of Actions to Increase Export Sales, by Sector	21
Table 5-7. Rating of Constraints on Exporting by 199 Respondents	22
Table 5-8. Percent of 127 Exporters Rating a Constraint as Important or Critical, by Exporter Size and Manufacturers	23
Table 5-9. Count of Dependence on Imported Inputs, by Business Size	25
Table 5-10. Count of Dependence on Imported Inputs, by Sector	25
Table 5-11. Count of Plans for Adjustment to Import Competition, by Business Size	27
Table 5-12. Count of Plans for Adjustment to Import Competition, by Sector	27
Table 6-1. Count of Experience with Trade Practices, by Business Size and Export Experience	30
Table 6-2. Count of Experience with Trade Practices, by Sector	31
Table 6-3. Count of Serious Problems with Trade Practices, by Business Size and Export Experience	32
Table 6-4. Percentage of Companies Well Informed on Trade Issues, by Business Size and Export Experience	33
Table 6-5. Do Trade Agreements Help or Hinder Your Business?	34
Table 6-6. Main Sources of Information on Trade Policies and Practices	36
Table 6-7. Can "Companies like yours" get "Useful information or assistance?"	37
Table 7-1. Measures to Enhance Benefits from Exports	40
Table 7-2. Measures to Enhance Access to Imported Inputs	41
Table 7-3. Measures to Facilitate Adjustment to Import Competition	43
Table 7-4. Differences in Dealing with Trade, Due to Gender of Ownership	45
Table 7-5. Measures to Facilitate Trade for Female Business Owners	46

Acknowledgements

The Business Perceptions Survey: Trade Liberalization in Laos was designed on behalf of the LUNA II program by a study team from Nathan Associates Inc. consisting of Bruce Bolnick (Team Leader), Phil Rourk, and Mallory Holding, under the guidance of LUNA II Chief of Party Ashok Menon. The fieldwork was managed and conducted by the local consulting firm, Enterprise Development Consultants (EDC), a LUNA II subcontractor, with oversight from the study team. The present report on the survey findings was mainly written by Dr. Bolnick, and includes contributions from Mr. Rourk, Ms. Holding, and Stewart Pierce-Gardner from Nathan Associates.

Abbreviations and Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Agreement
BPS	Business Perceptions Survey
DIMEX	Department of Imports and Exports (MOIC)
EBA	Everything But Arms preferences (EU)
EDC	Enterprise Development Consultants
GoL	Government of Lao PDR
GIZ	Deutsche Gesellschaft Internationale Zusammenarbeit
HRDME	Human Resources Development for a Market Economy Project
ILO	International Labor Organization
LBF	Lao Business Forum
LNCCI	Lao National Chamber of Commerce and Industry
MOIC	Ministry of Industry and Commerce
NSB	National Survey of Businesses (ILO & LNCCI)
PCCI	Provincial Chambers of Commerce and Industry
TBT	Technical Barriers to Trade
TPPD	Trade and Product Promotion Department (MOIC)
USAID	United States Agency for International Development
WTO	World Trade Organization
YEA	Young Entrepreneurs Association

Executive Summary

This paper presents the results of a recent survey on business perceptions of trade liberalization in Laos—called the Business Perceptions Survey, or BPS. The goal of the BPS was to obtain data on how businesses in Lao PDR are experiencing, perceiving, and adjusting to opportunities and challenges created by international trade, at a point in time two years after the country’s accession to membership in the World Trade Organization. Compared to other recent business surveys, the primary contribution of the BPS stems from its in-depth focus on trade. The survey findings can therefore provide an agenda for public-private dialogue on trade issues, and a basis for prioritizing further reforms and donor programs aimed at enhancing the benefits of trade for the Lao economy.

The survey covered a stratified random sample of 287 enterprises drawn from a master list of 1,746 companies in four business hubs: Vientiane Capital, Champasak, Savannakhet, and Luang Prabang. Given the survey’s focus on trade, large and medium-sized firms were sampled more than proportionally. Even with this sampling methodology, small businesses still comprised 55 percent of the participants, compared with 25 percent being large companies and 20 percent medium-size. The sample also has the following key features:

- 47 percent consisted of businesses in which women have at least half ownership.¹
- 83 percent of the businesses are wholly Lao-owned.
- 32 companies in the agro-forestry sector, 76 manufacturers, 44 tourism-related service businesses and 135 businesses in “other services” (including wholesale/retail trade).

MAIN RESULTS

Experience with Trade - Exports

The BPS defined exports as the sale of goods or services to customers who are residents of another country. With this definition, the main results are that:

- 44 percent of the BPS participants reported export sales.²
- One-fifth of the respondents benefit from *export linkage effects* (i.e., the sale of inputs to other local producers, who then sell to export markets).

¹ This figure is based on 257 companies that provided information on gender ownership

² These figures include *indirect exports* through third party traders.

- Tourism-related businesses have the highest reported incidence of export sales (82 percent).
- More than two-thirds of the foreign-owned companies have export sales, compared to 39 percent of Lao-owned businesses.

Among companies that report export sales:

- The most frequent export markets are Thailand, Europe, China, and other ASEAN countries (led by Vietnam).
- Nearly three-fourths of these companies report that export sales have been stable or growing over the past two years.

Over the next two years, nearly one-third of the respondents, overall, envision new or increased export sales. The leading prospects identified for export growth include not only Thailand and China, but also the EU, Japan, and other ASEAN countries.

The BPS shows that the opportunities for trade are encouraging local businesses to improve efficiency and competitiveness, especially among larger businesses. One-third of the full sample said that they are taking steps to increase export sales. The most frequently cited actions are improvements in operational efficiency, product quality, and worker training.

Echoing other business surveys in Lao PDR, the BPS found that the two leading constraints to export success are the shortage of skilled labor (42 percent) and availability of trade finance (32 percent). Six other factors were rated as important or critical constraints by at least one-fifth of the respondents: transportation costs and logistics delays; inadequate production volume; inadequate Internet access; the cost of trade finance; and tariffs or taxes on imported goods.

Experience with Trade - Imports

On the import side of the trade ledger, a remarkable 80 percent of the respondents indicated that they depend to a “significant extent” on supplies of imported goods or services.³ This finding validates the government’s commitment to trade reform.

Import liberalization, however, also entails costs for some businesses. When respondents were asked about import competition:

- Half stated that they are facing import competition in the domestic market.
- 14 percent perceive import competition as a “critical” problem.
- 17 percent expect that import competition will be a “critical” problem over the next two years.

The difficulties with import competition are not negligible in scope. Attention should therefore be paid to adjustment problems faced by local businesses and their workers. Global experience demonstrates that the answer is not a reversion to protectionism, but rather progressive policies designed to improve the business climate, support the development of SMEs with the capacity to compete effectively, facilitate job transitions, and create conditions for reallocation of capital from non-competitive activities to businesses with favorable prospects for survival and growth.

³ Excluding fuel and minor items such as office supplies

Experience with and Awareness of Trade Policies and Practices

The survey asked if companies have had *direct experience* with fourteen specified trade practices or regulations, such as trade licensing, customs procedures and pre-shipment inspection. 44 percent of the respondents answered “No” to every item on the list. A large majority of companies report that they have not encountered serious problems with any of the indicated items. Nonetheless, there is considerable scope for actions to simplify some of the systems, with top priorities being the paperwork for import licensing and procedures for customs clearances.

The BPS also identified a strikingly low level of awareness of major trade agreements and national trade policies, such as WTO membership. Only one item on the list – membership in ASEAN—is well known to more than one-sixth of the respondents. Clearly, much work needs to be done to disseminate information about major trade agreements and policies.

Most respondents see no significant effect of these agreements on their business. This, perhaps, is additional evidence of a need to increase awareness of these policies. Among those who do perceive an effect, the vast majority of them regard trade agreements as helping, not hindering their business.

Directions for Reform

The final module in the survey asked respondents for their views on “steps that can be taken to enable local producers to gain maximum benefits from the opportunities created by opening the economy to trade.” These open-ended questions addressed measures to enhance or facilitate: (1) the benefits from exports; (2) access to imports, including imported inputs and finished products for resale; (3) adjustments to import competition; and (4) gender equity in dealing with trade procedures.

To enhance the benefits from exports, the most frequently cited measures were the following:

- Reforms to make customs and regulatory procedures simpler and quicker.
- More concerted efforts to promote exports of Lao products.
- Further reforms to trade laws and policies to reflect local conditions, consistent with international obligations and local conditions.

To facilitate access to imported inputs (including imported inputs and finished products for resale), two suggestions stood out: lower import tariffs for business inputs; and—here, again—reforms to streamline regulations and customs procedures. The latter category included not only the usual calls for less red tape, but also recommendations to clarify tariff code classifications and definitions, allow imports to clear without the use of agents, and establishment of a single window or one-stop shop to assist importers.

To facilitate adjustment to import competition, the most prominent priority was—for the third time—reforming customs regulations and procedures. In this case the comments had an added emphasis on ensuring that rules are more strictly applied, presumable to control illicit imports. The second most common response involved calls for protectionism. This is to be expected. The problem is that erecting protectionist barriers would run counter to the government’s international commitments and its objective of creating a more open economy. Also, the ultimate effect of protectionism is usually to shield inefficiency. Two other frequently mentioned priorities are better aligned with the government’s outward-looking development strategy:

- Helping local businesses to improve product quality.

- Actively promoting domestic products, locally and internationally.

Finally, the survey probed the issue of gender equity in dealing with international trade. Surprisingly, nearly two-thirds of the respondents (63 percent) do not perceive any such gender differences. Among those who did see disparities, the most frequent responses reflected gender stereotyping rather than any problems with the trading systems and procedures. Participants were asked to identify policies or actions to facilitate international trade transactions for women. The two most frequent proposals involved assisting women with employment and business opportunities, and strengthening policies and laws relating to gender equity.

CONCLUSIONS AND RECOMMENDATIONS

The most important overall finding from the BPS is that a large majority of the participating companies are benefiting from international trade. Fully 80 percent of the respondents are benefiting through access to imported inputs to their business, and nearly half are involved with export sales. Trade liberalization has also stimulated many local businesses to take steps to improve efficiency and competitiveness. At the same time, the survey found that some local businesses face serious problems coping with import competition. In addition, more than a few exporters encounter problems with various trade procedures or regulations; these issues merit attention from the authorities.

The BPS found a remarkably low level of knowledge about trade policies and trade agreements. Nonetheless, the predominant view among respondents, by far, is that the trade policies are more helpful than harmful to local businesses.

The foregoing results suggest a number of recommendations for action:

Trade procedures

- Identify practical measures for streamlining customs operations, trade licensing procedures, and international transportation logistics.

Outreach and communication

- Arrange more seminars and workshops to enhance knowledge in the business community about trade policies, international trade agreements, trade procedures, sources of information on trade, and the underlying benefits of international trade for the Lao economy.
- Develop and implement a sustained public information campaign, using all available media, to inform the public at large about the benefits of trade, and, over time, create an “export culture” throughout the economy.
- Establish trade information desks within major business organizations, including LNCCI and industry associations serving subsectors with substantial involvement in trade.
- Ensure that private sector associations have the tools, resources, and technical support needed to serve as effective advocates of for the business community in dialogue with the government on trade issues, and valuable sources of information for members on these issues.

Competitiveness

- Pursue aggressive policies for training the work force and supporting businesses in training workers, accompanied by a study of the incentives affecting retention of skilled workers in Lao PDR.

- Develop specific programs to assist small and medium-sized enterprises to develop capacity to export through exposure to export markets, knowledge of quality standards and regulations in new markets, adaptation of productive technologies, and the development of management and technical skills.
- Pursue more urgently reforms to the overall business environment, in order to reduce excessive costs of doing business in Lao PDR and create an attractive climate for both foreign and domestic investment.
- Establish “innovation incubators” to promote entrepreneurship, particularly in areas with potential for export growth.
- Consider providing adjustment assistance for companies that are seriously affected by import competition, and labor market programs to assist workers who are displaced by import competition.
- Reform the tax law to eliminate disincentives for training, as currently faced by employers.
- Consider relaxing restrictions on the hiring of skilled workers from outside Lao PDR to ameliorate the skills shortage, and as a stepping-stone for training local workers to higher skill levels.
- Conduct a study on the sources of import competition that is critically affecting local businesses. Is the economic harm due to illicit or unfair trade practices, or the normal play of market forces?
- Develop language-training programs aimed at small and medium-size businesses that seek to expand into international markets.

International promotion of Lao products

- Assist local businesses to attend regional or international trade fairs, especially businesses that are relatively new to international trade.
- Evaluate the availability of financing to support not only long-term investment for increasing production, but also the exploration and development of new export markets.

Gender equity

- Establish programs targeting woman-owned businesses for training in business management skills and trade practices.
- Help women become more visible as business role models through special awards or incentive policies, including possibly an annual award for women who succeed in export markets.

Business surveys

- Effectively disseminate findings and conclusions from each business survey, and inform businesses about reforms or programmatic outcomes that result from such surveys.
- Development systematic channels for coordination between donors in conducting business surveys.
- Establish a more complete and up-to-date master list or registry of businesses that various organizations can use to draw samples for business surveys.

Other research

- Study possible actions to expand export benefits through upstream linkage effects.
- Identify policies or innovations that can expand access to, and lower the cost of trade credit, without jeopardizing bank portfolio quality.

- Conduct studies on strategies for expanding specific Lao exports to large markets beyond the immediate borders, including the EU, the United States, and possibly India.
- Assess the impact of rapid growth in natural resource exports on the exchange rate, the competitiveness of other industries, and implications for macroeconomic policy.

Finally, while this report is focused on international trade issues, it is essential also to recognize the fundamental importance of establishing an overall business environment that will create a strong foundation for maximizing the gains from trade. This includes appropriate macroeconomic policies, legal and regulatory reforms, and the “Doing Business” agenda of microeconomic reforms, in order to encourage efficient investment, foster the growth of competitive industries, and create productive new jobs for the people of Lao PDR.⁴

⁴ See: <http://www.worldbank.org/en/country/lao/publication/lao-pdr-development-report-2014>. In the area of macroeconomic policy, exchange rate management can be especially important for Lao PDR. The natural resources boom in exports of electrical power and minerals puts pressure on the kip to appreciate. This, in turn, can reduce the competitiveness of other local industries in export markets, while also intensifying import competition in the domestic market.

I. Introduction

This paper presents the results of a recent survey on business perceptions of trade liberalization in Laos -- hereinafter called the Business Perceptions Survey, or BPS. The BPS was carried out between November 2014 and January 2015, with funding and technical support from the LUNA II project of the United States Agency for International Development (USAID),⁵ in cooperation with the Laos National Chamber of Commerce and Industry (LNCCI) and the Ministry of Industry and Commerce (MOIC). The goal of the survey was to obtain detailed information on how businesses in Lao PDR are experiencing, perceiving, and adjusting to the opportunities and challenges created by international trade, two years after the country's accession to membership in the World Trade Organization (WTO). The timing is also significant in light of the imminent launch of the ASEAN Economic Community.

The backdrop for the survey is the deep and enduring commitment of the government of Lao PDR to meeting its international commitments on trade policies, and creating an attractive business environment in which the private sector can reap the benefits from trade. The BPS is intended to provide the Government, business leaders, development partners, and other stakeholders with an agenda for public-private dialogue on trade issues, and a basis for prioritizing further reforms and donor programs aimed at enhancing the benefits of trade for the Lao economy. With this aim in mind, the BPS was structured to allow a comparative analysis of firms according to size, geographic location, sector of economic activity and gender of their majority owners.

The paper is organized as follows. Section 2 provides a brief explanation of how the BPS was designed, and how it adds value to the findings from other recent business surveys in Laos. Section 3 explains the survey methodology. Section 4 shows key attributes of the businesses that participated in the study. The heart of the paper comes in sections 5, 6 and 7, which present the survey findings. Specifically, section 5 examines how businesses in Laos are engaging with international trade, looking in turn at exports and imports; section 6 addresses private sector experience with and views on trade policies and procedures; section 7 reviews suggestions by the respondents regarding priorities for further reform of the international trade regime. Chapter 8 closes with a summary of the main results and conclusions.

The report also includes four appendixes. Appendix A provides a set of graphs giving a visual summary of key findings. Appendix B provides a summary tabulation of the BPS data. Appendix C contains the BPS questionnaire. Appendix D provides descriptive notes to explain the category labels used for coding answers to the open-ended questions discussed in Section 7.

⁵ The Lao PDR – U.S. International and ASEAN Integration (LUNA II) project Contract No. AID-OAA-I-12-00039/ Task Order No.: AID-486-TO-14-00003, awarded on March 24th, 2014.

2. Comparison with Other Recent Business Surveys

The BPS was undertaken in the wake of several other surveys that examined business conditions in Laos, including the World Bank's 2012 Enterprise Survey (ES2012), the 2013 HRDME survey from GIZ, and a National Survey of Businesses (NSB) in 2014 by the International Labour Organization (ILO) and LNCCI.⁶ The multiplicity of studies raises the question of how the BPS adds value to insights generated by previous surveys.

The primary contribution of the BPS stems from its in-depth focus on trade. The HRDME study had a much broader scope: to “offer comprehensive data on enterprise performance and business environment conditions in Laos.”⁷ The study covered a wide range of issues including constraints to doing business, investment behavior, production conditions, labor skills, training needs, use of technology, and financing of businesses. It included one module on Challenges of Globalization and Regional Integration, which comprised 3 of the survey's 107 questions.

The ES2012 had an even broader focus, covering the following objectives:⁸

- To provide statistically significant business environment indicators that are comparable across all of the world's economies;
- To assess the constraints to private sector growth and enterprise performance;
- To build a panel of establishment-level data that will make it possible to track changes in the business environment over time, thus allowing, for example, impact assessments of reforms and policy changes; and
- To stimulate policy dialogue on the business environment and to help shape the agenda for reform.

Issues covered in the ES2012 included: production capacity; production costs; innovation; permits; crime; corruption; sales; labor force; and finance, among other things. The summary report produced by the World Bank has one page on trade, involving the following items: percentage of firms exporting;

⁶ HRDME = the Human Resource Development for a Market Economy project. GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

⁷ GIZ (2014), *HRDME Enterprise Survey 2013 for Lao PDR*, p. 13.

⁸ World Bank, *The World Bank's Enterprise Survey: Understanding the Questionnaire*, January, 2011. Available at <http://www.enterprisesurvey.org>.

percentage of firms using imported inputs; average time to clear exports and imports through customs; and losses for exporters due to theft or breakage. Hence, the survey addressed only a few trade issues, and had no questions on the WTO or ASEAN.⁹

The aim of the NSB was to identify challenges and opportunities facing businesses in Lao PDR, while helping LNCCI represent its members by contributing to debate about government policies and priority areas of reform. Given the ILO's involvement, the NSB emphasized labor market issues. The treatment of trade in this study focused on business reactions to establishment of the ASEAN Economic Community (AEC), planned for 2015. Notably, however, a recent study on the AEC concluded that the Community will almost certainly not come into force in 2015, and that a single market for ASEAN members may not materialize until 2020 or even 2025.¹⁰

While all three of these recent surveys included trade questions, the BPS survey provides a much more detailed picture of how different segments of the business community perceive and respond to international trade policies and practices in Laos. The BPS therefore adds considerable value to our understanding of how businesses in Lao PDR are dealing with the opportunities and challenges of international trade.

⁹ The World Bank and IFC, *Enterprise Surveys: Lao PDR Country Profile 2012*, 2012. Available at <http://www.enterprisesurveys.org/data/exploreeconomies/2012/lao-pdr>.

¹⁰ Asian Development Bank and the Institute of Southeast Asian Studies, 2014, *The ASEAN Economic Community: A Work in Progress*. ISEAS Publishing, Singapore.

3. Methodology

The methodology for the BPS involved five steps: (1) the questionnaire design; (2) the sample design; (3) management of the field operations; (4) procedures for data processing and cleaning; and (5) data analysis. This section provides an overview for each step.

QUESTIONNAIRE DESIGN

The BPS was designed to cover trade issues that are important to stakeholders.¹¹ A draft version was sent for review and discussed with LNCCI, GIZ, local subcontractor EDC, the World Bank, MOIC's Department of Imports and Exports (DIMEX), a gender expert engaged by LUNA II, and USAID (as the funding agency). Valuable comments were taken fully into account in revising the survey instrument. The questionnaire was drafted in English and translated to Lao by a language expert for the LUNA II project. The translation was carefully vetted by EDC in the course of training enumerators. Final revisions were made in response to issues encountered during the pretesting.

SAMPLE DESIGN

The BPS survey was designed as a stratified random sample covering urban or peri-urban businesses in four provinces that are business hubs in the center, north, and south regions of Lao PDR: Vientiane Capital, Champasak, Savannakhet, and Luang Prabang.

The methodology started with a sampling frame consisting of merged business lists totaling 1746 firms from five sources: samples used in recent surveys by GIZ and the Asian Development Bank; membership lists from LNCCI and the Young Entrepreneurs Association (YEA); and the *Lao Producers Directory* (2013) from the Trade and Product Promotion Department (TPPD) under the Ministry of Industry and Commerce. The composition of the sampling frame was defined by the availability of data on business names with contact information. The study team did not have access to a comprehensive listing of the full population of businesses registered with the tax authority.¹² Also, an enterprise registration list from MOIC was not used due problems in that data set with outdated contact information and incomplete recording of business closures. The sampling frame also excluded large-scale mining companies, to focus

¹¹ Appendix B replicates the full questionnaire. The final module—Section E—was included to provide information requested by the funding agency, USAID. Results for that section are not covered in the present report.

¹² The GIZ survey did have access to the full list of 94,583 businesses registered with the tax authority, to use as a master frame for selecting their sample of survey of 722 enterprises. Our use of the GIZ survey list can be regarded as a representative sample of the full universe of businesses registered with the tax authorities. The other lists used to compile the BPS sampling frame were expected to be more representative of businesses likely to have experience with international trade and knowledge of trade policies and practices.

on how the broader business community is responding to trade liberalization. Finally, enterprises located outside urban or peri-urban areas were excluded, on grounds of travel logistics.

Drawing from that sampling frame, the target sample size for the BPS was set at 270 firms. This number was based on a statistical analysis reported by the World Bank in a methodology paper for the Bank's Enterprise Surveys worldwide.¹³ The Bank's analysis established $n=270$ as the minimum sample size for achieving a precision level of five percent on survey results in small countries using disaggregation into three groups, such as large, medium and small enterprise.

Small firms (i.e., those with less than 20 employees) predominated in the sampling frame. Specifically, 852 of the 1746 firms on the list were small; 186 were medium size (20-99 employees); and 138 were large (100+ employees). For the other 570 entries in the master list, no prior information was available on firm size. The classification by size is the main focus below in the analysis of survey results.

Given the trade focus of the BPS, we oversampled large and medium-sized firms in order to generate an adequate sample for each size stratum. Another reason for oversampling large and medium-size firms was our expectation that they are more likely to engage in trade and better informed about trade policies, compared to small businesses. Larger firms are also likely to account for a large fraction of trade flows. To obtain statistically reliable result for large firms, it was important to ensure an adequate sample size within this size cohort. This would not have been the case using equal probabilities across the full sampling frame.

More specifically, after stratifying the master list by firm size and by province we applied a sampling ratio of 1:2 for large firms, 1:3 for medium-size firms, 1:10 for small firms, and 1:8 for entries that lacked prior information on size. This procedure generated an actual sample size of $n=287$. Table 3-1 summarizes some key characteristics of the sample, as per the design:

Table 3-1. Sample Design–Number of Businesses in Each Size Category

Province	Large	Medium	Small	Size not available	Totals
Champasak	6	10	20	52	88
Luang Prabang	1	8	13	2	24
Savannakhet	10	9	20	2	41
Vientiane Capital	52	35	32	15	134
Total	69	62	85	71	287

The large weight for Vientiane Capital is appropriate given this region's dominance in the economy. It is consistent, too, with data from the tax department's registry of enterprises for 2012-2013 as reported by

¹³ World Bank, *Enterprise Survey and Indicator Surveys: Sampling Methodology*, August, 2009. The Bank's ES2012 for Lao PDR used a sample size of exactly $n=270$, including 144 micro/small businesses (<20 employees), 92 medium size businesses (20-99 employees) and 34 large businesses (100+ employees). Source: data details at www.enterprisesurveys.org accessed 11 September 2014.

GIZ in the HRDME survey, and our decision to oversample medium and large firms, which are concentrated in the capital region.^{14 15}

In anticipation of non-response by some of the targeted firms, we pre-defined a substitution rule for selecting replacements, while preserving the equal-probability condition needed to obtain a representative random sample from the universe of enterprises covered by the master list. This explicit substitution rule proved to be very important for the survey implementation.

SURVEY IMPLEMENTATION

Fieldwork for the BPS was handled by Enterprise Development Consultants (EDC), a local consulting firm with substantial prior experience conducting surveys. Under guidance from the LUNA II team, EDC had responsibility for training enumerators, pre-testing the questionnaire (after translation to Lao), pre-arranging interviews, managing field logistics, and ensuring quality control at all stages of the operation.¹⁶ EDC enumerators were instructed to administer the questionnaire only to owners or senior managers of the participating business.

The fieldwork was expected to take four weeks. It actually took just over ten weeks, from November 12, 2014, through January 28, 2015 (excluding the year-end holiday period). The extended time frame was due to issues with scheduling and rescheduling interviews, transportation logistics, the departure of several trained enumerators, and delays relating to the year-end holiday.

Non-response turned out to be much more prevalent than expected; 46 percent of the interviews (133 out of 287) required substitutions. This included 21 large companies, 25 medium-sized businesses, 49 small businesses, and 38 enterprises for which size was not known in advance. Three factors account for the high rate of substitution: 68 target firms could not be reached due to invalid contact information or businesses closure. Another 33 could not be reached due to problems with distance and travel logistics. And in 32 cases the owners or senior managers were unavailable or refused to participate. Other recent business surveys also reported problems reaching target businesses due to faulty contact information or unwillingness to participate. Lack of cooperation was slightly more common among large companies as a reason for non-response (8 of 21 non-response cases) than among medium-size (7 of 25) or small-scale (8 of 49) businesses. Fortunately, these problems were anticipated in the sample design through a clear substitution rule that avoided loss of sample size or resort to arbitrary replacement methods.

¹⁴ According to the tax data, Vientiane Capital accounted for 57% (29,221 out of 50,960) of enterprises registered in the four provinces of interest here. (HRDME study, page 36.)

¹⁵ The study team originally intended to stratify the master list also by gender, to ensure proportional representation by women-owned businesses. Due to lack of gender data up front, it was not possible to implement this aspect of the sample design.

¹⁶ During the scheduling of interviews, a few respondents asked to receive the questionnaire in advance to fill out by themselves. The LUNA team agreed to this approach, in cases where the respondent was insistent, with the condition that enumerators still visited the company to collect the form and review it on-the-spot for accuracy and completeness.

DATA PROCESSING AND CLEANING

As questionnaires were collected they were checked for completeness and accuracy both in the field and again at EDC's head office. EDC also handled the data entry (using SPSS version 17 software), data cleaning, and quality control. Quality control included using two-person teams for data entry, with spot-checking by supervisors. In addition, LUNA II consultants programmed automated consistency checks in SPSS to ensure that the coded values fell within the correct range of values, and that responses were consistent across questions, where relevant. EDC followed up by re-checking apparent inconsistencies (of which there were few). EDC then transmitted the resulting data set in SPSS and Excel formats to the LUNA II team for analysis.

DATA ANALYSIS

The LUNA study team was fully responsible for the data analysis, the tabulation of results, and interpretation of the findings.

4. Sample Characteristics

This section presents descriptive statistics on attributes of the businesses that participated in the BPS. Table 4-1 shows the distribution of participating firms by size and province—the two criteria used for stratification of the sample. The geographic distribution conformed closely to the intended sample design, with 47 percent of respondents located in Vientiane Capital; 31 percent in Champasak; 14 percent in Savannakhet; and 8 percent in Luang Prabang.

Table 4-1. Actual Sample Count by Business Size and Province

Province	Large	Medium	Small	Total
Champasak	10	13	66	89
Luang Prabang	1	3	20	24
Savannakhet	8	7	25	40
Vientiane Capital	52	35	47	134
Total	71	58	158	287

Notes: Small = <20 employees; Medium = 20-99 employees; Large=100+ employees.

SOURCE: BPS, calculations by LUNA II.

The sample distribution by firm size, however, was weighted more heavily than expected with small businesses. As explained earlier, the BPS defined a small business as one with fewer than 20 employees, a medium-size business as one with 20-99 employees, and a large business as one with more than 100 employees. In 27 cases, the respondent fell into a smaller size category than indicated in the initial master list. Also, most of the sample taken from the list of businesses without prior size data turned out to be small. The resulting sample therefore comprised 158 small enterprises (55 percent of respondents), 58 medium-size enterprises (20 percent) and 71 large businesses (25 percent).

For comparison, GIZ's HRDME study used a sample comprised of 85 percent small enterprises (using the BPS categorization), 12 percent medium-size, and just 3 percent large.¹⁷ The GIZ sample is more representative of the overall business population in Lao PDR. As explained earlier, however, we deliberately oversampled medium and large firms for the BPS, due to its focus on international trade. This was necessary in order to obtain statistically representative results for those size cohorts, given the overall sample size for the BPS.

¹⁷ GIZ, *op. cit.*, p. 44.

Looking at the employment data in more detail (see Table 4-2), businesses in the BPS sample report a total of 46,487 full time workers, including 18,905 women, or 41 percent of the total. They also report 3,206 part-time employees, of which 1,147 (36 percent) are women. Even though more than half of the BPS respondents are small businesses, the large companies account for 90 percent of the recorded full-time jobs; this includes 9 enterprises with 1,000 or more employees each. Small businesses account for only 1,061 (2 percent) of the jobs within the BPS sample.¹⁸ The percentage of jobs held by women is approximately the same across size categories, at 38 percent for small and medium size businesses, versus 41 percent for large firms. On average, each small business has 8 employees, compared to an average of 49 employees per medium-size businesses and 596 employees for large businesses in our sample.

Foreign controlled firms account for the largest share of employment in agroforestry, manufacturing and tourism, while Lao firms are the largest employers in other services. The latter finding is partly due to the classification of electricity generation and distribution companies as service enterprises. Across all sectors, employment is greater in companies with export sales than in companies selling only to the domestic market.

Table 4-2. Sample Count by Business Size and Number of Full-time Jobs

Full-time Employees	Large	Medium	Small	Total
Senior managers	629	200	274	1,103
- of which women	199	78	121	398
Other full-time employees	41,692	2,631	1061	45,384
- of which women	17,092	1,012	403	18,507
Total full-time employees	42,321	2,831	1,335	46,487
- of which women	17,291	1,090	524	18,905
Average jobs per business	596	49	8	--

SOURCE: BPS, calculations by LUNA II.

Table 4-3 shows the composition of the BPS sample by sector and size. The service sector dominates the sample with 179 participants (62 percent), of which 44 enterprises (15 percent) are tourism-related (defined as the hotel/restaurant/tourism industry). The sample included just 6 enterprises in agriculture and forestry, as such. This is not a surprise considering that the sample frame included only urban and peri-urban locations. For our analysis, however, it is more useful to examine performance among businesses that are part of the agriculture supply chain rather than using a narrow definition of the sector. Including agribusinesses gives a sample size of 32 for this sector – hereinafter referred to as “agro-forestry.” This re-classification shifts several manufacturers to agro-forestry, leaving a sample size of 76 respondents in the manufacturing sector as defined here.

Small businesses account for the majority of observations in three of the four sector categories; the exception is manufacturing, where large businesses predominate.

¹⁸ The employment numbers in our sample are not representative of the overall business population, given that our trade-focused methodology deliberately oversampled larger businesses. For the nation as a whole, small businesses would be far more heavily represented than in our sample.

Table 4-3. Sample Count by Business Size and Sector

Sector	Large	Medium	Small	Total
Agro-forestry	6	7	19	32
Manufacturing (excl. agribus.)	37	13	26	76
Tourism-related services	6	8	30	44
Other Services	22	30	83	135
Total	71	58	158	287

SOURCE: BPS, calculations by LUNA II.

Nearly half of the overall sample comes from the “other services” sector, which includes wholesale/retail trade. Just over half of the small and medium-size businesses are also in that sector. The manufacturing sector, however, accounts for just over half of the large businesses in our sample. In proportional terms, large businesses represent 49 percent of the manufacturing companies, and 19 percent in agro-forestry, 14 percent in tourism services, and 16 percent in other services.

Turning to attributes by type of ownership, Tables 4-4 and 4-5 show the BPS sample count by gender and nationality of ownership, respectively, with a breakdown by business size.¹⁹ One-tenth of the respondents did not provide information on gender of ownership. These were mostly large businesses, suggesting that the non-response may have been due to an actual lack of available information on corporate equity holdings by gender, for companies having tradable shares or foreign control.

We use the term “woman-owned” for businesses in which women have at least half ownership. Among the companies providing data on the gender of ownership, 47 percent are woman-owned, compared to 53 percent that are male majority or fully male-owned. The high incidence of ownership by women reflects the large number of small and medium size businesses in the BPS sample. For large businesses that responded to this question, 78 percent reported having majority male ownership. By sector, the share of women-owned businesses is highest in agroforestry (55 percent) and tourism (51 percent), and lowest in manufacturing (43 percent). Overall, the finding of approximate gender balance seems to indicate a relatively high degree of cultural acceptance of women in business in Lao PDR, especially for small businesses. Male ownership is predominant, however, among large-sized companies; this suggests that gender differences or constraints are still limiting the role of women in business.

¹⁹ The World Bank’s Enterprise Survey (ES) for Lao PDR reports on “woman-owned” businesses based on a question asking whether the business has *any* ownership by women. Usually one thinks of “women owned” as meaning at least a 50% share, not a 1% share. Given the difference in definitions, the BPS results on gender of ownership cannot be compared to results given in the ES.

Table 4-4. Sample Count by Business Size and Gender of Ownership

Gender of Ownership	Large	Medium	Small	Total
100% woman owned	6	15	62	83
50-99% woman owned	5	6	27	38
Majority male owned	8	6	1	15
100% male owned	30	26	65	121
Gender data not available	22	5	3	30
Total	71	58	158	287

SOURCE: BPS, calculations by LUNA II.

Regarding nationality of ownership, it is no surprise to find that the vast majority of BPS participants — 78 percent overall—were wholly Lao-owned; indeed, locals had at least half ownership in 90 percent of the businesses. For medium-size businesses, 83 percent were locally owned, and Lao nationals had at least half ownership in 88 percent of the enterprises. Even among large firms in the sample, 75 percent had Lao nationals owning at least half, with 44 percent being fully owned locally. This outcome is important in light of the fact that the master list for drawing the BPS sample included sources that should have favored larger and more international firms, such as the LNCCI and TPPD lists. The implication is that Lao PDR has not yet managed to attract a large number of foreign investors, despite the extensive reforms that have been implemented over the past decade.

Table 4-5. Sample Count by Business Size and Nationality of Ownership

Nationality of Ownership	Large	Medium	Small	Total
100% Lao owned	31	48	145	224
50-99% Lao owned	22	3	10	34
Majority foreign owned	4	3	2	11
100% foreign-owned	14	4	1	18
Total	71	58	158	287

SOURCE: BPS, calculations by LUNA II.

Among the businesses that are foreign owned or controlled, 25 provided the location of their foreign headquarters. Nine of these companies originated from Thailand, three each from Vietnam and China, and two each from Singapore and Australia. Other investors came from the Japan, Taiwan, Cambodia, the Netherlands, Belgium and the United States, all with one each in the BPS sample.

As a final sample attribute to be discussed here, female owners or senior managers answered the survey for 188 of the participating businesses, or about two-thirds of the overall sample. Female respondents were most frequent for large businesses, representing 76 percent of the sample in the stratum, compared to 71 percent for medium-size business and 59 percent for small businesses. The gender of the respondents will be pertinent for the discussion in sections 6 and 7 on whether women-owned businesses are perceived to face special problems in dealing with international trade procedures.

5. Survey Findings: Engagement with International Trade

This section examines survey results for the module on the experience of businesses in Lao PDR with exports and imports.

EXPORTS

In order to gather accurate data on business experience with export activities, it was important to avoid ambiguity by providing respondents with a clear definition of the term. The questionnaire explicitly stated that an “export” involves goods or services that are produced in Laos and sold to individuals, companies or other customers who are residents of a foreign country. In the case of tourism and other services, the activity itself may take place in Laos, but is considered an export sale if the buyer is not a resident of Laos. The survey also addressed *indirect* benefits from exports through two channels: sales to non-residents via a third-party trader; and *upstream linkage effects* via a significant level of local sales of inputs to a major exporting company. In addition to information on existing export activities, this module also asked about prospects for export growth in 2015, steps being taken to enhance export competitiveness, and major constraints to success with exports.

Export Sales

In response to a yes/no question on *involvement with export sales*, 44 percent of the businesses surveyed for the BPS (i.e., 127 out of 287) answered in the affirmative (Table 5-1).²⁰ As expected, this proportion is higher for large businesses (68 percent) than for medium-sized businesses (45 percent) or small enterprises (34 percent). By province, just under half of the respondents in Champasak, Luang Prabang and Vientiane Capital report having export sales, whereas only 27 percent in Savannakhet have foreign customers. Among the subset reporting export sales, 28 companies indicated that 100 percent of their sales are to foreign customers; for another 5 companies, at least 90 percent of sales are to foreign

²⁰ The World Bank’s Enterprise Survey in 2012 found that 28 percent of the firms had export sales, either directly or indirectly through an intermediary. The higher number in the BPS is partly due to the heavier weight of medium and large size firms in our sample. But the results by also differ by size cohort, especially for small businesses (where the ES reports 19 percent with exports, versus 34 percent in the BPS) and medium-size firms (33 percent in the ES versus 45 percent in the BPS). For large firms, the two surveys yield similar results (66 percent in the ES versus 68 percent in the BPS). This suggests that the difference is due mainly to the BPS definition of export sales to include not just physical exports but also the sale of services to non-residents. Finally, part of the difference may be due to a genuine increase in export sales over the intervening three years.

customers. Fully 68 companies report that exports account for at least half of total sales, with 102 companies indicating an export share of at least 10 percent of sales.

Readers should bear in mind that the BPS master list included sources such as the LNCCI and TPPD containing companies that are more likely to trade, compared to the general business population. Also, the sample was weighted towards obtaining adequate representation of large and medium-size businesses. Hence, it would be a mistake to extrapolate the data on export activity to the entire economy. Instead, these findings should be regarded as facts about a representative sample of the types of companies included in the original master list, as described in Section 3 above.

Table 5-1. Involvement in Export Sales, by Business Size and Province

	Export Sales			Percentage of Respondents Exporting	
	Yes	No	Totals	Yes (%)	No (%)
Large	48	23	71	68	32
Medium	26	32	58	45	55
Small	53	105	158	34	66
Total	127	160	287	44	56
Champasak	43	46	89	48	52
Luang Prabang	11	13	24	46	54
Savannakhet	11	29	40	27	73
Vientiane Capital	62	72	134	46	54
Total	127	160	287	44	56

SOURCE: BPS, calculations by LUNA II.

The export figures given above include 14 cases in which some of the exports are channeled *indirectly* through third party traders; this group includes 5 large companies, 1 medium-size business, and 7 small enterprises. For 8 of these companies, indirect exports account for at least 10 percent of total sales.

In addition, 57 respondents reported benefiting from exports through *linkage effects*, i.e., by selling “a significant amount of products or services” as inputs to export enterprises. Examples could include the sale of local goods and services to export-oriented companies in electricity, mining, agroindustry, garments, wood products, or companies in the Special Economic Zone. More than half of these companies (54%) benefited from export sales solely through such linkage effects. Within this group of respondents, export linkages averaged 31 percent of total domestic sales (with a median value of 29 percent).

Regarding the *direction of trade*, among the 127 companies that are engaged in export sales:

- 73 have sales to Thailand (including 46 cases for which this market accounts for at least 10 percent of total sales);
- 30 sell to Vietnam (including 11 cases where this market represents at least 10 percent of total sales);
- 33 sell to other ASEAN countries (with 15 exceeding the 10 percent mark);

- 39 sell to China (with 16 exceeding the 10 percent mark);
- 86 companies sell to other export markets (with 64 exceeding the 10 percent mark), including:
 - 48 companies exporting to Europe
 - 22 to the USA
 - 21 to Japan
 - 9 each to England and Korea
 - a few mentions, each, of Australia, Canada, Scandinavia and Mongolia.

Table 5-2 summarizes again the incidence of export sales, this time by economic sector and type of ownership. Again, exports are defined as sales to customers who are not resident in Lao PDR. For the agro-forestry industry and related agribusiness, 56 percent of respondents reported having export sales. Corresponding figures are 55 percent for manufacturing, 82 percent for tourism-related services, and 23 percent for other service businesses.

Table 5-2. Involvement in Export Sales, by Sector and Type of Ownership

	Engagement in Export Sales			Percentage of Respondents Exporting	
	Yes	No	Total	Yes (%)	No (%)
Agro-forestry	18	14	32	56	44
Manufacturing (non-agroindustry)	42	34	76	55	45
Tourism-related services	36	8	44	82	18
Other services	31	104	135	23	77
Total	127	160	287	44	56
At least 50% woman owned	50	71	121	41	59
Majority male owned	61	75	136	45	55
Gender not available	16	14	30	53	47
Total	127	160	287	44	56
At least 50% Lao owned	91	144	235	39	61
Majority foreign owned	36	16	52	69	31
Total	127	160	287	44	56

SOURCE: BPS, calculations by LUNA II.

Turning to exports by *gender of ownership*, the survey revealed a well-balanced picture. Export sales were reported by 41 percent of woman-owned firms and 45 percent of male-owned firms. (The figure was 53 percent among firms that did not identify the gender of ownership.)²¹ For *ownership by nationality*, the survey results show that nearly 70 percent of foreign-owned companies have export sales, compared to 39 percent of Lao-owned firms.

²¹ As noted above, non-response on this question could be due to lack of gender data on equity holding for companies with tradable shares or foreign control.

Growth in Export Sales

The survey also asked about the trend in export sales over the past two years, which is the period since the country's accession to the WTO. (Companies without export sales skipped this question.) The responses reveal encouraging trends for export growth under trade liberalization. Overall, 73 percent of the respondents reported that export sales have been stable or growing, including 80 percent of companies that export to markets beyond ASEAN or China. Sales were also stable or growing for 80 percent of the companies engaged in indirect exports through linkage effects. For comparison, sales to the domestic market were stable or growing for 77 percent of the BPS respondents.

Looked at by export market, the results are as follows:

- For exports to neighboring ASEAN countries, 32 companies reported sales growth, 30 had stable sales, while 22 had declining sales.
- For exports to other ASEAN countries, 13 companies reported sales growth, 10 had stable sales, while 11 had declining sales.
- For exports to China, 17 companies reported sales growth, 14 had stable sales, while 13 reported declines.
- For exports to other markets, 30 companies reported sales growth, 40 had stable sales, while only 14 indicated a decline in sales.

When the reported export trends are decomposed by business size, the main findings are as follows.²²

- Most large firms with export sales have seen stable or growing sales to all markets over the past two years, including: 96 percent of the companies selling to neighboring ASEAN countries; 100 percent of those with sales to other ASEAN countries; 88 percent on exports to China; and 84 percent on exports to other countries.
- The export trends are somewhat less favorable for medium-size firms: 75 percent have stable or growing exports to neighboring or other ASEAN countries and 67 percent on exports to China. But 93 percent of companies in this cohort report stable or favorable trends on exports to other external markets.
- The export trends are lower still for small businesses; in this cohort, only 60 percent report stable or growing sales to neighboring ASEAN countries, 38 percent on sales to other ASEAN partners, and 58 percent on sales to China.

Looking at the export trends by economic sector, between 68 percent and 82 percent of the exporters in each sector reported stable or growing export sales to virtually all markets.

These are encouraging numbers, but they also imply that more than a few companies have been experiencing a decline in export sales over the past two years, including up to 40 percent of small export businesses. In addition, most of the responses on export growth fell in category of “increasing slowly,” rather than “increasing rapidly.” These findings therefore merit more thorough study, especially in the context of exchange rate movements that have been driven by strong growth in primary product exports.

²² For the data on export trends, most cells in the decomposition matrix have relatively few observations. These findings should be taken as indicative only.

The results also suggest that new programs may be needed to incubate local businesses—especially small businesses—that have demonstrated the potential for exports, so that they can achieve and sustain more rapid growth in sales to external markets.

Participants were asked next to look forward: do they envision new or increased export sales to various potential markets? Nearly one-third of all respondents answered affirmatively (92 out of 287—including businesses having no current export sales). Table 5-3 records the “yes” responses by business size and export market. There is a sharp division here by business size. Among large businesses, 66 percent envision export growth, compared to 34 percent of medium-size businesses and 16 percent of small enterprises. Among companies that do envision export growth, the most frequently cited market prospects for new or additional sales are to Thailand (48 cases), the EU (41), China (39), and Japan (36). Substantial interest was also indicated for growth in exports to Korea, the United States, Australia/New Zealand, and other ASEAN countries. Furthermore, 62 percent of the companies in this group indicated that non-ASEAN markets other than China are a “high priority” for export sales. Other leading priorities were the EU (cited 34 times) and Japan (28 times).

Another point of interest is that 11 companies envision prospects for exports to India. Yet India was not cited by anyone as an existing market for export sales. This observation suggests that the Lao government might pursue more energetic approaches to the development of trading relations with India.

Table 5-3. Prospects for Export Growth: Number Replying “Yes” by Business Size

Potential Market	Large	Medium	Small	“Yes” Total
“Yes” on export growth	47	20	25	92
“Yes” for specific markets				
Thailand	24	10	14	48
European Union	23	6	12	41
China	22	7	10	39
Japan	18	8	10	36
Korea	12	8	6	26
USA	15	4	5	24
Australia/New Zealand	10	4	5	19
Other ASEAN	8	2	8	18
India	6	1	4	11
Other	3	2	1	24
Total “Yes” Responses	141	52	75	268
<i>Memo: businesses per size group</i>	71	58	158	287

Note: “Other ASEAN” was not asked separately on questionnaire; this count was done manually from “specify” responses.

SOURCE: BPS, calculations by LUNA II.

Table 5-4 provides another perspective on prospects for export growth, this time showing the breakdown by economic sector. From this perspective, the main result is that half of the companies in agroforestry

and in manufacturing see good prospects for export growth. For manufacturers, the most promising markets include Japan and the United States, in addition to Thailand, the EU, and China.

Table 5-4. Prospects for Export Growth: Number Replying "Yes" by Sector

Potential Market	Agro-forestry	Manu- facturing	Tourism- related	Other services	"Yes" Total
"Yes" on export growth	16	37	16	23	92
"Yes" for specific markets					
Thailand	8	15	9	16	48
European Union	6	23	6	6	41
China	9	13	6	11	39
Japan	5	16	8	7	36
Korea	4	9	6	7	26
USA	3	15	3	3	24
Australia/New Zealand	3	8	6	2	19
Other ASEAN partners	4	5	2	9	20
India	2	3	3	3	11
Other	3	2	0	1	6
Total "Yes" Responses	43	107	49	69	268
<i>Memo: businesses per sector</i>	32	76	44	135	287

Note: "Other ASEAN" was not asked separately on questionnaire; this count was done manually from "specify" responses.

SOURCE: BPS, calculations by LUNA II.

About one-third of the Lao-owned firms (32 percent) expect a significant increase in export sales.²³ This distribution is very different between firms that are already exporting and those that are not: 58 percent of the former report favorable prospects for export growth, compared to just 11 percent of non-exporters. Even the latter number, however, is very interesting, because it shows that more than one-tenth of the Lao-owned companies with no current export sales envision breaking into external markets over the next two years. Among the current Lao-owned exporters, fully 82 percent of tourism companies and over 50 percent of agroforestry and manufacturing firms expect to increase exports. Agroforestry firms see their best prospects for growth in China and Thailand; manufacturers in the EU and the USA; and tourism companies in Thailand and Japan.

Measures to Increase Export Sales

To follow up on the prospects for export growth, the BPS asked respondents whether they are *"taking any steps or actively planning strategies to increase your export sales?"* This question addresses what should be a very important dynamic benefit from trade liberalization (i.e., the expansion of trading opportunities should create incentives for businesses to improve efficiency and competitiveness). The results show that this process is indeed emerging in Lao PDR, especially among larger businesses.

Specifically, the question asked about ten types of actions or strategies that businesses might be pursuing to enhance export sales. Nearly one-third of the sample (93 companies) responded affirmatively to the

²³ Data for this breakdown are available on request from the LUNA II office.

question, while 50 others are not presently taking steps or planning strategies to boost export sales. The other half of the sample (144 companies) indicated that the question is not relevant to their operations.

Table 5-5 shows further details for the subsample of 93 companies that are taking action to increase export sales, with a breakdown by size. The table shows that larger firms are more active in this regard: 43 of these firms (61 percent of the total for this size category) identified specific actions to boost exports, as did 22 medium-size businesses (38 percent) and 30 small businesses (19 percent). The actions cited most frequently include:

- Improving operational efficiency (65 businesses);
- Improving product quality (60 businesses);
- Improving training for workers (56 businesses).

The actions cited least often were reducing prices, seeking information on foreign customers from official sources, and attending international trade fairs. Interestingly, small-scale businesses outnumbered larger ones in reporting price cuts, and matched the number of large firms in seeking international sales through the Internet. The *proportion* of small businesses taking these actions, however, is still quite small.

Nevertheless, one possible take-away message here is that Internet development and computer training could be important tools for leveraging export sales by small businesses.

Table 5-5. Number of Actions to Increase Export Sales, by Business Size

Actions	Large	Medium	Small	Total
1. Improve operational efficiency	33	15	17	65
2. Improve product quality	30	16	14	60
3. Improve packaging or marketing	22	9	12	43
4. Reduce prices	5	6	8	19
5. Expand capacity to fill larger orders	25	11	9	45
6. Modernize equipment/machinery	23	14	7	44
7. Attend international trade fairs	10	8	5	23
8. Pursue international sales via Internet	12	3	12	27
9. Foreign market information from Lao govt. or foreign embassies	10	5	4	19
10. Improve training for workers	26	13	17	56
11. Other	3	2	6	11
Actions per company	4.9	4.6	3.7	4.4

Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales.

SOURCE: BPS, calculations by LUNA II.

Table 5-6 reexamines the steps being taken to enhance export sales, this time by economic sector. (Row totals in this table are the same as above.) Efficiency, quality and training are again the leading measures. A majority of the manufacturers in this subsample also cite improved packaging or marketing, and modernization of equipment. It is interesting to see that a majority of the tourism businesses cite Internet sales. The number of actions per company is highest in the agro-forestry sector, but this may be an artifact of the small sample size for that group, with only 10 observations.

Table 5-6. Number of Actions to Increase Export Sales, by Sector

Actions	Agro-forestry	Manuf.	Tourism-related	Other Services	Total
1. Improve operational efficiency	8	25	15	17	65
2. Improve product quality	10	28	8	14	60
3. Improve packaging or marketing	7	22	5	9	43
4. Reduce prices	0	3	8	8	19
5. Expand capacity to fill larger orders	8	19	6	12	45
6. Modernize equipment/machinery	7	21	5	11	44
7. Attend international trade fairs	7	10	4	2	23
8. Pursue international sales via Internet	2	9	13	3	27
9. Foreign market information from Lao govt. or foreign embassies	4	8	2	5	19
10. Improve training for workers	5	19	18	14	56
11. Other	1	3	3	4	11
Actions per company	5.9	4.6	3.5	4.5	4.4

Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales.

SOURCE: BPS, calculations by LUNA II.

Constraints on Export Sales

The final topic on export performance addressed “constraints to selling products or services to external markets, regionally and internationally.” Respondents were asked to rate each of 18 issues on a scale of 1 to 4, where

- 1= not a constraint,
- 2= minor constraint,
- 3= important constraint,
- 4= critical constraint.

The question was posed with reference to “a company like yours,” to solicit views even from companies that currently have no export sales. With this phrasing, 199 participants (69 percent of the total sample) gave a rating for at least one of the listed constraint options. Table 5-7 summarizes the results. Two factors (highlighted in red) are viewed by at least 30 percent of the respondents as important or critical impediments to success with exports: shortage of skilled labor (42 percent), and availability of trade finance (32 percent). This finding is consistent with other recent business surveys, with a key difference in that the BPS results refer specifically to *export* constraints, rather than general problems of doing business in Lao PDR.

Six other factors (highlighted in gray in the table) are rated as being important or critical constraints to exporting by at least 20 percent of the respondents. (We will use the term “serious constraint” for these two ratings, combined.) This group of constraints includes transportation costs and logistics delays; inadequate production volume; inadequate Internet access; the cost of trade finance; and tariffs or taxes on imported goods. The last of these items is of special interest for the BPS because it shows that import levies can impair the exports. Notably, though, customs procedures at the border are not widely viewed as a constraint to export sales.

Table 5-7. Rating of Constraints on Exporting by 199 Respondents*Scale of 1 (not a constraint) to 4 (critical)*

Type of Constraint	1	2	3	4	Total	% Rated 3 or 4
1. Export licensing procedures	64	27	15	9	115	12
2. Customs forms and documents	67	38	19	8	132	14
3. Customs procedures at border	64	34	21	8	127	15
4. Transportation costs	59	36	29	20	144	25
5. Transportation or logistics delays	56	41	31	13	141	22
6. Information on external markets	73	27	19	4	123	12
7. Certification of rules of origin	70	18	9	10	107	10
8. Product quality standards	82	27	9	13	131	11
9. Certification of quality	69	28	12	11	120	12
10. Inadequate production volume	63	43	29	14	149	22
11. Inadequate Internet connectivity	81	34	25	14	154	20
12. Availability of trade finance	74	40	40	23	177	32
13. Cost of trade finance	70	40	29	16	155	23
14. Access to essential imported inputs	82	36	17	17	152	17
15. Tariffs or taxes on imported inputs	72	29	37	14	152	26
16. Export taxes	57	24	26	9	116	18
17. Lack of skilled labor	57	33	46	38	174	42
18. Contract process for international sales	62	32	16	5	115	11
19. Other	2	0	1	5	8	3

Notes: There were 199 respondents; 88 others did not rate any export constraints due to lack of knowledge.

1= not a constraint, 2= minor constraint, 3= important constraint, 4= critical constraint.

Gray shading highlights constraints that 20 percent or more respondents rated as important or critical; red shading highlights constraints that 30 percent or more of respondents rated as important or critical.

SOURCE: BPS, calculations by LUNA II.

The results are somewhat different when we restrict the analysis to the subset of 127 respondents that actually have export sales. Table 5-8 shows, for this group, the percentage that regard each listed item as a serious impediment to exports. The table also provides breakdowns by business size, and separately for companies in manufacturing. For this subset, the lack of skilled labor remains the most frequently cited constraint (39 percent of the respondents), followed by transportation costs (27 percent) and availability of trade finance (24 percent). Large companies and companies in manufacturing are most concerned with skilled labor constraints (rated as serious by 54 percent and 62 percent, respectively) and transportation costs (40 percent and 45 percent). Inadequate production volume is also widely cited as a serious constraint by large and medium-size businesses, as well as companies, regardless of size, in the manufacturing sector. Large businesses are much less likely than others to have problems with trade finance. For manufacturers, other leading constraints include tariffs or taxes on imported inputs and on exports.

Looking just at small businesses with export sales, only two constraints are identified as serious concerns by at least one-fifth of the respondents: lack of access to trade finance (named by 26 percent) and lack of skilled labor (23 percent). Interestingly, one constraint is cited more frequently by small businesses than by others: the contract process for international sales. Even for small businesses, though, this issue is identified a problem for just 11 percent of the exporters. Finally, among firms with no current export sales, wholesale and retail traders perceive the most serious constraints to be the availability and cost of trade finance, and the impact of tariffs and taxes on imports.

Table 5-8. Percent of 127 Exporters Rating a Constraint as Important or Critical, by Exporter Size and Manufacturers

Type of Constraint	Percent				
	All	Large	Medium	Small	Manufacturers
1. Export licensing procedures	9	4	15	9	10
2. Customs forms and documents	9	8	15	8	14
3. Customs procedures at border	13	8	19	13	17
4. Transportation costs	27	40	23	17	45
5. Transportation or logistics delays	20	25	27	11	29
6. Information on external markets	9	15	12	4	10
7. Certification of rules of origin	8	4	15	8	10
8. Product quality standards	9	13	12	6	17
9. Certification of quality	12	10	15	11	17
10. Inadequate production volume	20	29	27	9	36
11. Inadequate Internet connectivity	19	21	15	19	24
12. Availability of trade finance	24	15	35	26	33
13. Cost of trade finance	17	13	23	17	19
14. Access to essential imported inputs	14	21	12	9	26
15. Tariffs or taxes on imported inputs	17	21	8	17	31
16. Export taxes	17	15	23	17	31
17. Lack of skilled labor	39	54	42	23	62
18. Contract process for int'l sales	9	6	8	11	14
19. Other	2	4	0	2	7
Number of businesses, per category	127	48	26	53	42

Notes: Gray shading highlights constraints that 20 percent or more respondents rated as important or critical; red highlights constraints that 30 percent or more of respondents rated as important or critical.

SOURCE: BPS, calculations by LUNA II.

IMPORTS

Popular opinion often regards export expansion as the principle purpose of trade reforms and the main benefit for the economy. But essential benefits also obtain from imports. Indeed, a primary reason for exporting is to earn foreign exchange for purchasing imports. Easing restrictions on imports can deliver a range of important benefits including: broader choice and lower prices for consumers; better or less costly

access to imported inputs for local producers; new opportunities for local companies or investors to link into global production chains; and (last but not least), dynamic efficiency gains as local producers respond to the challenge of import competition in the domestic market. To be sure, import liberalization can also entail significant costs for local businesses who are unable to adjust to import competition through some combination of improved efficiency, better product quality, or shifting to viable new niches in the market.

In view of these considerations, the import module in the BPS included questions on both the benefits and costs from trade reforms that reduce barriers to importing goods and services. The survey also examined measures being taken by local companies to adjust to current or potential problems from import competition.

Use of Imported Inputs

Starting on the benefit side, respondents were asked whether their operations “depend to any significant extent” on supplies of imported goods or services, excluding fuel and minor items such as office supplies or cleaning fluids. A remarkable 80 percent of the 287 companies in our sample answered “yes,” including 96 percent of large businesses, 79 percent of medium-sized firms, and even 74 percent of the small businesses.²⁴ This finding alone validates the Lao government’s commitment to trade reform by highlighting the importance of import facilitation for development of the economy.

Table 5-9 provides more details on imported inputs used by local companies, with a breakdown by business size. Dark gray indicates that an affirmative response was given by at least 50 percent of the respective cohort; and light gray indicates that at least 25 percent of the responses were affirmative. As can be seen, more than half of the large businesses in the BPS sample rely on imports of raw materials, technical services, production equipment, and spare parts, while at least one-fourth also rely on imports of semi-finished goods and packaging. For medium-size businesses, at least 25 percent depend on imported raw materials and equipment. For small businesses, the most frequent import needs are for equipment, spare parts, and finished products for resale (reflecting the prominence of wholesale/retail traders in this size cohort).

Table 5-10 shows the use of imports by economic sector, again with light gray or dark gray shading to show cells that represent at least 25 percent or 50 percent positive responses, respectively. Fully 87 percent of the respondents in manufacturing report the use of imported inputs, along with 84 percent in tourism and 80 percent in other services. For the agro-forestry sector, only 66 percent of the companies did so. The figures are much lower for imports of semi-finished goods, yet nearly one-fourth of the manufacturers reported reliance on this type of import.

²⁴ The World Bank’s Enterprise Survey in 2012 asked a similar question, but for material imports only. That survey found that 46 percent of the companies used “material inputs or supplies of foreign origin.” The ES result was far smaller than the BPS finding overall, and also for each size cohort. The difference in wording and content is unlikely to account for such a large variance in findings; hence, the BPS result probably reflects a genuine increase in use of imported inputs by businesses in Lao PDR over the past three years.

Table 5-9. Count of Dependence on Imported Inputs, by Business Size

Dependence on Imported Inputs	Large	Medium	Small	"Yes" Total
Count: at least 1 "Yes" response	68	46	117	231
-- by type import				
1. Raw materials	46	17	31	94
2. Semi-finished goods	21	9	14	44
3. Packaging	26	11	19	56
4. Technical services	45	14	14	73
5. Production equipment	53	25	42	120
6. Spare parts	45	14	40	99
7. Finished products for resale	11	17	63	91
Total "Yes" Responses, all inputs	247	107	223	577
Memo: businesses per size group	71	58	158	287

Note: Light gray highlights import use by 25% or more of cohort; Dark gray highlights import use by 50% or more.

SOURCE: BPS, calculations by LUNA II.

Table 5-10. Count of Dependence on Imported Inputs, by Sector

Potential Market	Agro-forestry	Manuf.	Tourism-related	Other services	"Yes" Total
Count of "Yes" response	21	66	31	113	231
-- by type import					
1. Raw materials	10	43	20	21	94
2. Semi-finished goods	5	18	3	18	44
3. Packaging	6	34	3	13	56
4. Technical services	6	29	13	25	73
5. Production equipment	12	57	14	37	120
6. Spare parts	10	35	1	53	99
7. Finished products for resale	3	8	11	69	91
Total "Yes" Responses, all inputs	52	224	65	236	577
Memo: businesses per sector	32	76	44	135	287

Note: Light gray highlights import use by 25% or more of cohort; Dark gray highlights import use by 50% or more.

SOURCE: BPS, calculations by LUNA II.

Import Competition in the Domestic Market

Turning to the cost side of trade liberalization, half of the BPS respondents (144 out of 287) report that they currently face import competition. Exactly one-third of these companies indicated that the problem was minor, and 40 percent said that the competition was “serious, but manageable.” For 27 percent of this group (14 percent of the total sample), however, import competition was deemed to be a “critical”

problem. Over the full sample size, “critical” problems with import competition affect 8 percent of large businesses, 24 percent of medium-size, and 12 percent of small businesses.

Looking forward, respondents were also asked whether they anticipate “serious problems from import competition over the next two years.” Over the full sample, 45 percent anticipate no problems and 17 percent expect only minor problems. Another 20 percent foresee that import competition will be “increasingly serious but manageable.” However, 17 percent (numbering 50 businesses) expect import competition to be a “critical” problem over the next two years.

Even though most businesses are not encountering serious problems with import competition, more than a few of them are facing such difficulties. This suggests that the government, with support from Lao’s development partners, should be paying attention to problems faced by local businesses and their workers in adjusting to trade liberalization. Global experience has demonstrated decisively, though, that a reversion to protectionism is not a winning strategy for dealing with these problems. This approach tends to shield inefficiency and impede dynamic adjustments in the economy. Other policies are needed that are more consistent with long-term growth and productive job creation. Examples include active labor market policies to facilitate job transitions for displaced workers, business development services to help local businesses become more competitive, along with more urgent attention to improving the Doing Business environment. Where businesses simply are not competitive, an efficient bankruptcy process is needed to reallocate capital to businesses with better market prospects. Where import competition results from illicit imports or unfair trade practices—an issue that merits further study—other types of measures would be appropriate.

The survey then asked about any adjustments that local businesses are undertaking or actively planning to deal with import competition. From the total sample, 120 participants indicated that the question is not relevant, while 167 companies did provide a response. Table 5-11 summarizes results for the latter group, with a breakdown by business size. Cells shaded in dark gray indicate a positive response by at least 50 percent of the cohort; light gray shading indicates at least 25 percent positive responses. The color-coding shows five adjustments being pursued by half or more of the large firms facing import competition, involving improvements in operating efficiency, product quality, packaging and marketing, machinery, and training for workers. In addition, more than one-fourth of the large companies are considering price reductions, and 40 percent are lobbying for tariff protection; that last response is a bit less frequent for medium and small size businesses. Among medium-size businesses the most frequent adjustments involve improvements in operating efficiency and product quality. A majority of the small businesses also plan to improve operating efficiency.

Table 5-12 examines the same adjustments, this time by economic sector. As one would expect, this perspective shows that very few enterprises in the service sectors are making adjustments to import competition. Across all four sectors, only a few businesses are cutting prices, turning to Internet sales, or seeking new market niches in response to market pressure from imports. Nonetheless, many of the respondents in manufacturing and in the agroforestry sectors are pursuing a range of adjustments, including most prominently improvements in efficiency and product quality.

Consistent with trade theory, the results summarized in this subsection confirm that import competition is indeed creating incentives for many local businesses to pursue dynamic adjustments pursuant to growth-enhancing gains in efficiency and productivity.

Table 5-11. Count of Plans for Adjustment to Import Competition, by Business Size

Type of Adjustment	Large	Medium	Small	"Yes" Total
1. Improving efficiency of operations	33	28	57	118
2. Improving product quality	31	25	41	97
3. Improving packaging/marketing	23	16	28	67
4. Reducing prices	11	5	20	36
5. Pursuing new sales through the Internet	6	10	14	30
6. Upgrading machinery and equipment	21	11	19	51
7. Focusing on other market segments	4	8	8	20
8. New training for workers	28	18	31	77
9. New products	4	10	11	25
10. Lobbying for tariff protection	16	11	24	51
11. Other	4	10	12	26
Total Count of Adjustments	181	152	265	598
<i>Memo: respondents per size cohort</i>	40	37	90	167

Note: Light gray highlights adjustment use by 25% or more of cohort; Dark gray highlights adjustment use by 50% or more.

SOURCE: BPS, calculations by LUNA II.

Table 5-12. Count of Plans for Adjustment to Import Competition, by Sector

Count of Responses by Type of Adjustment	Agro-forestry	Manuf.	Tourism-related	Other services	"Yes" Total
1. Improving efficiency of operations	19	37	8	54	118
2. Improving product quality	15	40	7	35	97
3. Improving packaging/marketing	8	31	5	23	67
4. Reducing prices	4	11	4	17	36
5. New sales through the Internet	7	6	6	11	30
6. Upgrading machinery and equipment	10	21	2	18	51
7. Focusing on other market segments	4	9	2	5	20
8. New training for workers	12	27	10	28	77
9. New products	1	9	2	13	25
10. Lobbying for tariff protection	10	23	0	18	51
11. Other	4	9	1	12	26
Total Count of Adjustments	94	223	47	234	598
<i>Memo: respondents per size group</i>	32	76	44	135	287

SOURCE: BPS, calculations by LUNA II.

6. Survey Findings: Trade Policies and Practices

Following the module on business involvement with international trade, the BPS posed questions about experience with and understanding of international trade agreements, trade policies and trade practices in Lao PDR. This module addressed direct experience with various practices and regulations; problems in dealing with these measures or systems; awareness of international trade agreements; opinions on those agreements; and sources of information on trade issues.

EXPERIENCE WITH TRADE PROCEDURES AND REGULATIONS

This module started by asking whether companies have had *direct experience* with fourteen specified trade practices and regulations. From the overall sample of 287 businesses, 126 (44 percent) replied “No” to every item; the negative responses included 10 large, 21 medium-size, and 95 small businesses.²⁵ Table 6-1 shows the items addressed by this question and the count of affirmative responses by business size, and by experience with export sales. Cells shaded dark gray show that at least half of the cohort (per column header) has experience with the respective procedure or regulation; light gray shading indicates an affirmative response from at least one-fourth of the cohort.

At least one-fourth of the large companies in our sample have experience in dealing with every item on the list, with the exception of specialized requirements for trade in animal and plant products. A majority of these large companies have experience with import licensing, export licensing, customs forms, and customs procedures for exports and imports. Familiarity with most of the indicated items is also relatively high among active exporters, but less so for medium-size companies, and least of all for small businesses. These findings imply that larger businesses and exporters have the best basis in experience to serve as interlocutors with the government in discussions on reforming trade practices and regulations.

²⁵ Recall that 127 companies reported having experience with exports sales (defined as sales to customers who are resident in countries other than Lao PDR). 71 of those affirmative replies, however, were from the service sector, in which case the export sales may not have involved physical movement of products across the border. However, 231 companies reported reliance on imported inputs. From that perspective, it is puzzling that so many companies report having no experience with *any* of the listed trade practices or regulations.

Table 6-1. Count of Experience with Trade Practices, by Business Size and Export Experience

Type of Procedure or Regulation	Large	Medium	Small	Total (L+M+S)	No. with Export Sales
1. Import licensing	53	28	41	122	57
2. Export licensing	37	15	17	69	64
3. Customs forms	56	31	50	137	74
4. Customs procedures for exports	37	15	16	68	63
5. Customs procedures for imports	54	24	42	120	56
6. Quality standards for certain imports	33	20	25	78	36
7. Quality standards for certain exports	28	13	13	54	51
8. Certification of quality for exports	30	12	13	55	51
9. Standards/inspections for trade in animal & plant products	10	5	10	25	20
10. Rules of Origin procedures for ASEAN trade preferences	18	8	14	40	30
11. Pre-shipment inspection procedures	45	24	33	102	66
12. Intellectual property rights (IPR) controls on imports	23	7	21	51	24
13. IPR benefits on goods & services you produce	28	10	15	53	29
14. Transportation logistics for international trade	43	22	24	89	58
<i>Memo: Total number of BPS respondents, by column</i>	71	58	158		127

Note: Light gray highlights “yes” for 25% or more of cohort. Dark gray highlights “yes” for 50% or more.

SOURCE: BPS, calculations by LUNA II.

Table 6-2 repeats the same analysis, with a breakdown by economic sector. Companies in manufacturing and agro-forestry have the most experience dealing with the indicated trade practices, in sharp contrast to businesses in the tourism sector. Notably, nearly half of the manufacturers and agribusinesses in our sample have experience with customs procedures for exports, and more than half have experience with pre-shipment inspections.

Table 6-2. Count of Experience with Trade Practices, by Sector

Type of Procedure or Regulation	Agro-forestry	Mfg.	Tourism	Other Services	Total
1. Import licensing	13	50	5	54	122
2. Export licensing	14	36	6	13	69
3. Customs forms	17	56	13	51	137
4. Customs procedures for exports	14	36	6	12	68
5. Customs procedures for imports	12	51	5	52	120
6. Quality standards for certain imports	7	30	3	38	78
7. Quality standards for certain exports	12	30	5	7	54
8. Certification of quality for exports	13	31	4	7	55
9. Standards/inspections for trade in animal & plant products	8	10	3	4	25
10. Rules of Origin procedures for ASEAN trade preferences	8	21	3	8	40
11. Pre-shipment inspection procedures	17	42	8	35	102
12. Intellectual property rights (IPR) controls on imports	5	20	4	22	51
13. IPR benefits on goods & services you produce	6	22	6	19	53
14. Transportation logistics for international trade	15	38	6	30	89
<i>Memo: total number of BPS respondents, by column</i>	32	76	44	135	287

Note: Light gray highlights “yes” for 25% or more of cohort. Dark gray highlights “yes” for 50% or more.

SOURCE: BPS, calculations by LUNA II.

PROCEDURAL OR REGULATORY PROBLEMS

Looking beyond the extent of business experience, the more important question is whether businesses encounter *serious problems* with any of the indicated procedures and regulations. Table 6-3 summarizes the survey results for this aspect of the analysis, with a breakdown by business size and by engagement in export activity. Over the full BPS sample, serious problems are cited most frequently with customs forms (affecting 13 percent of the businesses); import licensing (11 percent); and customs procedures for imports (also 11 percent). These are the only items on the list creating serious problems for at least ten percent of the sample. If we restrict the calculation by excluding respondents who lack experience with the procedures or regulations, then the frequency of serious difficulty rises to 23 percent for customs forms, 20 percent for import licensing; and 19 percent for import procedures at customs. Three other items—transport logistics, pre-shipment inspection, and export procedures at customs—are also reported as serious problems by at least 10 percent of the businesses in this subsample.

The news from this part of the survey is therefore mixed. On the one hand, a large majority of companies have faced no serious problems with the listed procedures and regulations. The government deserves great credit in this regard for establishing a relatively well functioning trading system. On the other hand, there are still more than a few businesses that *do* face problems with some of the listed trade practices. Hence, there is considerable scope for further action to reduce non-tariff impediments to international trade. From the evidence obtained here, the top priorities are improvements in paperwork and procedures for customs clearances.

Table 6-3. Count of Serious Problems with Trade Practices, by Business Size and Export Experience

Type of Procedure or Regulation	Large	Medium	Small	Total (L+M+S)	No. with Export sales
1. Import licensing	11	6	15	32	11
2. Export licensing	2	5	7	14	14
3. Customs forms	8	12	17	37	19
4. Customs procedures for exports	4	7	9	20	18
5. Customs procedures for imports	9	8	14	31	12
6. Quality standards for certain imports	3	3	5	11	3
7. Quality standards for certain exports	3	4	2	9	9
8. Certification of quality for exports	5	4	4	13	11
9. Standards/inspections for trade in animal & plant products	2	3	2	7	5
10. Rules of Origin procedures for ASEAN trade preferences	0	2	2	4	3
11. Pre-shipment inspection procedures	6	4	9	19	13
12. Intellectual property rights (IPR) controls on imports	5	1	5	11	6
13. IPR benefits on goods & services you produce	4	2	4	10	7
14. Transportation logistics for international trade	9	6	9	24	16
<i>Memo: total number of BPS respondents, by column</i>	<i>71</i>	<i>58</i>	<i>158</i>	<i>287</i>	<i>127</i>
<i>---excl. co.'s having no experience with any listed items</i>	<i>61</i>	<i>37</i>	<i>63</i>	<i>161</i>	<i>106</i>

SOURCE: BPS, calculations by LUNA II.

KNOWLEDGE OF TRADE POLICIES AND INTERNATIONAL AGREEMENTS

Several questions were included in the BPS to gauge the *extent of knowledge* on major trade agreements and national policies in Lao PDR. The first question simply asked whether respondents *are aware of* various issues, rating each one on a scale of 1 to 4, where:

- 1 = Well informed about it
- 2 = Aware of it (I know some of the contents)
- 3 = Heard of it (I do not know any of the content)
- 4 = No knowledge or information about it

Table 6-4 lists the issues covered by this question and tabulates the percentage of respondents who claim to be “well informed” on each issue, with a breakdown by business size, and also for the subset of companies with export sales. The results are striking, in that the numbers are surprisingly low. Over the full BPS sample, only one item on the list—Lao PDR’s membership in ASEAN—is well understood by more than one-sixth of the respondents. Only one company in twelve reports being well informed about WTO membership or the ASEAN Free Trade Agreement (AFTA). For all other listed items, the percentage of well-informed companies is in low single digits.

The numbers are somewhat better for companies with export sales, though still very low, ranging from 2 percent for knowledge about the government’s e-Gazette to 21 percent on ASEAN membership. Among

the size cohorts, large companies have the most knowledge on every issue, including 31 percent who are well informed about ASEAN membership. But here, too, most of the numbers are strikingly low. Even WTO membership is well known to just 18 percent of the large companies. The tables presented here do not include a breakdown by sector, but some of those numbers look a bit better. More than half of the manufacturers (55 percent) and agroforestry companies (53 percent) have at least some knowledge of Lao's membership in the WTO, while more than two-thirds (68 percent) of the manufacturers and nearly half of the agroforestry firms (47 percent) know about ASEAN membership. Even within these industry groups, however, very few respondents claim to be “well informed” about any of these agreements.

Table 6-4. Percentage of Companies Well Informed on Trade Issues, by Business Size and Export Experience

Type of Trade Issue	Large	Medium	Small	Total (L+M+S)	% with Export Sales
1. Lao PDR membership in WTO	18%	7%	4%	8%	13%
2. Lao PDR membership in ASEAN	31%	14%	9%	16%	21%
3. ASEAN Free Trade Agreement (AFTA)	17%	7%	4%	8%	13%
4. ASEAN Economic Community (AEC) Blueprint	8%	2%	2%	3%	5%
5. ASEAN Plus 6 agreement	6%	2%	2%	3%	4%
6. ASEAN agreement on harmonization of standards	7%	2%	2%	3%	4%
7. EU "Everything but Arms" (EBA) preferences	7%	2%	1%	3%	6%
8. General System of Preference to USA & other markets	6%	0%	1%	2%	4%
9. Access to information through Lao PDR Trade Portal	8%	2%	2%	3%	5%
10. Access to information via official GoL e-Gazette	4%	0%	1%	2%	2%
11. Lao PDR National Trade Strategy	4%	0%	1%	1%	3%
12. Lao PDR National Export Strategy	6%	0%	1%	2%	3%
13. Lao PDR National Trade Facilitation Strategy	6%	0%	1%	2%	2%
14. Annual Lao Business Forum (LBF)	14%	12%	7%	10%	13%
<i>Memo: total respondents in cohort, by column</i>	<i>71</i>	<i>58</i>	<i>158</i>	<i>287</i>	<i>127</i>

SOURCE: BPS, calculations by LUNA II.

Of course, companies that are not “well informed” can still be aware of an issue. Yet the survey shows that most respondents, in fact, “don’t know any of the content” or have “no knowledge at all” of these issues. More than 80 percent of the responses fall into these two categories, for every item on the list except four: ASEAN membership (for which 44 percent are wholly uninformed); WTO membership (56 percent); the annual Lao Business Forum (63 percent), and AFTA (66 percent).

Knowledge gaps are similarly huge when viewed by sector. In manufacturing, 22 percent know about ASEAN membership, 14 percent understand WTO membership, and 12 percent are well informed about AFTA; also, 11 percent know about the LBF. ASEAN membership is well understood by 12 percent in tourism and 13 percent each in the agriculture value chain and other services. Within the agriculture value chain, 16 percent of respondents are also well informed about the LBF, as are 12 percent of the tourism businesses. The incidence of knowledge is especially weak—below 3 percent overall—for nearly

everything else, including the EU's EBA preferences, the General System of Preferences, the Lao Trade Portal, the e-Gazette, and the government's official strategies for exports, trade, and trade facilitation.

This widespread lack of knowledge about the international trade regime could be a significant hindrance to deeper engagement in international trade by local businesses. This result suggests that more concerted action is needed on the part of the government and major business organizations to inform the public about trade policies and trade agreements, through a combination of promotional activities, dialogue events, and an information campaign through all forms of media.

When the BPS was designed, some stakeholders expressed an interest in the extent to which the public at large is aware of trade policies. Since the BPS sample only covers businesses, it is not possible to address this issue directly or by extrapolating the results reported above. A very different type of survey is needed to obtain a proper estimate for the public at large. As an experiment, and to shed at least some light on this issue, the BPS posed the following question to the business respondents: *"In your view, based on your personal experience, roughly what percentage of citizens of Lao PDR are aware of these policies and the opportunities they create for local businesses?"* Responses ranged from zero to 70 percent, with a mean of 27 percent. Nearly three-fourths of the estimates were in the range of zero to 30 percent. Given the type of participant covered by the BPS, these numbers are likely to be on the high side of reality, even for the urban population. But this finding does establish a possible baseline for comparison in future business surveys.

VIEWS ON TRADE AGREEMENTS AND POLICIES

To gauge the impact of trade agreements, the survey asked whether key agreements "help, hinder, or have no significant effect that you are aware of on your business?" Despite the low level of knowledge in the business community on trade policies, the BPS found that either neutral or highly positive views prevail.

Table 6-5. Do Trade Agreements Help or Hinder Your Business?

Type of Trade Agreement	Significant Effect (count)			% Helped	
	Help (1)	Hinder (2)	No effect	1/(1+2) overall	1/(1+2) for mfg only
1. Lao PDR membership in WTO	124	4	159	97	98
2. Lao PDR membership in ASEAN	165	5	117	97	96
3. ASEAN Free Trade Agreement (AFTA)	110	4	173	96	95
4. ASEAN Economic Community (AEC) Blueprint	61	4	222	94	89
5. ASEAN Plus 6 agreement	60	2	225	97	89
6. ASEAN agreement on harmonization of standards	43	9	235	83	80
7. EU "Everything but Arms" preferences	42	4	241	91	87
8. General System of Preference to USA & other markets	43	3	241	93	85

SOURCE: BPS, calculations by LUNA II.

As shown in Table 6-5, most respondents saw no significant effects one way or the other. Among those who do perceive an effect, the vast majority regards each of the agreements as helping, not hindering, their businesses. The proportion of favorable responses within this group was as high as 97 percent, on

WTO membership, ASEAN membership, and the ASEAN Plus 6 agreement. Only the ASEAN Agreement on Harmonization of Standards had less than 90 percent support, and even that one is viewed favorably by 83 percent. Interestingly, the results were similarly positive for manufacturing companies who perceive some type of effect: for this group, WTO and ASEAN membership had 98 percent and 96 percent favorable ratings, respectively; the ASEAN Agreement on Standards had the lowest level support, but still highly positive at 80 percent. These results reveal a widespread perception in the business community on the fundamental benefit of trade liberalization for a small, landlocked economy like Lao PDR.

Another point of special concern involves one of the conditions of Lao PDR's accession to WTO membership. For WTO compliance the Government adopted a policy permitting businesses that are not registered in Laos to import goods into the country without requiring a local intermediary to handle this process. (The policy refers to the import process itself, and does not include the distribution of goods *within* Lao PDR without a local intermediary.)

To determine whether policy is being implemented, the BPS asked respondents whether they know of any cases during the past year (2014) where foreign firms have indeed been allowed to import directly. Responses were mixed. Over the full sample, 176 respondents had no information on this question; 66 answered yes, they know of cases where the policy has been implemented; and 47 said that they know of cases where the policy had not been implemented. (Several respondents gave more than one answer). Limiting the calculation to companies that have information on this issue, the responses vary by province. In Champasak and Vientiane Capital, slightly more than half of the informed answers were positive; in comparison, 68 percent of the responses in Luang Prabang were positive, and 89 percent in Savannakhet. For the latter two provinces, however, the sample size is very small when restricted to informed respondents. Overall, these results indicate that the WTO condition is being implemented, but not consistently. More careful study would certainly be useful to provide better information on this issue.

SOURCES OF INFORMATION

The BPS also examined how businesses in Lao PDR obtain information on international trade issues. This module was designed to provide feedback to government officials and business leaders on the effectiveness of current business support systems. The survey also solicited views on the effectiveness of government dialogue with the private sector in formulating trade policies, laws, and regulations.

Table 6-6 summarizes responses on the “*main* sources of information on Lao PDR trade policies and practices,” with a breakdown by business size. Four channels are seen as major sources of information by a majority of respondents (as indicated by gray shading in the table): government announcements or gazette notices; articles in the press or other printed media; news on radio or television, and various business contacts. Internet channels had low positives on this question, though the frequency of Internet use increases with business size. The table also shows, not surprisingly, that small businesses rely more frequently on family and friends, and less often on business meetings, conferences, or official announcements.

Sorting the responses by sector (not shown here), the main finding is that agroforestry firms and manufacturers are far more likely than others to seek information from government announcements and notices, and also through business contacts.

Table 6-6. Main Sources of Information on Trade Policies and Practices

Information Source	Percentage, by Business Size			
	Large	Medium	Small	Total (L+M+S)
1. Business meetings and conferences	63%	52%	30%	43%
2. Government announcements or gazette notices	65%	66%	45%	54%
3. Articles in the press or other printed media	62%	67%	53%	58%
4. News on radio or TV	58%	60%	59%	59%
5. Government Internet resources	31%	24%	18%	23%
6. Other Internet resources (WTO, ASEAN etc.)	27%	21%	13%	18%
7. Various business contacts	65%	64%	46%	54%
8. Family and friends	27%	52%	54%	47%
9. No main sources of information	0%	5%	3%	3%
<i>Memo: total respondents in cohort, by column</i>	<i>71</i>	<i>58</i>	<i>158</i>	<i>287</i>

Note: Light gray highlights a “yes” response by 50% or more of cohort.

SOURCE: BPS, calculations by LUNA II.

Respondents were also asked directly whether they use and find helpful three major sources information channels on trade policies, laws, and regulations: the Lao Trade Portal, maintained by MOIC; the government’s Official Electronic Gazette; and the annual Lao Business Forum (LBF). A majority of the overall sample was “not aware” of these channels, but 35 percent reported that the LBF was a helpful source of information, along with 17 percent for the Trade Portal, and 8 percent for the e-Gazette.

For the cohort of large businesses, 44 percent viewed the LBF as helpful, along with 35 percent for the Trade Portal and 11 percent for the e-Gazette. Even among medium-size businesses, 43 percent gave a positive reply for the LBF, 16 percent for the Trade Portal, and 14 percent for the e-Gazette. As one would expect, small businesses use these sources less frequently, but the numbers are far from negligible for the LBF (28 percent) and the Trade Portal (10 percent). Considering that only a subset of the sample has a direct need for trade information, these numbers indicate a reasonably effective outreach to the business community for three of the indicated channels. However, there is clear scope for improving the effectiveness of these information sources, especially among smaller businesses.

A follow-up question approached the issue of information sources from a slightly different angle, asking, “Can *companies like yours* obtain useful information or assistance on international trade issues” from six sources: the Ministry of Industry and Commerce (MOIC); the official SPS Enquiry Point;²⁶ the official TBT Enquiry Point;²⁷ LNCCI; provincial business associations (PCCI); and other business associations. The results are presented in Table 6-7.

²⁶ SPS = Sanitary and Phytosanitary Standards.

²⁷ TBT = Technical Barriers to Trade.

Table 6-7. Can "Companies like yours" get "Useful information or assistance?"

Source	Percentage, by Business Size			
	Large	Medium	Small	Total (L+M+S)
1. The Ministry of Industry and Commerce	85%	74%	46%	61%
2. The Lao PDR SPS Enquiry Point *	14%	17%	6%	10%
3. The Lao PDR TBT Enquiry Point *	20%	12%	7%	11%
4. National business associations (LNCCI)	83%	67%	40%	56%
5. Provincial business associations (PCCI)	44%	43%	44%	44%
6. Other business associations	73%	72%	44%	57%
<i>Memo: total respondents in cohort, by column</i>	71	58	158	287

Note: Light gray highlights a "yes" response by 50% or more of cohort.

SOURCE: BPS, calculations by LUNA II.

More than two-thirds of the large and medium size businesses regard the MOIC, LNCCI, and other business associations as useful, including impressively positive responses among large companies for MOIC and LNCCI at 85 percent and 83 percent, respectively. These three sources are viewed favorably by more than 40 percent of small businesses. PCCIs were well regarded by just under half of the companies (44 percent overall), with consistent responses across size strata. Only a limited number of companies regard SPS and TBT Enquiry Points as being useful. Given the specialized services offered by these offices, it is encouraging to see that more than 10 percent of large and medium size businesses find the enquiry points to be useful. In fact, the rate of positive responses among agroforestry businesses was as high as 38 percent for the SPS Enquiry Point, and 31 percent for the TBT office.

EFFECTIVENESS OF DIALOGUE WITH THE GOVERNMENT

A final question in this module reverses the path of information flows by asking whether respondents perceive that the government listens to their concerns. Specifically, the question asked: *"In your view, does the government effectively take into account private sector views and concerns when formulating trade policies, laws, and regulations?"* Over the full BPS sample, 25 percent of the businesses answered: "Yes, the government effectively involves the private sector." This positive response was given by one-third of the large and medium size businesses, compared to 18 percent of the small businesses.²⁸

Another 55 percent of the companies gave a negative answer, indicating that: "the government goes through the motions, but does not seriously address private sector." This response was similar across business sizes. The remaining 20 percent of respondents were non-committal, indicating that they are "not aware of government efforts to involve the private sector." This answer was most common among small businesses.

²⁸ Across sectors, the responses did not differ greatly.

The LUNA II team does not have comparable data for other countries. In our judgment, however, it is to the government's credit that as many as a third of the large and medium size businesses in Lao PDR regard the public-private dialogue on trade issues as being effective and constructive.

7. Survey Findings: Maximizing the Benefits of Trade for Lao PDR

The final module in the BPS survey posed open-ended questions asking respondents for their views on “steps that can be taken to enable local producers to gain maximum benefits from the opportunities created by opening the economy to trade.” The questions addressed measures to enhance or facilitate: (1) the benefits from exports; (2) access to imports; (3) adjustments to import competition; and (4) gender equity in dealing with trade procedures. The survey also asked respondents if they had any further comments about government policies and procedures affecting trade and/or investment in Lao PDR.

To process the variety of responses to these open-ended questions, the LUNA II team categorized the answers by the type of issue being addressed, and tabulated the results by category.²⁹ The focus of this section is on the frequency of survey responses to each question, by issue category. For issues cited most frequently, the discussion also outlines specific types of measures proposed by survey respondents.³⁰

Readers should note that the assignment of responses into categories necessarily involves a degree of discretion, because some responses were broad enough or vague enough to fit into more than one category. For this reason, the frequency distributions reported below should be regarded as approximations rather than exact figures. Nonetheless, the overall patterns still provide important insights into the priorities for reform of the trade regime, as seen by the business community.

ENHANCING THE BENEFITS FROM EXPORTS

The first question asked in this module was about measures that could realistically be taken by the Government to help companies benefit more fully from exports over the next two years. Respondents were asked to identify up to three priorities. The results are summarized in Table 7-1. From the total sample size of 287 companies, 162 of them (56 percent) identified at least one priority measure, with 33 percent identifying two measures, and 15 percent offering three suggestions.

By far the most frequent response was the need for Government to streamline regulatory and customs procedures to be simpler and quicker. Some respondents specifically suggested establishing a “one-stop

²⁹ Two questions from this module of the survey will not be summarized here because they are very similar to the ones discussed in this section, and the responses largely overlap with information obtained from these other questions. See Appendix B, questions 33 and 36.

³⁰ Appendix C outlines the types of measures proposed by respondents for every issue category.

shop” to assist companies in dealing with all requirements for exporting. This issue was cited by 25 percent of the companies that offered an answer to the question.

Table 7-1. Measures to Enhance Benefits from Exports

Type of Measure	Priority Level			
	First	Second	Third	Total
Regulatory and Customs Procedures	40	27	7	74
Export Promotion	18	9	9	36
Trade Policies & Legislation	18	12	1	31
Export Fees & Taxes	14	8	3	25
Training Programs	9	3	7	19
Improve Government Capabilities	9	2	3	14
Improve Finance	10	2	1	13
Tourism Support	7	4	0	11
Expand Export Production	5	5	1	11
Domestic Preference on Concessions	3	4	2	9
Quality Inspection of goods	6	2	0	8
Other	23	18	8	49
No Response	125	191	245	--

Note: The survey asked respondents to name up to three priorities in this area.

Only two other issues were cited in at least 10 percent of the responses: export promotion, and the structure of trade laws and policies. Suggestions on export promotion centered on providing advisory services, especially for small businesses, helping businesses identify external markets, and advertising Lao products and services. On trade laws and policies, some responses vaguely recommended improvements in the trade laws; others were more specific in suggesting greater consistency with international standards, or that the legal framework should better take into account local realities, including the needs of small businesses.

When disaggregated by firm size and by sector, support for export promotion assistance is markedly higher among small and medium-sized firms. Combining “Tourism Support” with “Export Promotion” fully 38% of small firms 30% of medium-sized firms view such support as a priority, as compared to only 18% of large firms. By sector, companies in tourism (37%) and agro-forestry (21%) expressed the greatest interest in export promotion support, as compared with 18% overall.³¹

³¹ No significant differences among subgroups were found when responses regarding priority export assistance needs were analyzed by gender of company ownership or geographical location.

It may be noted that government support for export promotion and various forms of export capacity building, especially for small and medium-sized firms, could have a greater impact on diversifying and expanding exports than would the streamlining of customs and regulatory procedures (desirable and important as the latter may be). Simplified and expedited customs and regulatory procedures will help to reduce what are sometimes major annoyances and delays, and will undoubtedly help to reduce costs and increase export competitiveness to a limited extent, but more focused forms of support are also needed to facilitate new export sales.

A significant number of responses to this question fell into the category that we have labeled “Other”. This included issues such as strengthening intellectual property rights, improving infrastructure, reducing the cost of electricity and transportation, and a grab-bag of comments ranging from relaxing constraints on hiring of foreign workers to retrogressive ideas such as price fixing.

Interestingly, only 19 responses (out of 300 overall) suggested government support for worker training programs as a priority for attention. Given the strength of concern with workforce quality in other parts of the BPS survey—and in other recent business surveys—one would expect this issue to be much more in the forefront. On a similar note, none of the responses addressed the idea of establishing programs to overcome language barriers to trade beyond the immediate border.

ENHANCING ACCESS TO IMPORTED INPUTS

Respondents were then asked about measures that the Government could realistically pursue to help companies benefit more fully from access to imported inputs. Again, respondents were asked to identify up to three priorities. Table 7-2 summarizes the results. On this question, less than half the overall sample (43 percent) chose to respond. This is somewhat surprising considering that 80 percent of the businesses in our sample depend to a significant extent on supplies of imported goods or services (see Section 5, above).

Table 7-2. Measures to Enhance Access to Imported Inputs

Type of Measure	Priority Level			
	First	Second	Third	Total
Regulatory and Customs Procedures	33	32	11	76
Import Tariffs	34	7	1	42
Trade Laws and Policies	10	9	0	19
Financing	15	2	1	18
Improve Government Capabilities	4	2	8	14
Domestic Preference	5	4	2	11
Policy Awareness	4	3	2	9
Business Taxes	4	2	1	7
Training Programs	1	3	1	5
Other	14	14	4	32
No Response	163	209	256	--

Note: Survey asked respondents to name up to three priorities for improving access to imported inputs.

Among the measures accorded top priority by respondents (i.e., the ones cited first)—two stand out as warranting attention: reduction in import tariffs for business inputs; and streamlining regulations and customs procedures for accessing imports. For the full set of responses, however, the need to improve regulatory and customs procedures was cited far more often, accounting for nearly one-third of all suggestions (76 out of 233), compared to 18 percent for import tariffs. More specifically, the recommendations on trade facilitation go far beyond simply speeding up procedures and reducing red tape. They also include, among other things: clarifying tariff code classifications and definitions; allowing imports to clear without using agents; ensuring uniform implementation of the regulations; and establishing a single window or one-stop shop to assist importers.

Complex and time-consuming regulatory and customs procedures have a significant impact on access to imports across all size categories of firms. This concern is most serious, however, for large companies, of whom 47% cited it as a priority for reform, as compared to 24% of small and 35% of medium-sized firms. The impact of import tariffs also differs by business size, with 29% of small firms reporting this as a serious issue, compared to 19% and 8% of medium- and large-sized firms, respectively.

By sector, manufacturing firms – as might be expected – most frequently (48%) cited regulatory and customs procedures associated with the importation of key manufacturing inputs as a priority for attention.

Beyond these two major concerns, no other categories of measures were mentioned by even one tenth of the respondents. Two issues closest to the ten percent threshold were improving trade laws and policies, and expanding access to finance at lower interest rates. On this question, the category “Other” included a hodge-podge of responses, of which only a few had a clear connection to enhancing access to imported inputs, such as expanding the network of feeder roads, and strengthening quality inspections on imported fuel.

FACILITATING ADJUSTMENTS TO IMPORT COMPETITION

While trade liberalization yields important benefits to the Lao economy, these policies also entail certain adjustment costs, most notably in the form of heightened import competition for local businesses in the domestic market. As reported in Section 5, half of the BPS respondents currently face import competition, and about one-fourth of this group—or one-eighth of the overall sample—view this competition as a critical problem. Similarly, about one-sixth of the businesses expect import competition to be a critical problem over the next two years. These numbers are not large, but they are large enough to qualify as a significant policy concern.

In this light, the survey asked participants to identify up to three priority measures or reforms that the Government could realistically pursue in the short run to help local companies adjust more effectively to import competition. About half of the participants (51 percent) offered a response to this question. Table 7-3 summarizes the results.

Table 7-3. Measures to Facilitate Adjustment to Import Competition

Type of Measure	Priority Level			
	First	Second	Third	Total
Regulatory and Customs Procedures	28	10	5	43
Trade Protection	30	9	2	41
Domestic Product Quality	17	8	1	26
Domestic Promotion	14	7	5	26
Improve Government Capabilities	8	6	6	20
Financing	9	4	4	17
Training Programs	8	5	3	16
Business Taxes	7	3	0	10
Import Tariffs for Domestic Businesses	8	1	1	10
Policy Awareness	2	3	2	7
Trade Policies and Legislation	4	3	0	7
Other	12	5	2	19
No Response	140	223	256	--

The most commonly cited priorities were, first, reforming customs regulations and procedures, and second, calls for trade protection (at 18 percent and 17 percent of total responses, respectively). The comments on regulations and procedures were similar to those discussed in the previous sub-section, but with an added emphasis on ensuring that import procedures are more strictly applied. The recommendation to tighten import procedures is inconsistent with other responses reviewed above, which highlighted the need for streamlining these procedures. Concern over lax enforcement of customs regulations and procedures was less important to firms in the tourism industry, where only 7% of respondents raised these issues.

Suggestions on trade protection covered a typical variety of measures, which local businesses nearly everywhere tend to favor in order to dampen or eliminate competition from foreign suppliers. These include higher tariffs on competing imports, lower quotas on imports, restrictions on foreign investment, special incentives for local businesses, and government preferences for domestic products. All of these measures run counter to the government's international commitments and its objective of creating a more open and competitive economy. Although they may help to support local production in the short run, their ultimate effect is usually to lock in inefficiency and retard structural transformation.

Small companies are particularly interested in increased protection in the domestic market, with 22% of respondents calling for such measures, as compared with only 13% of large company respondents. This is understandable, as small companies tend to be at greater risk from competition of all kinds, domestic and foreign. Thus, measures to strengthen the competitiveness of domestic industries, especially small- and medium-sized firms, are warranted as part of a national strategy for economic development. Trade capacity building activities, to strengthen the export competitiveness of SMEs, can also help these companies to compete effectively in their own domestic market.

It should also be mentioned that outward-looking development policies, including the establishment of a more open and competitive international trade regime, do not imply a tolerance for predatory trade practices by either domestic or international firms in the domestic market. Appropriate measures to restrain such practices are consistent with an efficient, growth-enhancing framework for international trade.

Two other priorities were mentioned in at least ten percent of the responses on adjustment to import competition: helping local businesses to improve product quality; and actively promoting domestic products, locally and internationally. Measures of this sort are much better aligned with the government's outward-looking development strategy, and—compared to protectionism—much more likely to foster gains in competitiveness and more sustainable growth. One unexpected result was on training, which was mentioned as an adjustment priority in only 7 percent of the responses (16 out of 242). Yet training programs should also be an important form of adjustment assistance, both for companies that need to become more competitive, and for workers in businesses that cannot manage to do so.

Finally, only a few responses to this question fell in the category labeled “Other,” but this group covers some useful ideas. These include strengthening business organizations and clusters; better enforcement of intellectual property rights; upgrading infrastructure; and lowering the cost of electricity.

ENHANCING GENDER EQUITY IN DEALING WITH TRADE PROCEDURES

The BPS also examined business perceptions on gender differences. Respondents were first asked a very general question: *“In your view, are there any significant differences for businesses owned by women compared to those owned by men as it relates to international trade?”* This was followed by two open-ended questions on gender differences, if any, and suggestions on policies or actions to assist women-owned businesses with trade transactions.

To the first question, 37 percent of the respondents do see significant gender differences in dealing with international trade, while 63 percent do not. The results were similar regardless of whether the primary respondent was male or female. There were also no substantial differences when responses are viewed by company size, economic sector, or gender of ownership. For all decompositions, between 28 percent and 40 percent of the respondents perceive gender differences in dealing with international trade.

Those who do perceive gender differences in dealing with trade—comprising 37 percent of the sample—were asked to identify up to three such differences. It was anticipated that most of the comments would touch on policy issues such as unequal access to capital and education, procedural barriers or discriminatory practices. Instead, as shown in Table 7-4, almost half of respondents (48 percent) gave a first answer pointing to characteristics that can be regarded as gender stereotypes. Within this category, a majority of the respondents (65 percent) cited stereotypes implying that women make better business owners. This included comments on how women are more detail oriented, more articulate, more thoughtful, or more sensitive in working with customers. Conversely, 35 percent noted stereotypes indicating women's weaknesses or men's strengths. These comments suggested that women lack decisiveness or courage relative to men. In many cases, however, the comments had only a tangential bearing on gender differences involving international trade, as such.

Table 7-4. Differences in Dealing with Trade, Due to Gender of Ownership

Type of Difference	Level of Response			
	First	Second	Third	Total
Gender stereotype (women good for business)	39	12	4	55
Gender stereotype (women bad for business)	27	23	1	51
Gender stereotype (mixed)	20	6	1	27
Female Constraint	5	7	2	14
Experience/capacity	5	2	1	8
Gender Dynamics and Female Participation	3	1	2	6
Physical Trait	2	2	1	5
Other	4	0	2	6
No Response	2	54	93	149
Saw no gender differences	180	--	--	--

Note: Survey asked respondents to name up to three gender differences in dealing with international trade

The next leading category of response involved comments on social and cultural constraints, like the level of responsibilities placed on women, or limitations to their ability to travel. This type of response represented only 8 percent of the total. Interestingly only about 5 percent of the comments, overall, mentioned a perceived lack of capacity or experience of women owners.

After reflecting on possible differences faced by women business owners, participants were asked to identify up to three government policies or actions that could facilitate international trade transactions for women. Given that most respondents did not perceive gender differences in this area, it is not surprising that only 40 percent of the participants chose to offer any suggestions. Here, too, the response rate was virtually the same between male and female primary respondents, and also by gender of firm ownership.

Table 7-5 summarizes the results. Among the 40 percent of participants who offered at least one response, one-fifth suggested as the first priority that the government should promote employment and opportunities for women. Many of these comments focused on the tourism and garment sectors. There were also interesting suggestions to help business women become more visible as role models through the creation of awards or various incentive policies.

Table 7-5. Measures to Facilitate Trade for Female Business Owners

Type of Measure	Level of response			
	First	Second	Third	Total
Promote female employment/opportunities	23	6	1	30
Policies and Legislation	23	5	1	29
Training and Education	19	2	1	22
Gender equality	13	4	2	19
Promote women owned businesses	7	6	1	14
Financing for women	7	1	0	8
Female business association	5	1	0	6
Increase access to info (policies & markets)	4	1	0	5
Other	10	2	1	13
Not an issue	5	1	0	6
No Response	171	258	280	709

The next leading type of response dealt with laws policies to assist women-owned businesses. This category received 20 percent of the first responses, and 19 percent of comments overall. Many of these comments indicated that the government should enact policies that grant equal rights to men and women more generally. It is worth noting that Lao PDR already does grant equal rights to men and women under the law. The fact that this issue was mentioned frequently suggests either limited awareness of the law, or that the law is not always implemented fully. Other suggestions on laws and policies include reducing taxes, simplifying procedures, more concerted efforts to support small and medium businesses, and protection of intellectual policy rights (IPR) for Lao handicrafts.

The third leading category of measures, receiving 16 percent of first responses and 15 percent overall, focused on training and education for women. These comments tended to center around both technical skills and leadership and management training. A few comments also pointed to lower attendance of women in higher education.

Overall, there was no large variation in the responses to this question due to the gender of the firm owner. Training and education seemed to rank slightly higher, though, among women-owned businesses. Interestingly, nearly all of the responses on access to finance for women came from women-owned businesses. And all of the comments suggesting the establishment of associations for women business owners came from businesses with majority male ownership.

8. Summary and Conclusions

The purpose of this paper has been to present the results of a recent survey on business perceptions of trade liberalization in Laos—called the Business Perceptions Survey, or BPS. This final section summarizes the structure of the survey and main findings, and offers concluding comments.

THE SURVEY

The purpose of the BPS was to obtain data on how businesses in Lao PDR are experiencing, perceiving, and adjusting to opportunities and challenges created by international trade, at a point in time two years after the country's accession to membership in the World Trade Organization. Compared to other recent business surveys, the primary contribution of the BPS stems from its in-depth focus on trade. In broad terms, the BPS investigated how businesses in Lao PDR engage with trade; their experience with and perceptions of trade policies and procedures; source of information on these issues; and suggestions by respondents on priorities for further reform of the international trade regime in Lao PDR.

The survey covered a stratified random sample of 287 enterprises drawn from a master list of 1,746 companies in four business hubs: Vientiane Capital, Champasak, Savannakhet, and Luang Prabang. Given the survey's focus on trade, large and medium-sized firms were sampled more than proportionally to ensure a sufficient number of respondents in each size stratum. Bigger firms are also of special interest because they account for a large fraction of trade flows, and are more likely to engage in trade and have informed views on trade policies. Even with this sampling methodology, small businesses still comprised 55 percent of the participants, compared with 25 percent being large companies and 20 percent medium-size.

Nearly half of the sample (47 percent) consisted of businesses in which women have at least half ownership. Considered by nationality, 83 percent of the businesses are wholly Lao-owned, with 88 percent having at least half Lao ownership. By sector, the sample included 32 companies in the agro-forestry sector (including companies in the agro-forestry supply chain), 76 manufacturers, 44 tourism-related service businesses, and 135 businesses in "other services" (including wholesale/retail trade). In total, these businesses employ 46,487 full time workers, including 18,905 women (41 percent). The large companies in our sample accounted for 90 percent of these jobs.

MAIN RESULTS

Experience with Trade

The BPS defined exports as the sale of goods or services to customers who are residents of another country. With this definition, 44 percent of the BPS participants reported export sales. The proportion is highest for large companies (68 percent), and lowest for small businesses (34 percent). These figures

include *indirect exports* through third party traders. In addition, one-fifth of the respondents benefit from *export linkage effects* via domestic sales of inputs to export enterprises. Tourism-related businesses have the highest incidence of export sales (82 percent), compared to 56 percent in agro-forestry, 55 percent in manufacturing, and 23 percent for other services. More than two-thirds of the foreign-owned companies have export sales, compared to 39 percent of Lao-owned businesses.

The most frequent export markets are Thailand, Europe, China, and other ASEAN countries (led by Vietnam). Nearly three-fourths of the companies with export sales report that such sales have been stable or growing over the past two years. Over the next two years, nearly one-third of the respondents, overall, envision new or increased export sales. The leading prospects for export growth are Thailand, the EU, China, Japan and other ASEAN countries. An interesting negative finding is that no companies cited India as an existing export destination, and very few envision new exports to that enormous and rapidly growing market. It is worth considering a study on whether more energetic approaches would be warranted to improve trading relations with India.

Expanded opportunities for trade should be creating incentives for local businesses to improve efficiency and competitiveness. The BPS shows that this process is indeed emerging in Lao PDR, especially among larger businesses. One-third of the full sample said that they are taking steps or actively planning strategies to increase export sales. The most frequently cited actions are improvements in operational efficiency, product quality, and worker training.

Echoing other recent business surveys in Lao PDR, the BPS found that the two most important constraints to export success are the shortage of skilled labor (42 percent of respondents) and availability of trade finance (32 percent). Six other factors were rated as important or critical constraints by at least one-fifth of the respondents: transportation costs and logistics delays; inadequate production volume; inadequate Internet access; the cost of trade finance; and tariffs or taxes on imported goods. Large businesses, however, are much less likely than others to have problems with trade finance

On the import side of the trade ledger, a remarkable 80 percent of the respondents indicated that they depend to a “significant extent” on supplies of imported goods or services, excluding fuel and minor items such as office supplies. This result applied to 96 percent of large businesses, 79 percent of medium-sized firms, and even 74 percent of the small businesses. The most important imports include raw materials, technical services, production equipment, and spare parts. This finding alone validates the government’s commitment to trade reform, by highlighting the importance of imports to development of the economy.

Import liberalization, however, also entails costs for some businesses. Half of the BPS respondents stated that they are facing import competition in the domestic market, with 14 percent viewing this as a “critical” problem. Looking forward, 17 percent of the respondents (50 businesses) expect import competition to be a “critical” problem over the next two years. While import competition does not emerge as a major problem for most businesses, such difficulties are far from being negligible in scope. Officials, therefore, do need to pay attention to adjustment problems faced by local businesses and their workers. Global experience demonstrates that the answer is not a reversion to protectionism, which mainly incubates inefficiency and impedes adjustments needed for long-term growth. More constructive policies can be designed to facilitate job transitions and create conditions that support the reallocation of capital from non-competitive activities to businesses with favorable prospects for growth.

Awareness of Trade Policies and Practices

The survey asked whether companies have had *direct experience* with fourteen specified trade practices or regulations. Fully 44 percent of the respondents answered “No” to every item on the list. As expected, large companies and manufacturing businesses have by far the most experience dealing with these systems, including export and import licensing, customs forms and procedures, pre-shipment inspection, and transportation logistics. A large majority of companies report that they have encountered no serious problems with any of the indicated items. Nonetheless, there is considerable scope simplifying some of the systems, with top priorities being the paperwork for import licensing and procedures for customs clearances.

The BPS also gauged the extent of business knowledge about major trade agreements and national trade policies. The results are striking, in that the extent of awareness is very low. Only one item on the list—membership in ASEAN—is well known to more than one-sixth of the respondents. Just one in twelve is well informed about membership in the WTO or the ASEAN Free Trade Agreement (AFTA). Other arrangements are even less well known. Knowledge about these issues is most common among companies with export sales, and large companies—though even within these groups, a large majority is not well informed, even about ASEAN membership. Clearly, much work needs to be done by the government and major business organizations to disseminate information about major trade agreements and policies.

Despite the low level of knowledge about these policies, the BPS found that neutral to strongly positive views on the impact of trade agreements prevail in the business community. Most respondents see no significant effect on their business. Among those who do perceive an effect, the vast majority regard trade agreements as helping, not hindering. The proportion of favorable responses for this group was as high as 97 percent, on WTO membership, ASEAN membership, and the ASEAN Plus 6 agreement.

Directions for Further Reform

The final module in the survey asked respondents for their views on “steps that can be taken to enable local producers to gain maximum benefits from the opportunities created by opening the economy to trade.” The questions addressed measures to enhance or facilitate: (1) the benefits from exports; (2) access to imports; (3) adjustments to import competition; and (4) gender equity in dealing with trade procedures.

To enhance benefits to the economy from exports, the issue cited most frequently was the need for regulatory and customs reforms to make the process simpler and quicker. Some respondents suggested establishing a “one-stop shop” to assist exporters. Two other prominent issues were the need for more concerted efforts to promote exports of Lao products, and further reforms to trade laws and policies, consistent with both international obligations and local conditions. Sustained export capacity building and export promotion efforts, aimed especially at assisting small and medium-sized exporters and potential exporters, are likely to generate the largest impacts on the balance of trade in the medium-term.

To facilitate access to imported inputs, two issues stood out: lower import tariffs for business inputs; and—here, again—reforms to streamline regulations and customs procedures. The latter category includes not only the usual calls for reducing red tape, but also recommendations to clarify tariff code classifications and definitions, allow imports to clear without the use of agents, and establishment of a single window or one-stop shop to assist importers.

For facilitating the adjustment to import competition, the most prominent priorities were, first—yet again—reforming customs regulations and procedures, and second, calls for protectionism. In this case the comments on regulations and procedures had an added emphasis on ensuring that rules are more strictly applied, perhaps reflecting concern over smuggling across Lao borders. Calls for protectionism by the business community are to be expected. The problem, of course, is that erecting more protectionist barriers would run counter to the government’s international commitments and its objective of creating a more open and competitive economy. Although protectionism can support local production in the short run, the ultimate effect is usually to foster inefficiency and retard structural transformation. Two other frequently mentioned priorities are much better aligned with the government’s outward-looking development strategy: helping local businesses to improve product quality; and actively promoting domestic products, locally and internationally.

Finally, the survey probed the issue of gender equity in dealing with international trade. Surprisingly, nearly two-thirds of the respondents (63 percent) did not see any such difference. And among those who did see gender disparities, the most frequent responses reflected gender stereotyping rather than pointing to discrimination within the trading systems and procedures. After reflecting on possible differences faced by women business owners, participants were asked to identify up to three government policies or actions that could facilitate international trade transactions for women. A majority of the participants (60 percent) offered no suggestions. The two most frequent types of proposals involved, first, assisting women with employment and business opportunities, especially in tourism and the garment industry; and second, strengthening policies and laws relating to gender equity.

CONCLUSIONS

The most important overall finding from the BPS is that a large majority of the participating companies are already benefiting from international trade. Fully 80 percent of the respondents are benefiting through access to imported inputs to their business, and nearly half are already involved with export sales, including indirect exports through third party traders and linkage effects via the sale of products or services to domestic customers who are exporters. Consistent with economic theory, trade liberalization has also stimulated many local businesses to take steps to improve efficiency and competitiveness.

At the same time, the survey found that some local businesses are facing serious problems coping with import competition. Policy makers should take this problem seriously, through progressive measures to ease the adjustment to new trade patterns for businesses and workers. In addition, more than a few exporters encounter problems with trade procedures or regulations; these issues also merit attention from the authorities.

The BPS also found a remarkably low level of knowledge about trade policies and trade agreements. Nonetheless, the predominant view among survey participants is that trade policies are decisively more helpful than harmful to local businesses. In contrast, when asked to identify practical measures to facilitate adjustments to import competition, quite a few of the responses involved calls for more trade protection.

Finally, the survey found a high level of gender equity—relative to many other countries—in terms of business ownership and employment, as well as a common perception among both male and female respondents gender differences are not much of a concern in the context of how businesses deal with the international trade system.

The foregoing results suggest a number of recommendations for action in seven areas: trade procedures and regulations; outreach and communication on trade issues; competitiveness; international promotion of Lao products; gender equity; business surveys; and other areas for further research.

Trade procedures and regulations

- Identify practical measures for streamlining customs operations, trade licensing procedures, and international transportation logistics.

Outreach and communication on trade issues

- Arrange more seminars and workshops to enhance knowledge in the business community about trade policies, international trade agreements, trade procedures, sources of information on trade, and the underlying benefits of international trade for the Lao economy.
- Develop and implement a sustained public information campaign, using all available media, to inform the public at large about the benefits of trade, and, over time, create an “export culture” throughout the economy.
- Establish trade information desks within major business organizations, including LNCCI and industry associations serving subsectors with substantial involvement in trade.
- Ensure that private sector associations have the tools, resources, and technical support needed to serve as effective advocates of for the business community in dialogue with the government on trade issues, and valuable sources of information for members on these issues.

Competitiveness

- Pursue aggressive policies for training the work force and supporting businesses in training workers, accompanied by a study of the incentives affecting retention of skilled workers in Lao PDR.
- Develop specific programs to assist small and medium-sized enterprises develop their capacity to export through increased exposure to potential new export markets, increased knowledge of quality standards and regulations in new export markets, adaptation of productive technologies and the development management and technical skills especially in the areas of industrial design, innovation and export marketing.
- Pursue more urgent reforms to improve the overall business environment, to reduce excessive costs of doing business in Lao PDR, and create an attractive climate for both foreign and domestic investment.
- Establish innovation incubators to promote entrepreneurship, particularly in areas with potential for export growth.
- Consider policy options for providing adjustment assistance for companies that are seriously affected by import competition, and active labor market programs to assist workers who are displaced by import competition.
- Reform the tax law to eliminate the disincentives for incurring training costs, as currently faced by employers.
- Consider relaxing restrictions on the hiring of skilled workers from outside Lao PDR, to ameliorate the shortage of skilled labor in the country, and also as a potential catalyst for training local workers to higher skill levels.

- Conduct a study on the source of import competition in areas where this competition is critically affecting local businesses. In particular, examine whether the economic harm is due to illicit or unfair trade practices, versus the normal play of market forces.
- Develop language-training programs aimed at small and medium-size businesses that seek to expand into international markets.

International promotion of Lao products

- Assist local businesses to attend regional or international trade fairs, especially businesses that are relatively new to international trade.
- Evaluate the availability of financing to support not only long-term investment for increasing production, but also the exploration and development of new export markets.

Gender equity

- Establish programs targeting woman-owned businesses for training in business management skills and trade practices.
- Help business women become more visible as role models through the creation of special awards or various incentive policies, including possible an annual award for women who succeed in export markets.

Business surveys

- Effectively disseminate to the business community the findings and conclusions from each business survey, and inform the business community about reforms or programmatic developments that result from such surveys. In short, ensure that survey participants have the information needed to understand the benefits of their participation.
- Development more systematic channels for coordination between donors in conducting business surveys.
- Provide resources for establishing a more complete and up-to-date master list or registry of businesses that various organizations can use to draw samples for business surveys.

Other research

- Conduct a study on actions that could be taken to expand export benefits through upstream linkage effects.
- Identify policies or innovations that can expand access to, and lower the cost of trade credit, without jeopardizing bank portfolio quality.
- Conduct studies on strategies for expanding exports of specific Lao products to large international markets beyond the immediate borders, including the EU, the United States, and possibly India.
- Assess the impact of the rapid growth in natural resource exports on the exchange rate, the effect on the competitiveness of other industries, and implications for macroeconomic policy.

Finally, while this report has focused on international trade issues, it is essential also to recognize the fundamental importance of establishing an overall business environment that will create a strong foundation for maximizing gains from trade. This includes appropriate macroeconomic policies, legal and regulatory reforms, as well as the “Doing Business” agenda of microeconomic reforms, to encourage

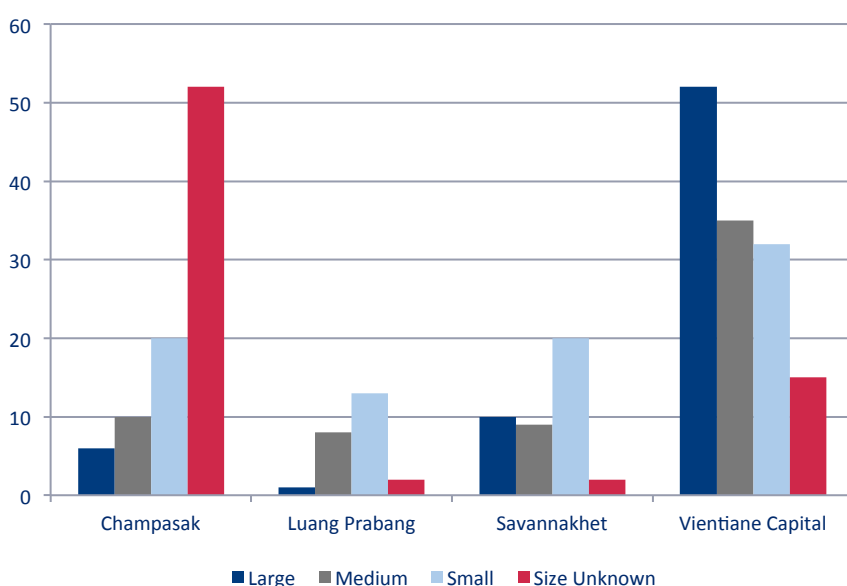
efficient investment, foster the growth of competitive industries, and create productive new jobs for the people of Lao PDR.³²

³² See: <http://www.worldbank.org/en/country/lao/publication/lao-pdr-development-report-2014>. In the area of macroeconomic policy, exchange rate management can be especially important for Lao PDR. The natural resources boom in exports of electrical power and minerals puts pressure on the kip to appreciate. This, in turn, can reduce the competitiveness of other local industries in export markets, while also intensifying import competition in the domestic market.

Appendix A. Graphical Data Summary

SAMPLE DESIGN

Sample Frame's Business Size, by Province

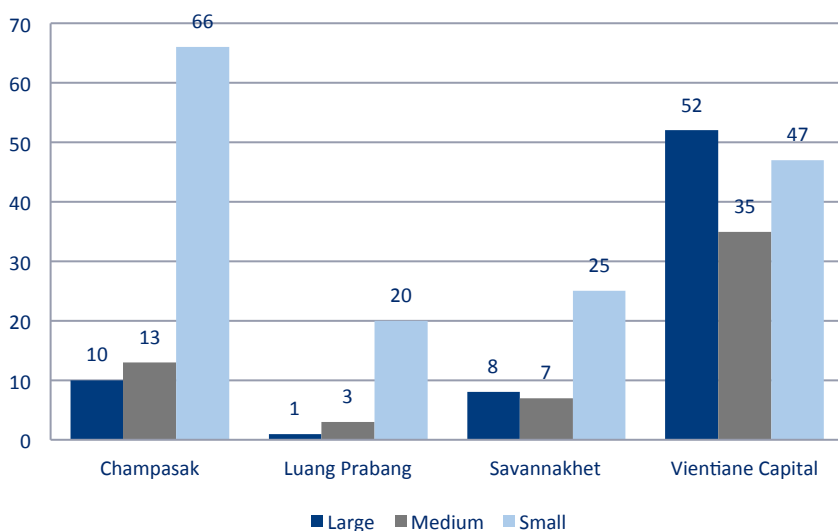


Sample Design–Number of Businesses in Each Size Category

Province	Large	Medium	Small	Size not available	Totals
Champasak	6	10	20	52	88
Luang Prabang	1	8	13	2	24
Savannakhet	10	9	20	2	41
Vientiane Capital	52	35	32	15	134
Total	69	62	85	71	287

SAMPLE CHARACTERISTICS

Actual sample count by business size and province



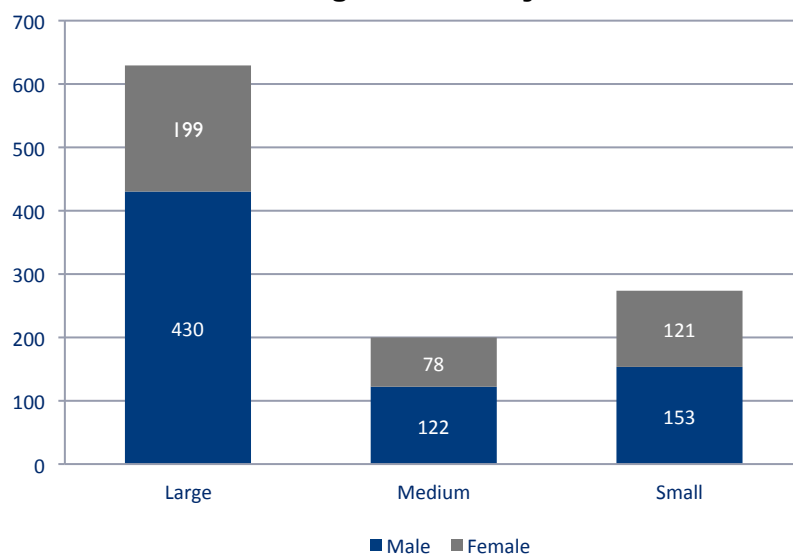
Actual Sample Count by Business Size and Province

Province	Large	Medium	Small	Total
Champasak	10	13	66	89
Luang Prabang	1	3	20	24
Savannakhet	8	7	25	40
Vientiane Capital	52	35	47	134
Total	71	58	158	287

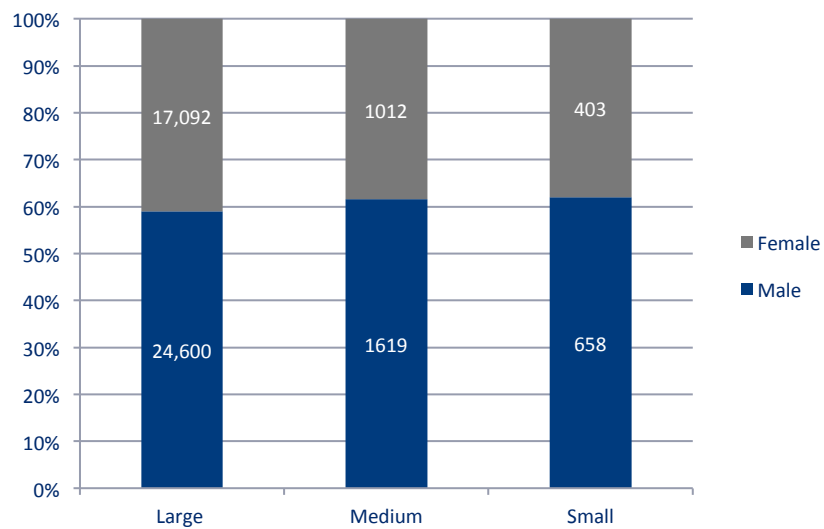
Notes: Small = <20 employees; Medium = 20-99 employees; Large=100+ employees.

SOURCE: BPS, calculations by LUNA II.

Number of Senior Managers in Surveyed Businesses



Proportion of Other Full-time Employees in Surveyed Businesses

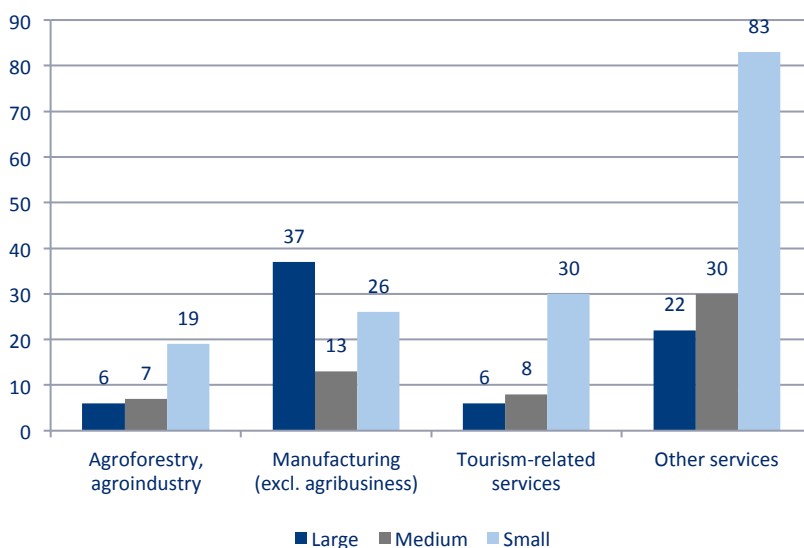


Sample Count by Business Size and Number of Full-time Jobs

Full-time Employees	Large	Medium	Small	Total
Senior managers	629	200	274	1,103
- of which women	199	78	121	398
Other full-time employees	41,692	2,631	1061	45,384
- of which women	17,092	1,012	403	18,507
Total full-time employees	42,321	2,831	1,335	46,487
- of which women	17291	1,090	524	18,905
Average jobs per business	596	49	8	--

SOURCE: BPS, calculations by LUNA II

Sample Count by Business Size and Sector

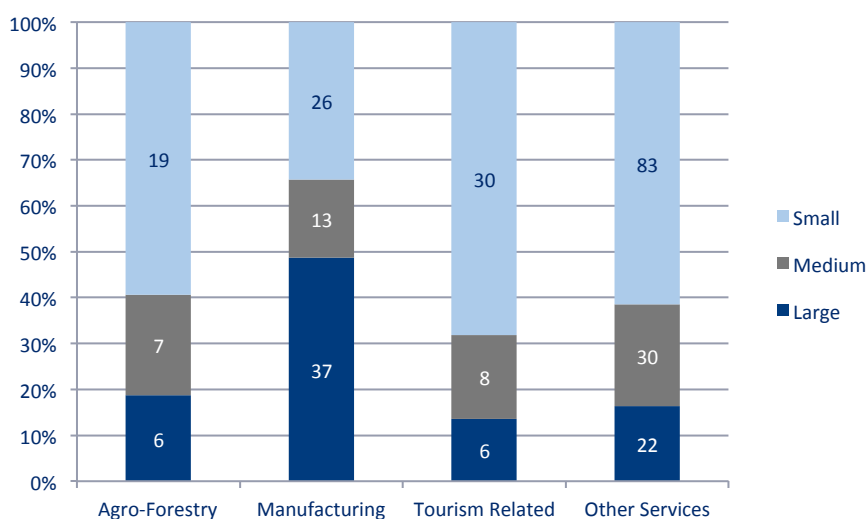


Sample Count by Business Size and Sector

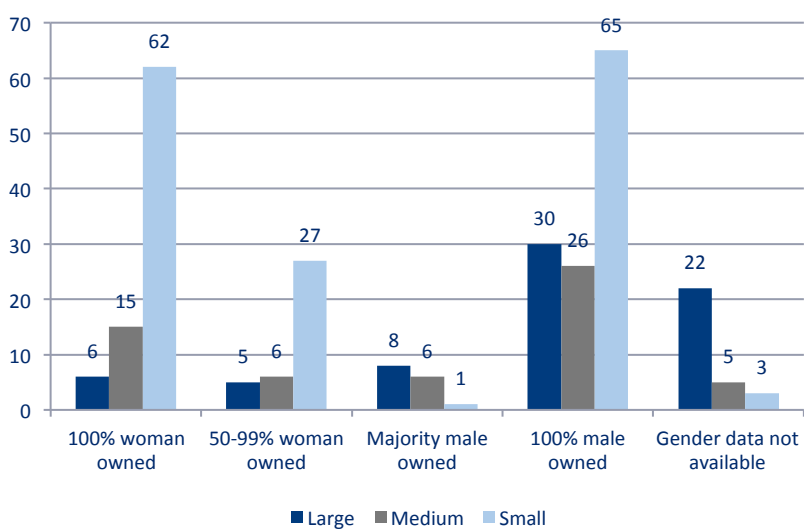
Sector	Large	Medium	Small	Total
Agro-forestry	6	7	19	32
Manufacturing (excl. agribus.)	37	13	26	76
Tourism-related services	6	8	30	44
Other Services	22	30	83	135
Total	71	58	158	287

SOURCE: BPS, calculations by LUNA II.

Proportion of Sample by Business Size and Sector



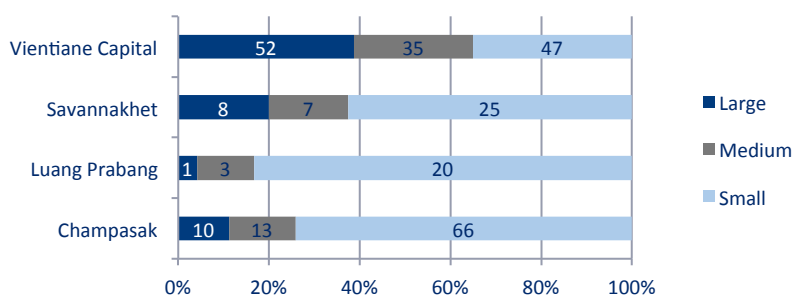
Gender and Ownership by Business Size



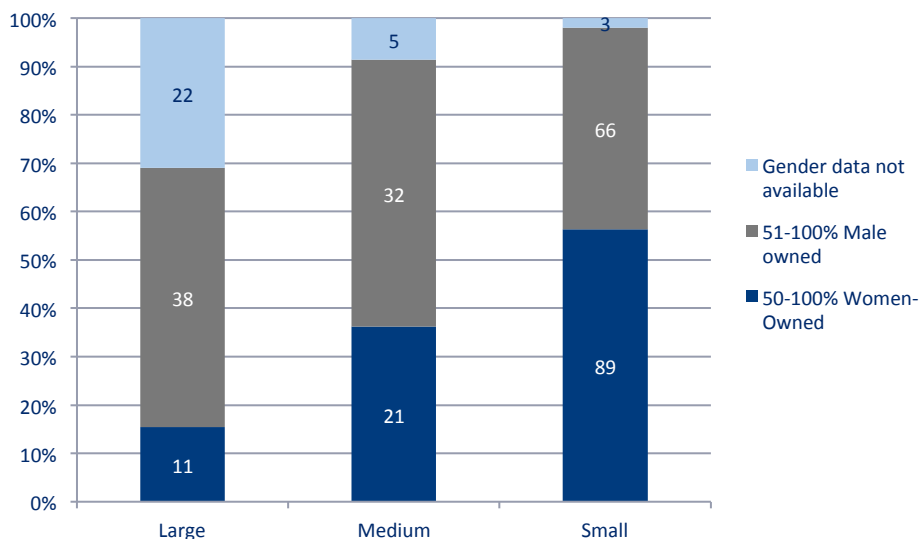
Sample Count by Business Size and Gender of Ownership

Gender of Ownership	Large	Medium	Small	Total
100% woman owned	6	15	62	83
50-99% woman owned	5	6	27	38
Majority male owned	8	6	1	15
100% male owned	30	26	65	121
Gender data not available	22	5	3	30
Total	71	58	158	287

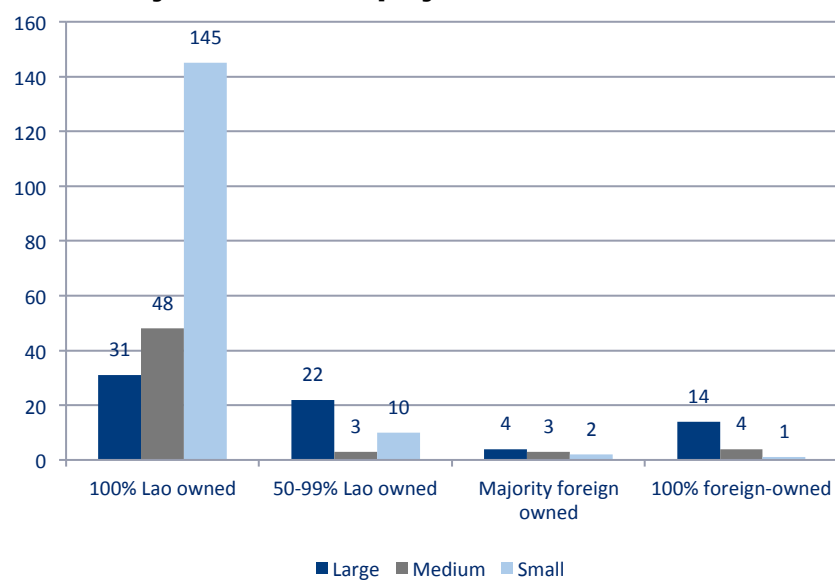
SOURCE: BPS, calculations by LUNA II.



Proportion of Gender and Ownership by Business Size



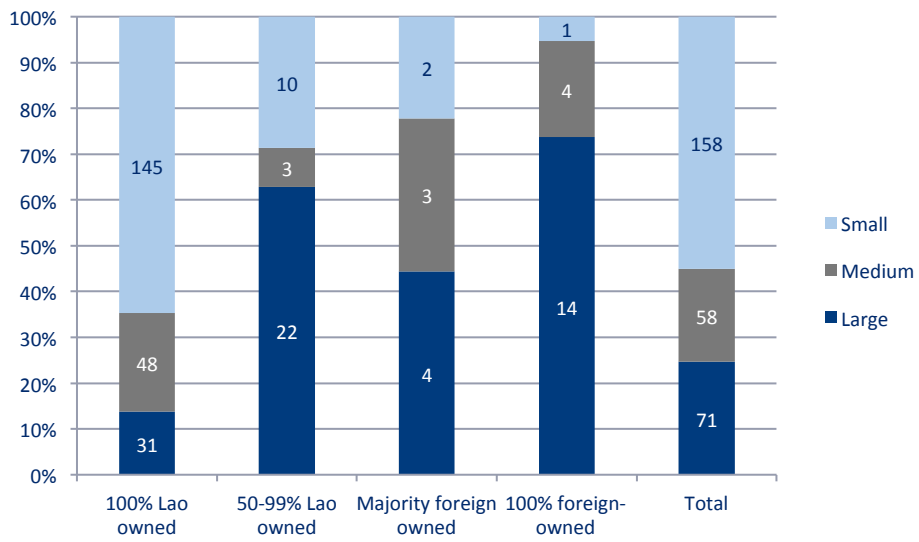
Nationality and Ownership by Firm Size



Sample Count by Business Size and Nationality of Ownership

Nationality of Ownership	Large	Medium	Small	Total
100% Lao owned	31	48	145	224
50-99% Lao owned	22	3	10	34
Majority foreign owned	4	3	2	11
100% foreign-owned	14	4	1	18
Total	71	58	158	287

SOURCE: BPS, calculations by LUNA II.

Proportion of Nationality of Ownership and Firm Size

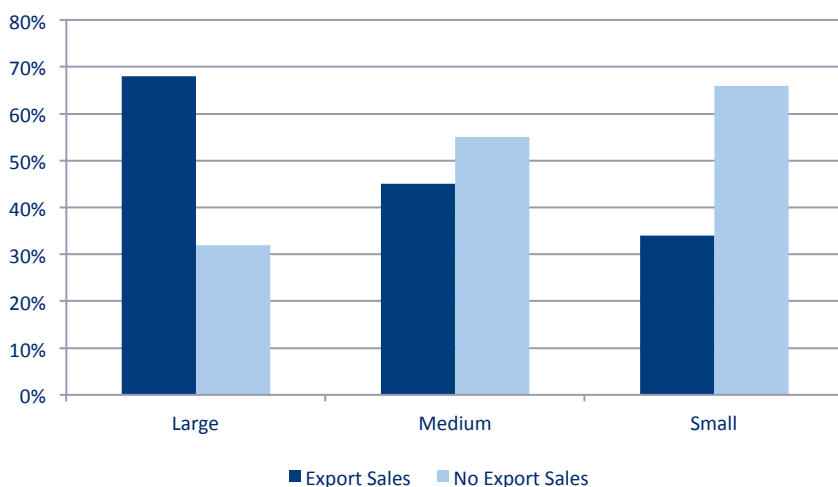
ENGAGEMENT WITH INTERNATIONAL TRADE - EXPORTS

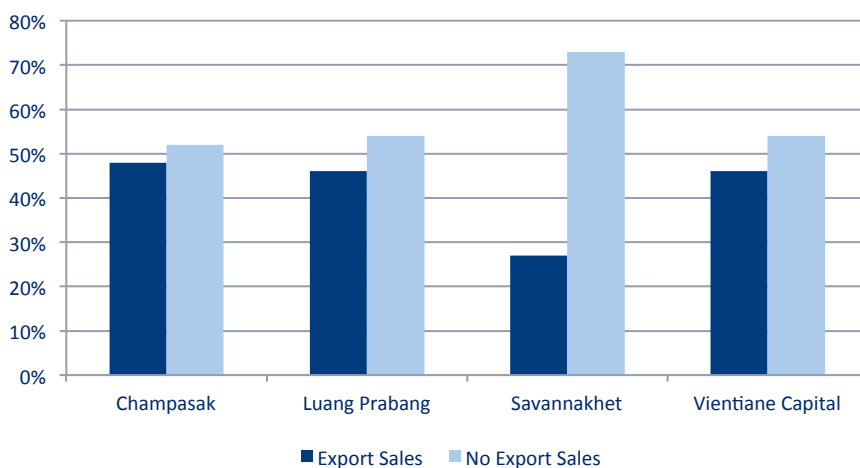
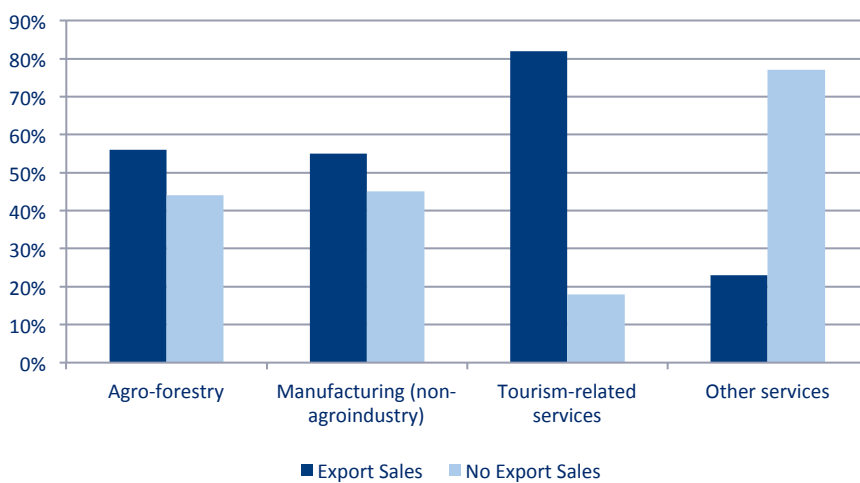
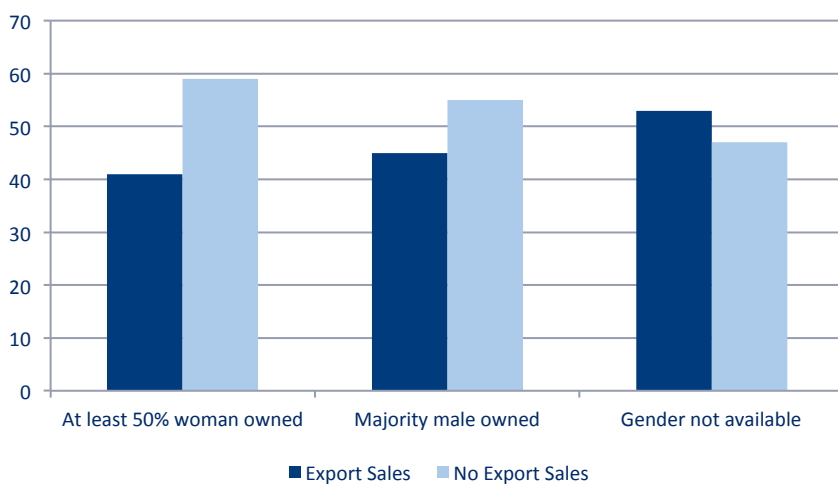
Involvement in Export Sales, by Business Size and Province

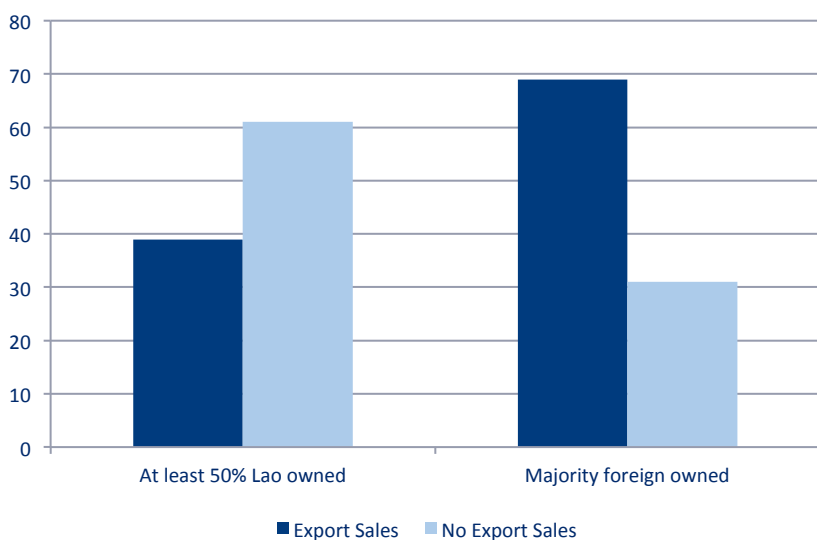
	Export Sales			Percentage of Respondents Exporting		
	Yes	No	Totals	Yes (%)	No (%)	Total (%)
BUSINESS SIZE						
Large	48	23	71	68	32	100
Medium	26	32	58	45	55	100
Small	53	105	158	34	66	100
Total	127	160	287	44	56	100
PROVINCE						
Champasak	43	46	89	48	52	100
Luang Prabang	11	13	24	46	54	100
Savannakhet	11	29	40	27	73	100
Vientiane Capital	62	72	134	46	54	100
Total	127	160	287	44	56	100

SOURCE: BPS, calculations by LUNA II.

Percentage Involvement in Export Sales by Business Size



Percentage Involvement in Export Sales by Business Location**Percentage Involvement in Export Sales by Business Sector****Percentage Involvement in Export Sales By Gender Ownership**

Percentage Involvement in Export Sales by Nationality of Owners**Involvement in Export Sales, by Sector and Type of Ownership**

	Engagement in Export Sales			Percentage of Respondents Exporting		
	Yes	No	Total	Yes (%)	No (%)	Total (%)
SECTOR						
Agro-forestry	18	14	32	56	44	100
Manufacturing (non-agroindustry)	42	34	76	55	45	100
Tourism-related services	36	8	44	82	18	100
Other services	31	104	135	23	77	100
Total	127	160	287	44	56	100
GENDER OF OWNERSHIP						
At least 50% woman owned	50	71	121	41	59	100
Majority male owned	61	75	136	45	55	100
Gender not available	16	14	30	53	47	100
Total	127	160	287	44	56	100
NATIONALITY OF OWNERSHIP						
At least 50% Lao owned	91	144	235	39	61	100
Majority foreign owned	36	16	52	69	31	100
Total	127	160	287	44	56	100

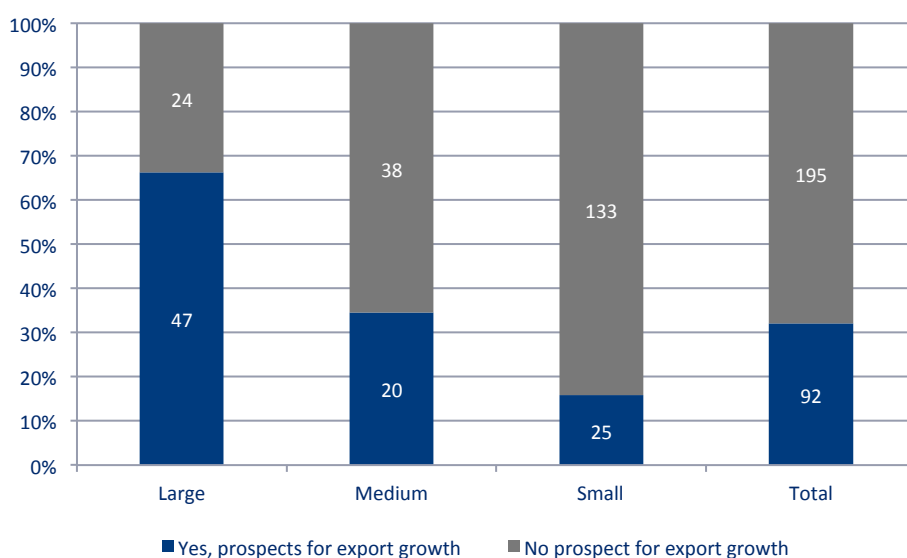
Prospects for Export Growth: Number Replying "Yes" by Business Size

Potential Market	Large	Medium	Small	"Yes" Total
"Yes" on export growth	47	20	25	92
"Yes" for specific markets				
Thailand	24	10	14	48
European Union	23	6	12	41
China	22	7	10	39
Japan	18	8	10	36
Korea	12	8	6	26
USA	15	4	5	24
Australia/New Zealand	10	4	5	19
Other ASEAN	8	2	8	18
India	6	1	4	11
Other	3	2	1	24
Total "Yes" Responses	141	52	75	268
<i>Memo: businesses per size group</i>	71	58	158	287

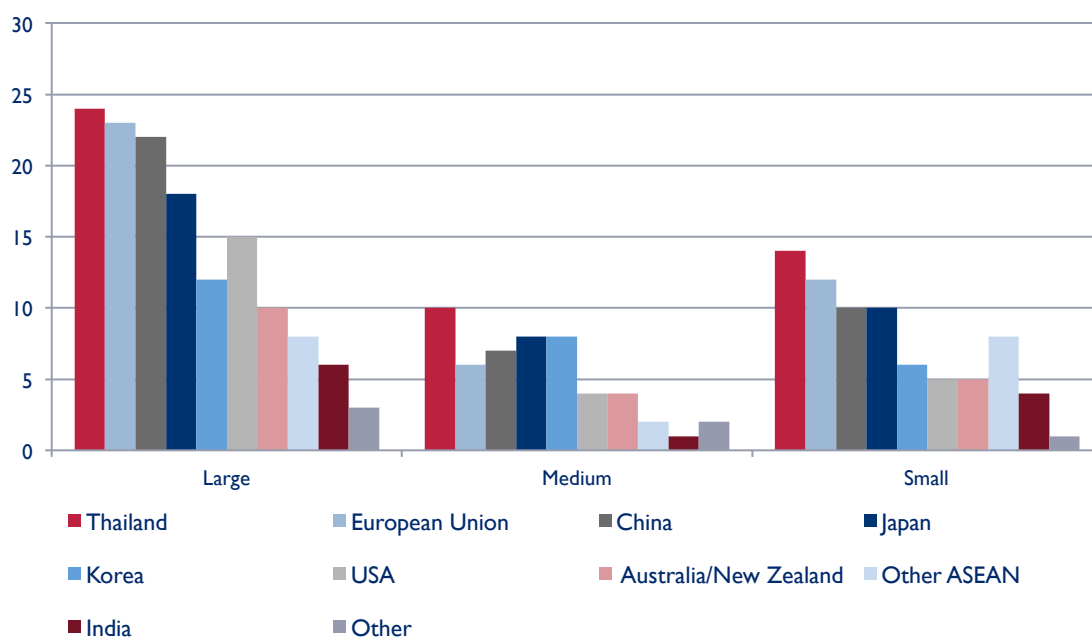
Note: "Other ASEAN" was not asked separately on questionnaire; this count was done manually from "specify" responses.

SOURCE: BPS, calculations by LUNA II.

Proportion of Perceived Prospects for Export Growth by Business Size



Number of Responses on Direction of Perceived Export Growth Prospects by Business Size



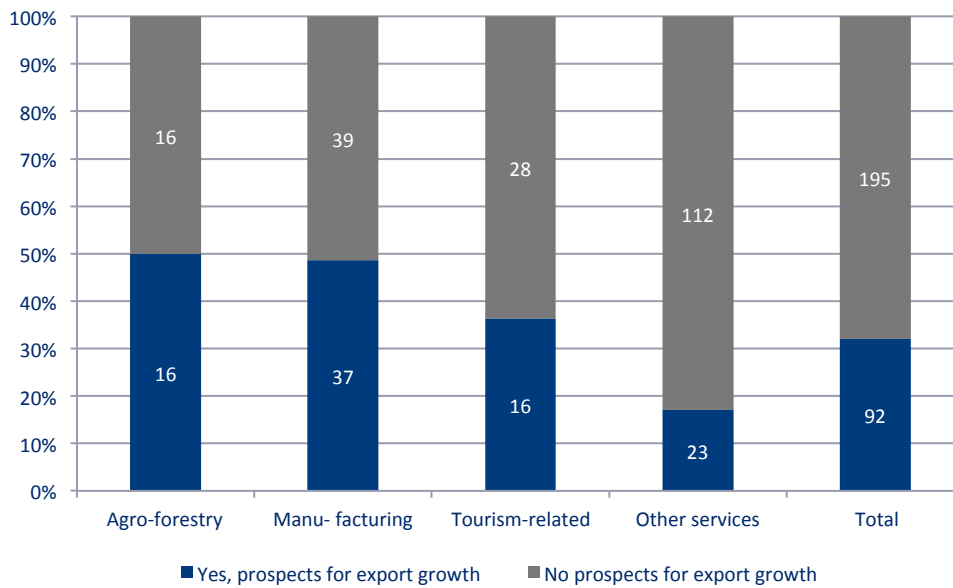
Prospects for Export Growth: Number Replying "Yes" by Sector

Potential Market	Agro-forestry	Manu- facturing	Tourism- related	Other services	"Yes" Total
"Yes" on export growth	16	37	16	23	92
"Yes" for specific markets					
Thailand	8	15	9	16	48
European Union	6	23	6	6	41
China	9	13	6	11	39
Japan	5	16	8	7	36
Korea	4	9	6	7	26
USA	3	15	3	3	24
Australia/New Zealand	3	8	6	2	19
Other ASEAN partners	4	5	2	9	20
India	2	3	3	3	11
Other	3	2	0	1	6
Total "Yes" Responses	43	107	49	69	268
<i>Memo: businesses per sector</i>	32	76	44	135	287

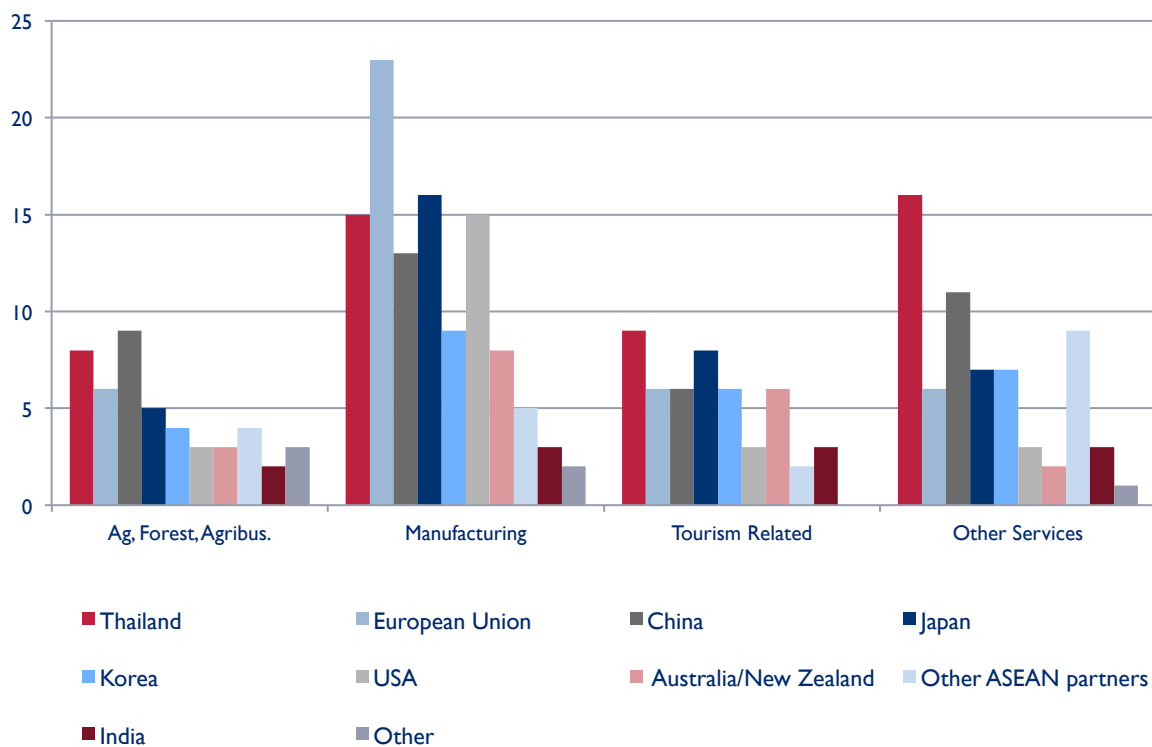
Note: "Other ASEAN" was not asked separately on questionnaire; this count was done manually from "specify" responses.

SOURCE: BPS, calculations by LUNA II.

Proportion of Perceived Prospects for Export Growth by Business Sector



Number of Responses on Direction of Perceived Export Growth Prospects by Business Size



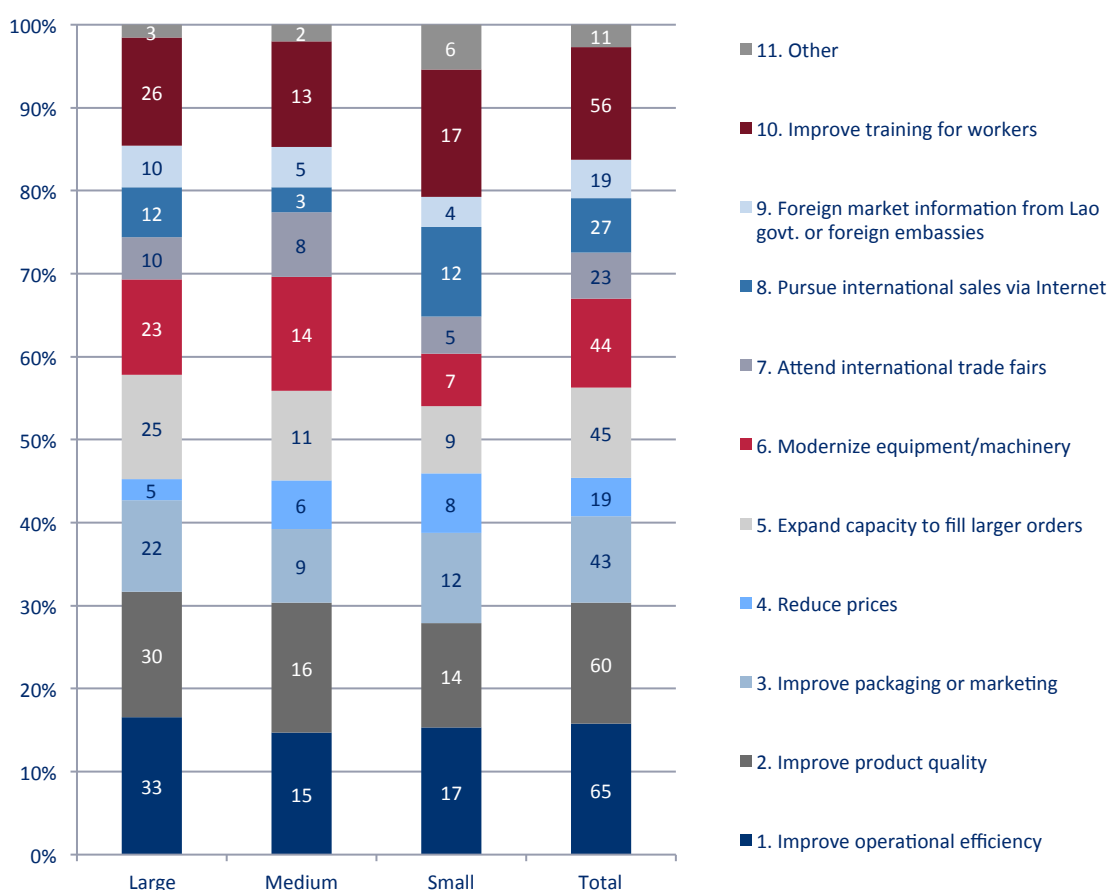
Number of Actions to Increase Export Sales by Business Size

Actions	Large	Medium	Small	Total
1. Improve operational efficiency	33	15	17	65
2. Improve product quality	30	16	14	60
3. Improve packaging or marketing	22	9	12	43
4. Reduce prices	5	6	8	19
5. Expand capacity to fill larger orders	25	11	9	45
6. Modernize equipment/machinery	23	14	7	44
7. Attend international trade fairs	10	8	5	23
8. Pursue international sales via Internet	12	3	12	27
9. Foreign market information from Lao govt. or foreign embassies	10	5	4	19
10. Improve training for workers	26	13	17	56
11. Other	3	2	6	11
Actions per company	4.9	4.6	3.7	4.4

Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales.

SOURCE: BPS, calculations by LUNA II.

Proportion of Responses on Actions to Increase Export Sales by Business Size



Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales; numbers in the bar graphs are the number of responses for each response option

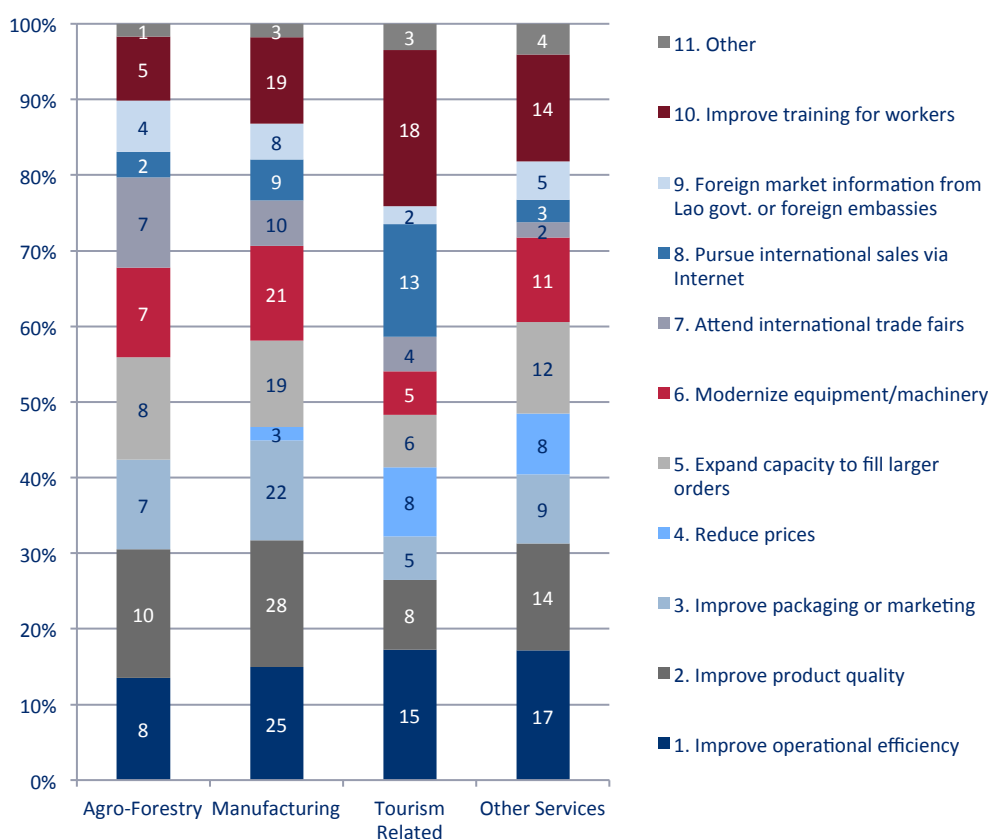
Number of Actions to Increase Export Sales by Business Sector

Actions	Agro-forestry	Manuf.	Tourism-related	Other Services	Total
1. Improve operational efficiency	8	25	15	17	65
2. Improve product quality	10	28	8	14	60
3. Improve packaging or marketing	7	22	5	9	43
4. Reduce prices	0	3	8	8	19
5. Expand capacity to fill larger orders	8	19	6	12	45
6. Modernize equipment/machinery	7	21	5	11	44
7. Attend international trade fairs	7	10	4	2	23
8. Pursue international sales via Internet	2	9	13	3	27
9. Foreign market information from Lao govt. or foreign embassies	4	8	2	5	19
10. Improve training for workers	5	19	18	14	56
11. Other	1	3	3	4	11
Actions per company	5.9	4.6	3.5	4.5	4.4

Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales.

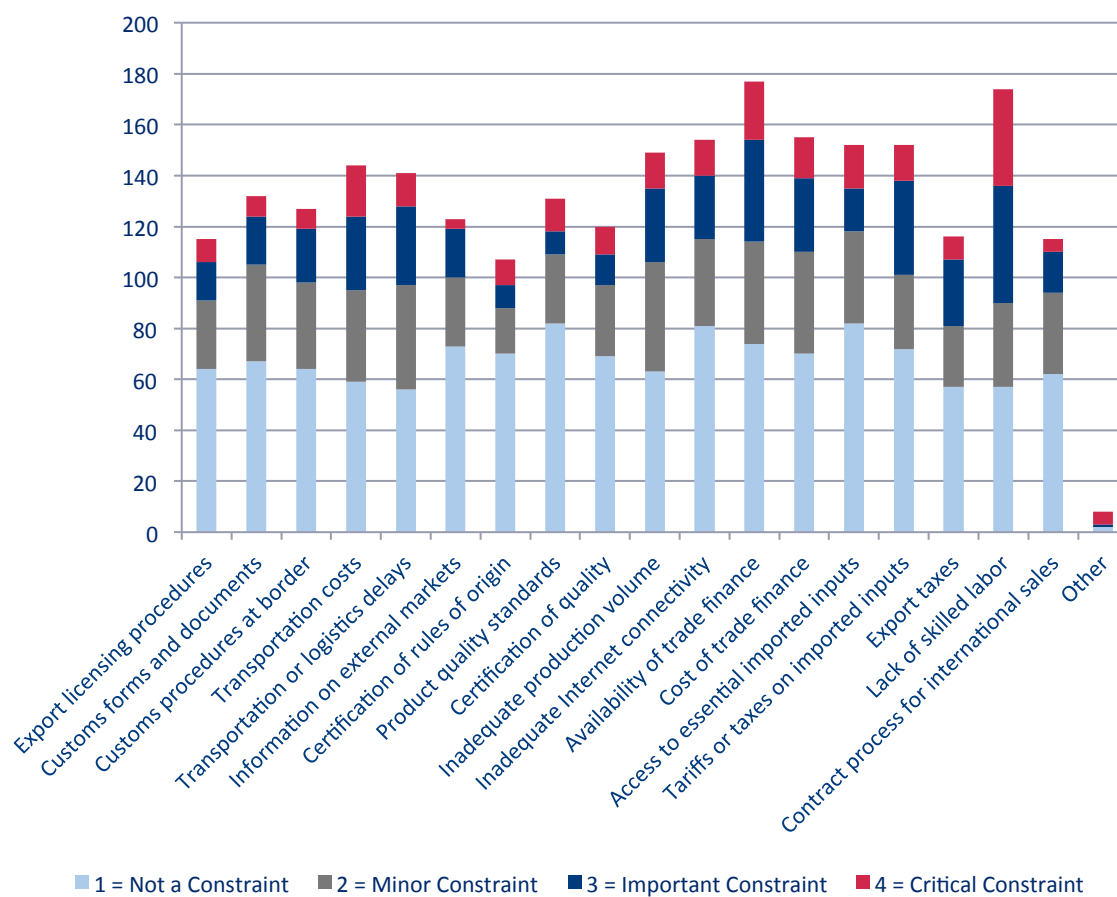
SOURCE: BPS, calculations by LUNA II.

Proportion of Responses on Actions to Increase Export Sales by Business Sector



Note: This table shows responses from 93 companies that answered affirmatively on taking steps or having strategy to increase export sales; numbers in the bar graphs are the number of responses for each response option

Number of Respondents Citing Constraints on Exporting by Severity of Constraint



Notes: There were 199 respondents; 88 others did not rate any export constraints due to lack of knowledge.

ENGAGEMENT WITH INTERNATIONAL TRADE - IMPORTS

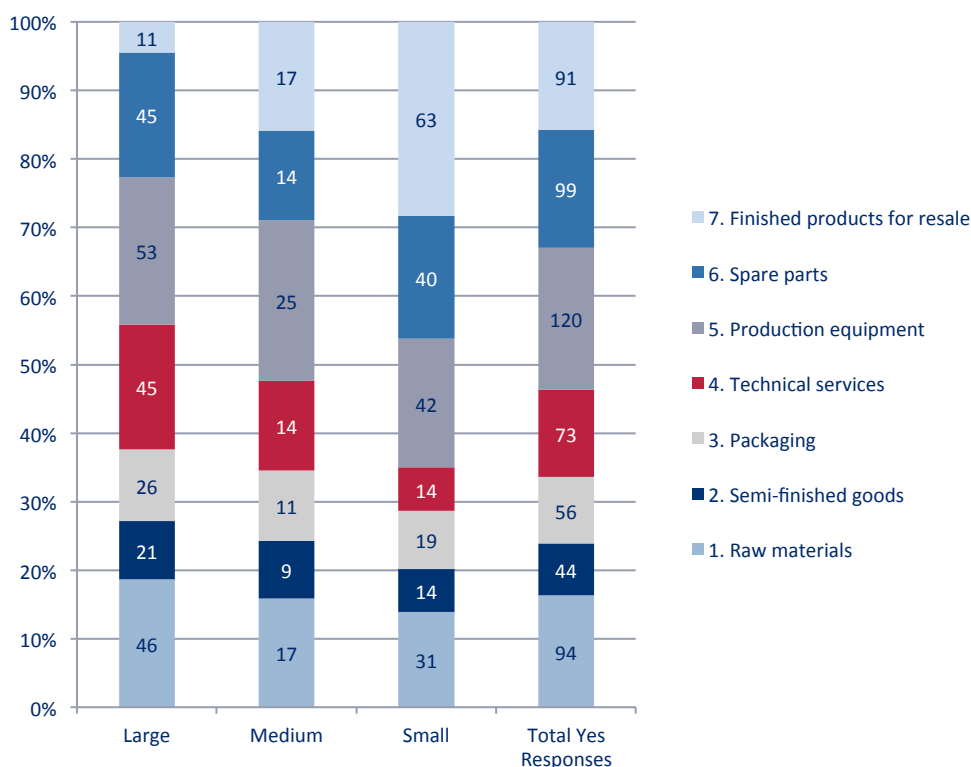
Count of Dependence on Imported Inputs, by Business Size

Dependence on Imported Inputs	Large	Medium	Small	"Yes" Total
Count: at least 1 "Yes" response	68	46	117	231
-- by type import				
1. Raw materials	46	17	31	94
2. Semi-finished goods	21	9	14	44
3. Packaging	26	11	19	56
4. Technical services	45	14	14	73
5. Production equipment	53	25	42	120
6. Spare parts	45	14	40	99
7. Finished products for resale	11	17	63	91
Total "Yes" Responses, all inputs	247	107	223	577
Memo: businesses per size group	71	58	158	287

Note: Light gray highlights import use by 25% or more of cohort; Dark gray highlights import use by 50% or more.

SOURCE: BPS, calculations by LUNA II.

Proportion of Dependence on Imported Inputs by Business Size



Note: There were 231 respondents; 56 others did not depend on imports; numbers in the bar graphs are the number of responses for each response option

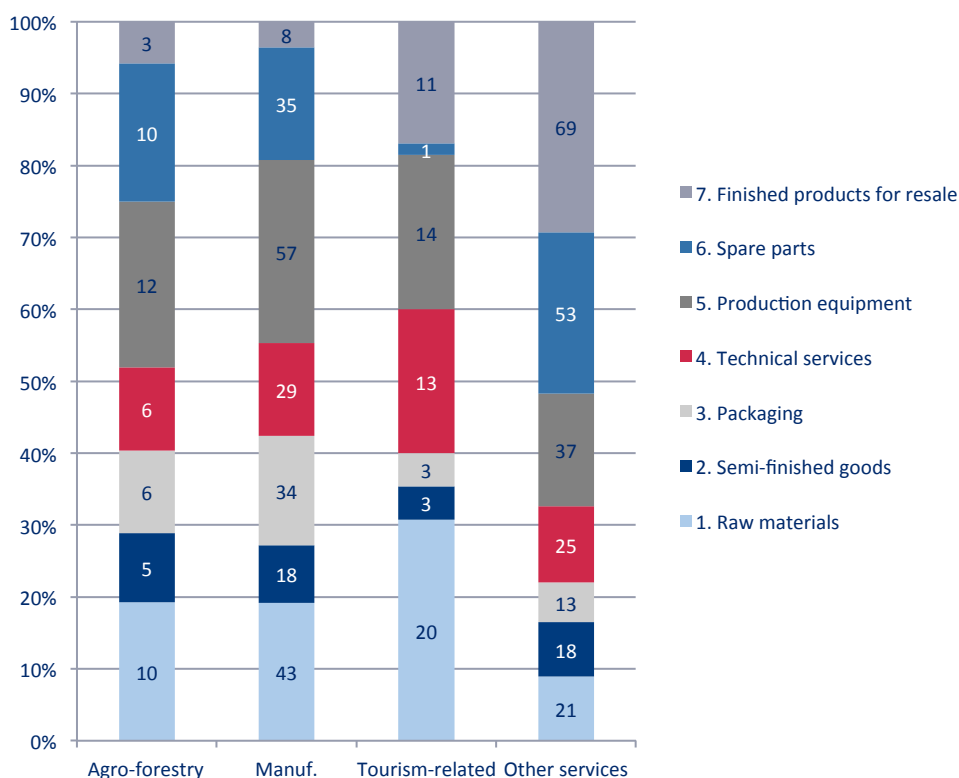
Count of Dependence on Imported Inputs by Sector

Potential Market	Agro-forestry	Manuf.	Tourism-related	Other services	"Yes" Total
Count of "Yes" response	21	66	31	113	231
-- by type import					
1. Raw materials	10	43	20	21	94
2. Semi-finished goods	5	18	3	18	44
3. Packaging	6	34	3	13	56
4. Technical services	6	29	13	25	73
5. Production equipment	12	57	14	37	120
6. Spare parts	10	35	1	53	99
7. Finished products for resale	3	8	11	69	91
Total "Yes" Responses, all inputs	52	224	65	236	577
Memo: businesses per sector	32	76	44	135	287

Note: Light gray highlights import use by 25% or more of cohort; Dark gray highlights import use by 50% or more.

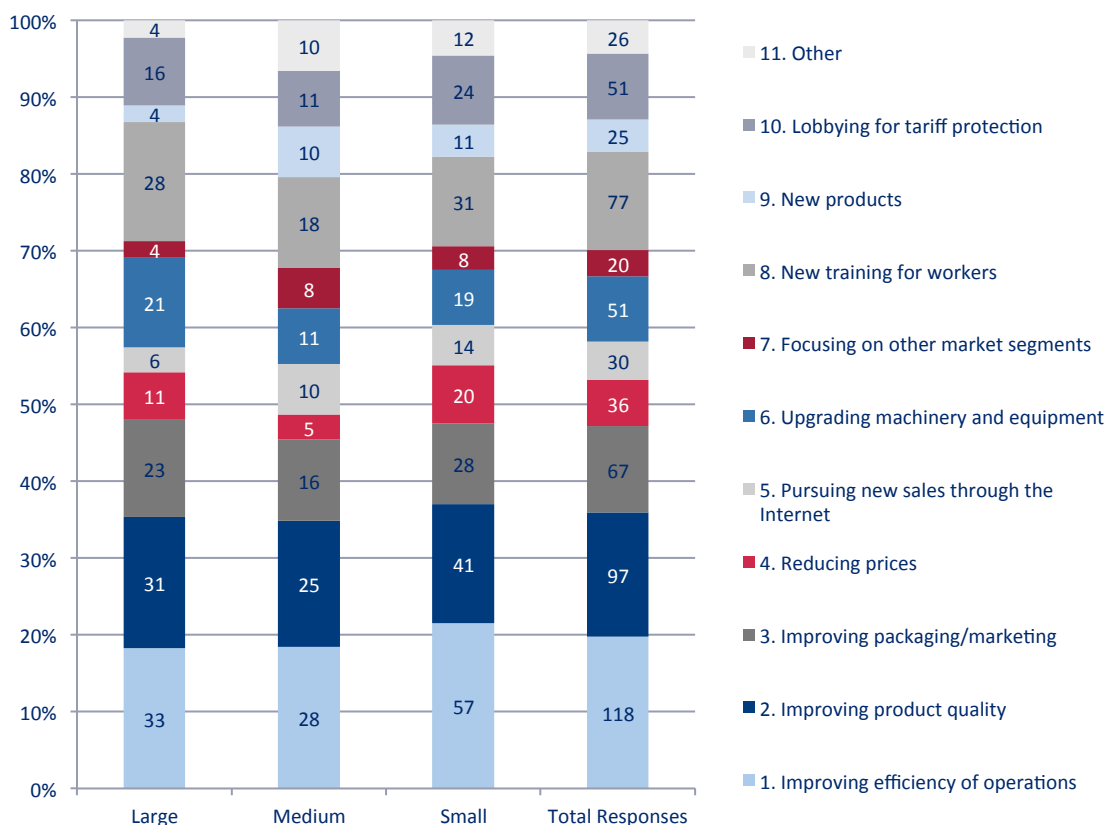
SOURCE: BPS, calculations by LUNA II.

Proportion of Dependence on Imported Inputs by Business Size



Note: There were 231 respondents; 56 others did not depend on imports; numbers in the bar graphs are the number of responses for each response option

Proportion of Responses Citing Plans for Adapting to Import Competition by Business Size



Note: The total number of respondents was 167; numbers in the bar graphs are the number of responses for each response option

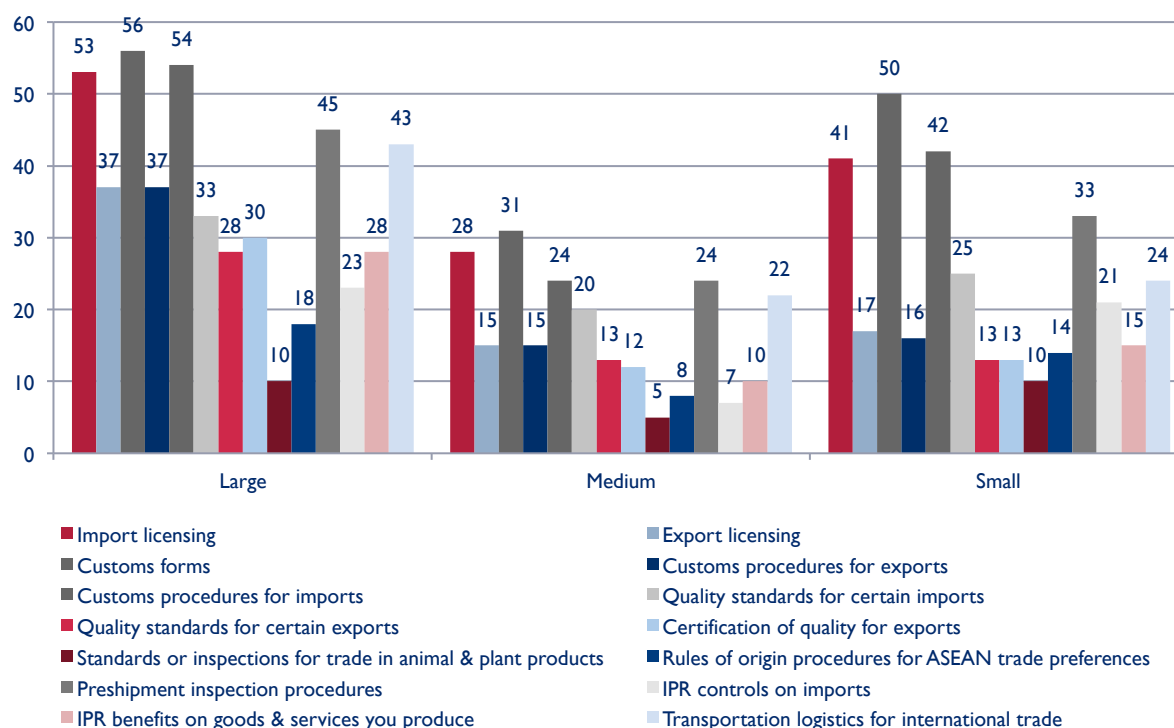
Count of Plans for Adjustment to Import Competition, by Business Size

Type of Adjustment	Large	Medium	Small	"Yes" Total
1. Improving efficiency of operations	33	28	57	118
2. Improving product quality	31	25	41	97
3. Improving packaging/marketing	23	16	28	67
4. Reducing prices	11	5	20	36
5. Pursuing new sales through the Internet	6	10	14	30
6. Upgrading machinery and equipment	21	11	19	51
7. Focusing on other market segments	4	8	8	20
8. New training for workers	28	18	31	77
9. New products	4	10	11	25
10. Lobbying for tariff protection	16	11	24	51
11. Other	4	10	12	26
Total Count of Adjustments	181	152	265	598
Memo: respondents per size cohort	40	37	90	167

Note: Light gray highlights adjustment use by 25% or more of cohort; Dark gray highlights adjustment use by 50% or more

TRADE POLICIES AND PRACTICES

Count of Responses Stating Experience with Trade Practices by Business Size



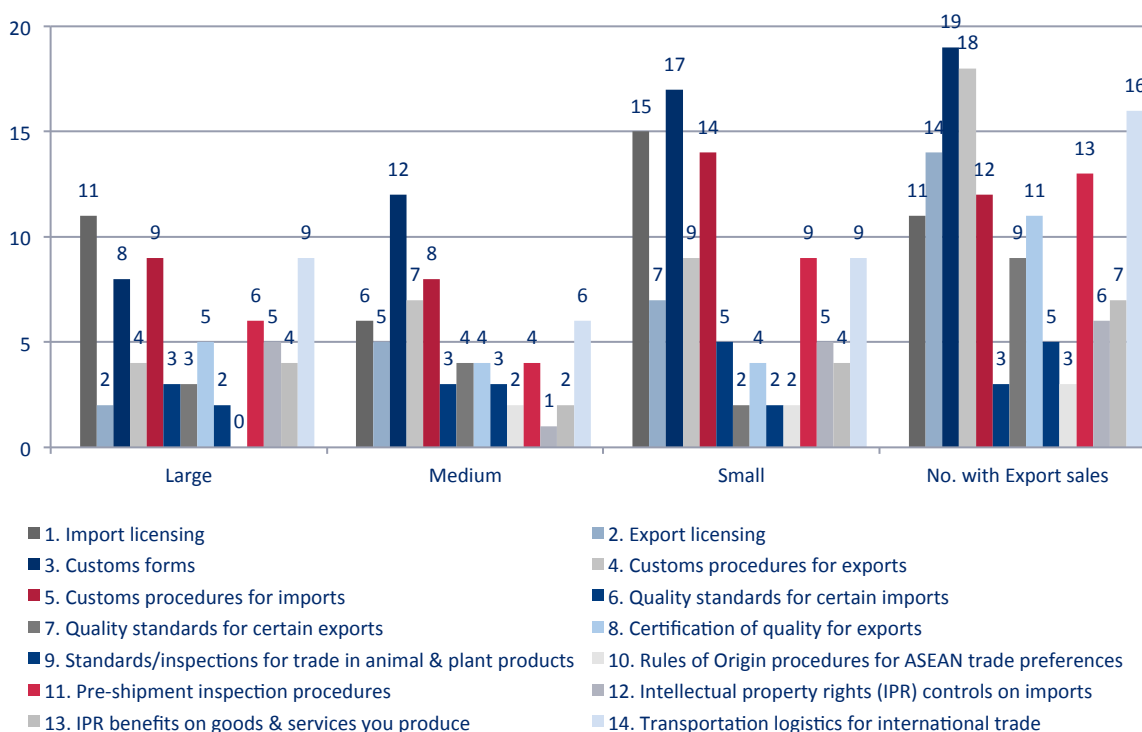
Count of Experience with Trade Practices, by Business Size and Export Experience

Type of Procedure or Regulation	Large	Medium	Small	Total (L+M+S)	No. with Export Sales
1. Import licensing	53	28	41	122	57
2. Export licensing	37	15	17	69	64
3. Customs forms	56	31	50	137	74
4. Customs procedures for exports	37	15	16	68	63
5. Customs procedures for imports	54	24	42	120	56
6. Quality standards for certain imports	33	20	25	78	36
7. Quality standards for certain exports	28	13	13	54	51
8. Certification of quality for exports	30	12	13	55	51
9. Standards/inspections for trade in animal & plant products	10	5	10	25	20
10. Rules of Origin procedures for ASEAN trade preferences	18	8	14	40	30
11. Pre-shipment inspection procedures	45	24	33	102	66
12. Intellectual property rights (IPR) controls on imports	23	7	21	51	24
13. IPR benefits on goods & services you produce	28	10	15	53	29
14. Transportation logistics for international trade	43	22	24	89	58
<i>Memo: Total number of BPS respondents, by column</i>	71	58	158		127

Note: Light gray highlights “yes” for 25% or more of cohort. Dark gray highlights “yes” for 50% or more.

SOURCE: BPS, calculations by LUNA II.

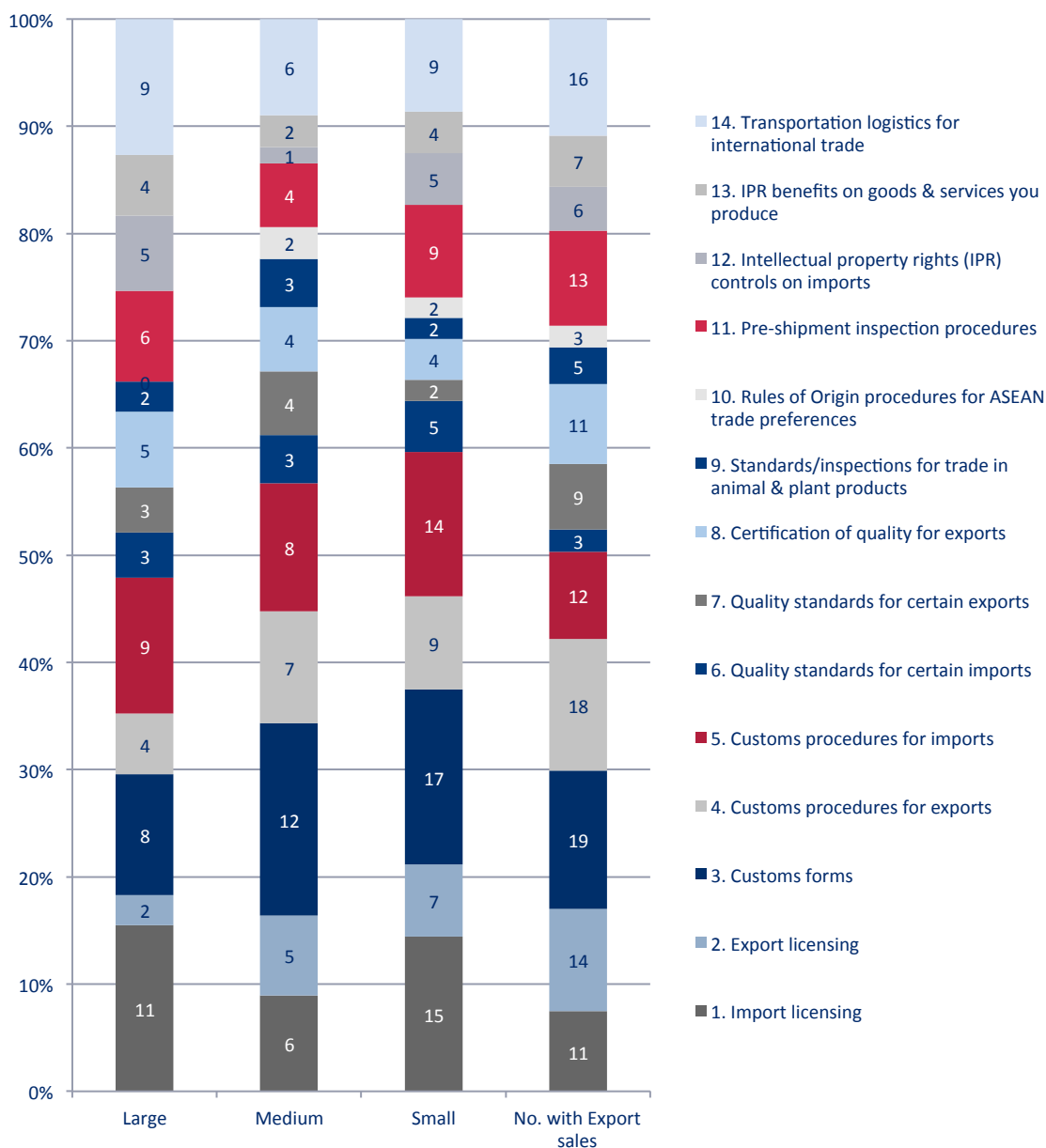
Count of Serious Problems with Trade Practices by Business Size and Export Experience



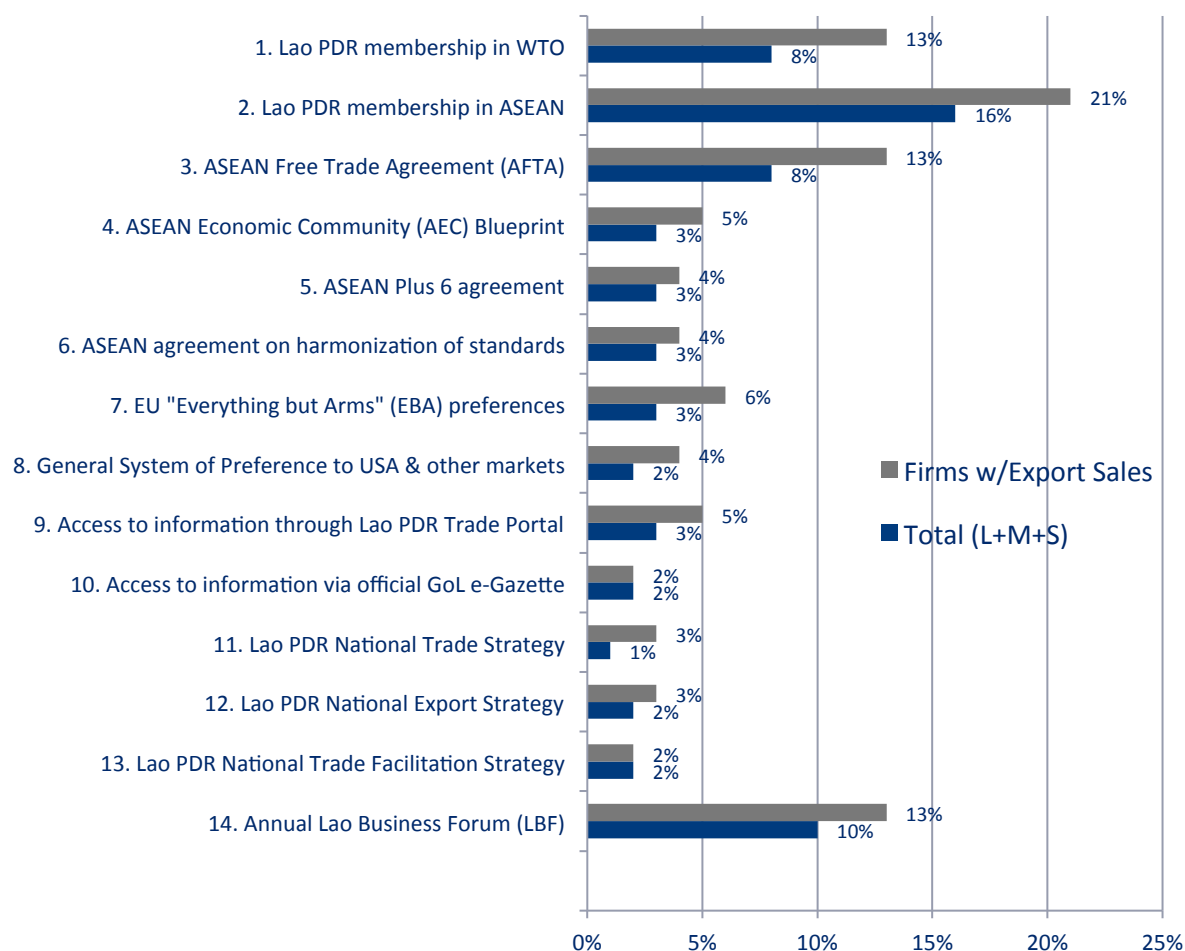
Count of Serious Problems with Trade Practices by Business Size and Export Experience

Type of Procedure or Regulation	Large	Medium	Small	Total (L+M+S)	No. with Export sales
1. Import licensing	11	6	15	32	11
2. Export licensing	2	5	7	14	14
3. Customs forms	8	12	17	37	19
4. Customs procedures for exports	4	7	9	20	18
5. Customs procedures for imports	9	8	14	31	12
6. Quality standards for certain imports	3	3	5	11	3
7. Quality standards for certain exports	3	4	2	9	9
8. Certification of quality for exports	5	4	4	13	11
9. Standards/inspections for trade in animal & plant products	2	3	2	7	5
10. Rules of Origin procedures for ASEAN trade preferences	0	2	2	4	3
11. Pre-shipment inspection procedures	6	4	9	19	13
12. Intellectual property rights (IPR) controls on imports	5	1	5	11	6
13. IPR benefits on goods & services you produce	4	2	4	10	7
14. Transportation logistics for international trade	9	6	9	24	16
<i>Memo: total number of BPS respondents, by column</i>	71	58	158	287	127
<i>---excl. co. 's having no experience with any listed items</i>	61	37	63	161	106

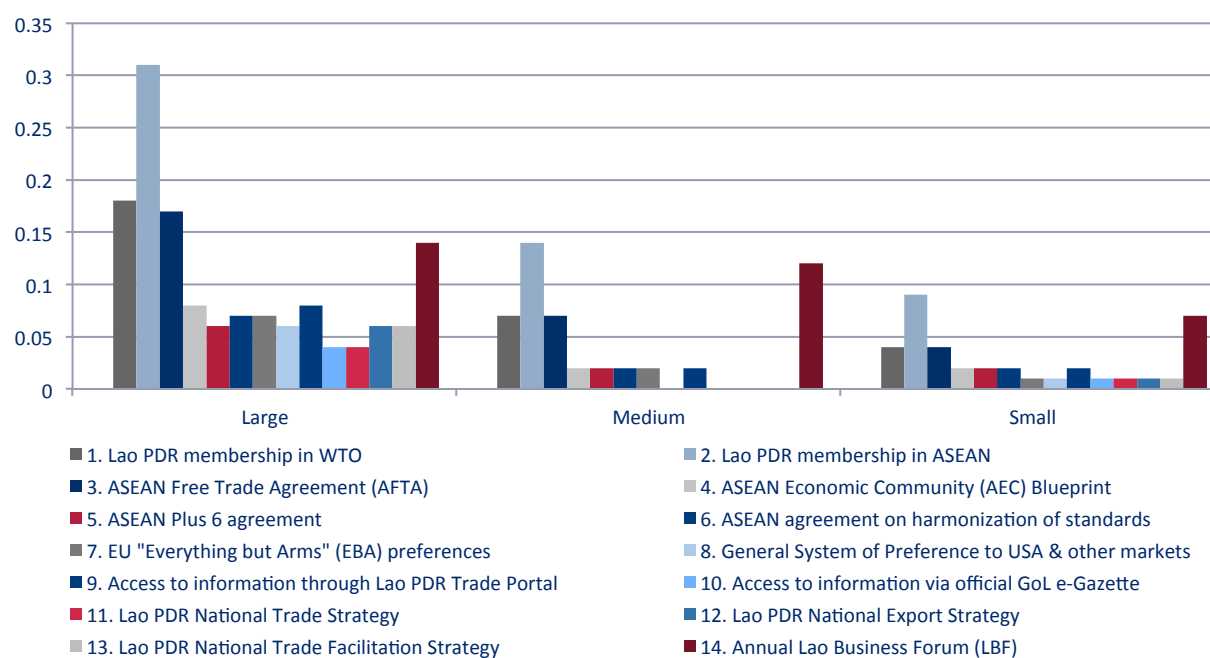
Proportion of Responses on Serious Problems with Trade Practices by Business Size and Export Experience



Percentage of Businesses Well Informed about Trade Arrangements



Percentage of Businesses Well Informed about Trade Arrangements by Size



Percentage of Businesses Well Informed on Trade Issues by Business Size and Export Experience

Type of Trade Issue	Large	Medium	Small	Total (L+M+S)	% with Export Sales
1. Lao PDR membership in WTO	18%	7%	4%	8%	13%
2. Lao PDR membership in ASEAN	31%	14%	9%	16%	21%
3. ASEAN Free Trade Agreement (AFTA)	17%	7%	4%	8%	13%
4. ASEAN Economic Community (AEC) Blueprint	8%	2%	2%	3%	5%
5. ASEAN Plus 6 agreement	6%	2%	2%	3%	4%
6. ASEAN agreement on harmonization of standards	7%	2%	2%	3%	4%
7. EU "Everything but Arms" (EBA) preferences	7%	2%	1%	3%	6%
8. General System of Preference to USA & other markets	6%	0%	1%	2%	4%
9. Access to information through Lao PDR Trade Portal	8%	2%	2%	3%	5%
10. Access to information via official GoL e-Gazette	4%	0%	1%	2%	2%
11. Lao PDR National Trade Strategy	4%	0%	1%	1%	3%
12. Lao PDR National Export Strategy	6%	0%	1%	2%	3%
13. Lao PDR National Trade Facilitation Strategy	6%	0%	1%	2%	2%
14. Annual Lao Business Forum (LBF)	14%	12%	7%	10%	13%
<i>Memo: total respondents in cohort, by column</i>	<i>71</i>	<i>58</i>	<i>158</i>	<i>287</i>	<i>127</i>

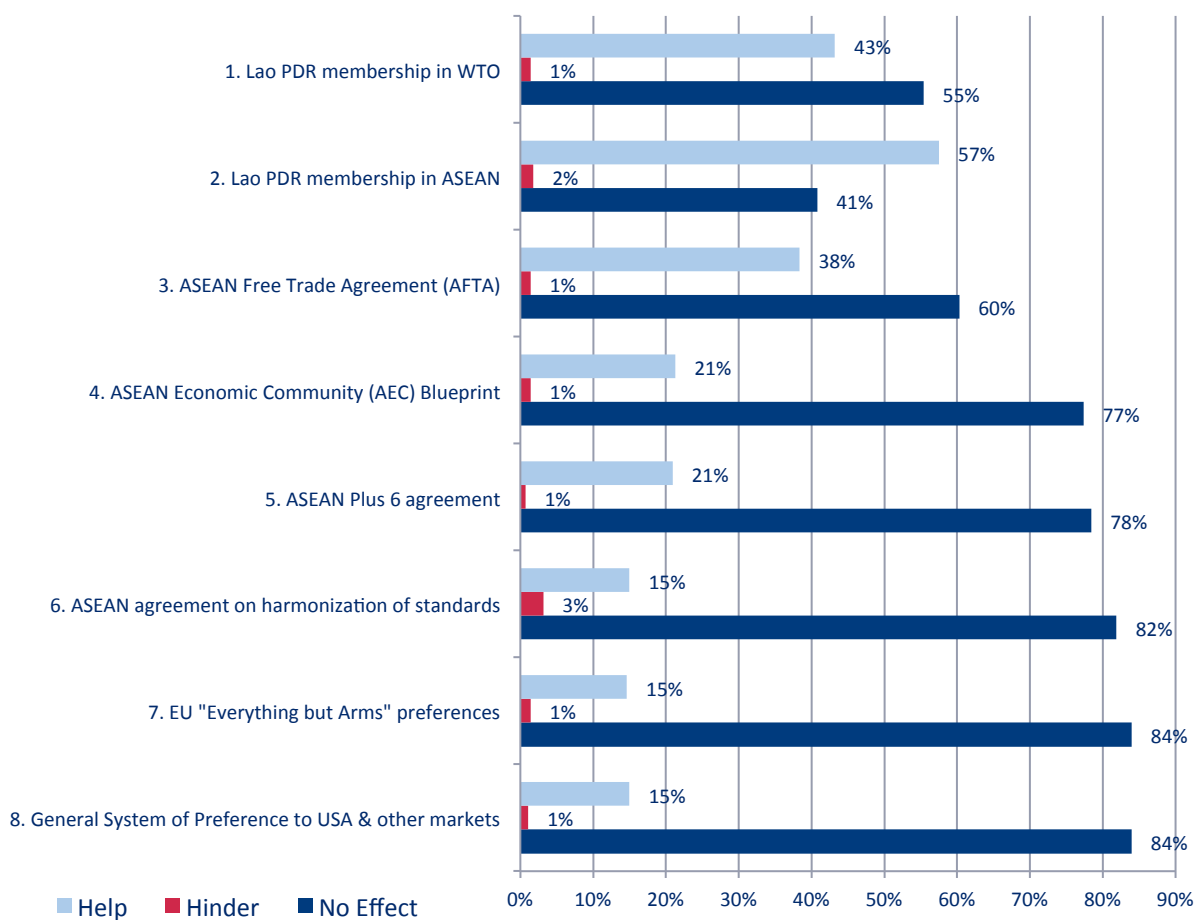
SOURCE: BPS, calculations by LUNA II.

Do Trade Agreements Help or Hinder Your Business?

Type of Trade Agreement	Significant Effect (count)			% Helped	
	Help (1)	Hinder (2)	No effect	1/(1+2) overall	1/(1+2) for mfg only
1. Lao PDR membership in WTO	124	4	159	97	98
2. Lao PDR membership in ASEAN	165	5	117	97	96
3. ASEAN Free Trade Agreement (AFTA)	110	4	173	96	95
4. ASEAN Economic Community (AEC) Blueprint	61	4	222	94	89
5. ASEAN Plus 6 agreement	60	2	225	97	89
6. ASEAN agreement on harmonization of standards	43	9	235	83	80
7. EU "Everything but Arms" preferences	42	4	241	91	87
8. General System of Preference to USA & other markets	43	3	241	93	85

SOURCE: BPS, calculations by LUNA II.

Percentage Reporting Identified Trade Agreement Help, Hurt or Hinder Their Business



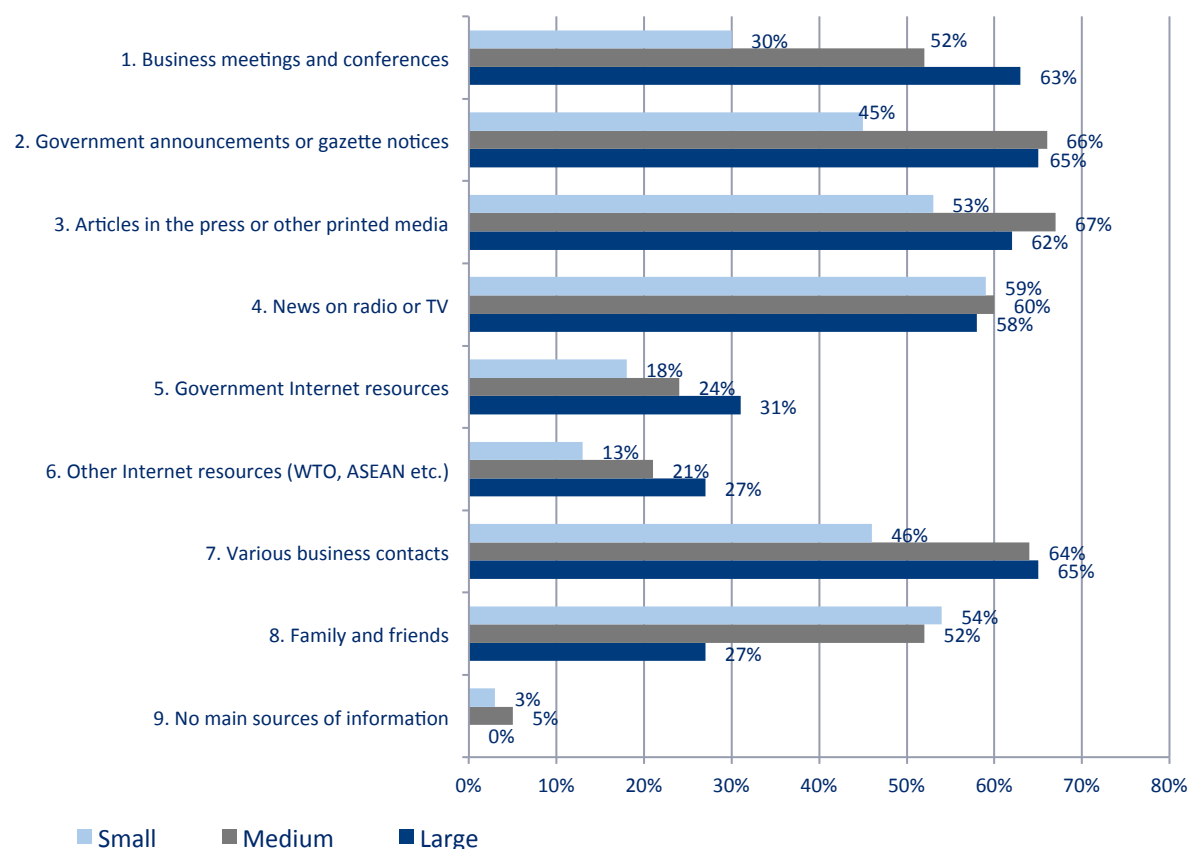
Respondents' Main Sources of Information on Trade Policies and Practices

Information Source	Percentage, by Business Size			
	Large	Medium	Small	Total (L+M+S)
1. Business meetings and conferences	63%	52%	30%	43%
2. Government announcements or gazette notices	65%	66%	45%	54%
3. Articles in the press or other printed media	62%	67%	53%	58%
4. News on radio or TV	58%	60%	59%	59%
5. Government Internet resources	31%	24%	18%	23%
6. Other Internet resources (WTO, ASEAN etc.)	27%	21%	13%	18%
7. Various business contacts	65%	64%	46%	54%
8. Family and friends	27%	52%	54%	47%
9. No main sources of information	0%	5%	3%	3%
Memo: total respondents in cohort, by column	71	58	158	287

Note: Light gray highlights a "yes" response by 50% or more of cohort.

SOURCE: BPS, calculations by LUNA II.

Percentage of Respondents Utilizing Identified Sources as Main Sources of Information on Trade Policies and Practices by Business Size



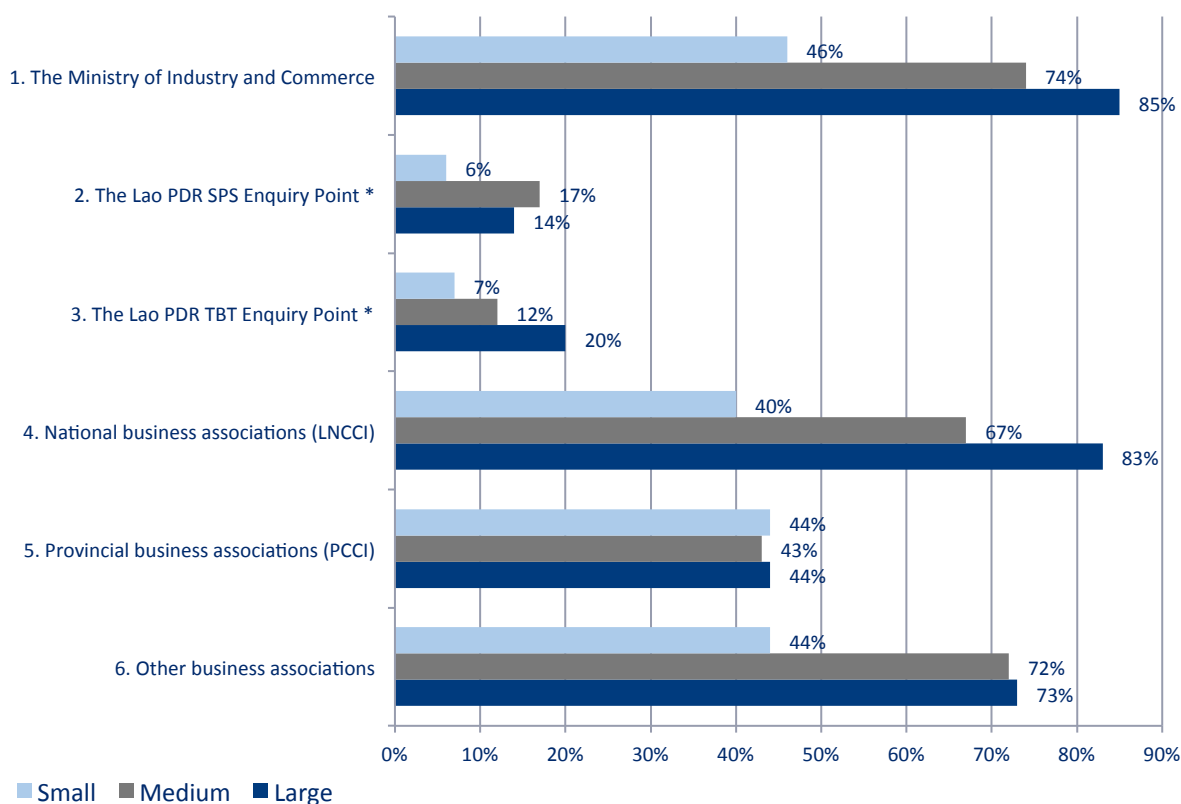
Percent Of Respondents that Say "Companies like theirs" can get "Useful information or Assistance" on International Trade Issues

Source	Percentage, by Business Size			
	Large	Medium	Small	Total (L+M+S)
1. The Ministry of Industry and Commerce	85%	74%	46%	61%
2. The Lao PDR SPS Enquiry Point *	14%	17%	6%	10%
3. The Lao PDR TBT Enquiry Point *	20%	12%	7%	11%
4. National business associations (LNCCI)	83%	67%	40%	56%
5. Provincial business associations (PCCI)	44%	43%	44%	44%
6. Other business associations	73%	72%	44%	57%
Memo: total respondents in cohort, by column	71	58	158	287

Note: Light gray highlights a "yes" response by 50% or more of cohort.

SOURCE: BPS, calculations by LUNA II.

Percent Of Respondents that Say "Companies like theirs" can get "Useful information or Assistance" by Business Size



Appendix B. Data Summary Table

Lao PDR Business Perceptions Survey – 2015. Data Summary

	Count (& other data)
Section V - Principal Analytic Strata	
Q1.a Address Province	
Vientiane Capital	134
Luang Prabang	24
Savannakhet	40
Champasack	89
Q5 Gender of Majority Owners	
50% + women owned	121
Majority Male Ownership	136
Q6 Sectors	
Agroforestry	32
Manufacturing	76
Tourism Related	44
Other Services	135
Q7 Excluding Owner Number of Full time Workers - Measure of Firm Size	
1_19 persons	158
20_99 persons	58
>=100 persons	71
Section I. Company Characteristics	
Q2 Foreign Country Headquarters	
Yes	25
No	262
Q3.1 Gender of Primary Respondent	
Male	181
Female	106
Q3.a Position of Primary Respondent	
Owner	139
Senior Manager	95
Middle Manager	53
Q4 Ownership	
100% Lao	224
100% Foreign	34
Mixed, with majority Lao	10
Mixed, with majority foreign	18
n/a	1
Q5 Gender of Company Ownership	
100% owned by women	83
Majority ownership by women, but less than 100%	1
50% of Company owned by women	37
Minority ownership by women(<50%)	15

100% of company owned by men	121
information not available	30
Q6_Principal sector of Activity	
Agriculture/Forestry Domestic Value Chains	32
Fisheries	0
Manufacturing	76
Wholesale/Retail trade	69
Hotel/restaurant/tourism	44
Transportation	9
Finance	4
Business services	7
Personal services	11
Other Services	35
Q7_Excluding Owner_Number of Full time Workers - Measure of Firm Size	
1_19 persons	158
20_99 persons	58
>=100 persons	71
Q8.2_Full time employees	
Mean	158
Median	15
Q8.2.a_Female	
Mean	64
Median	5
Section II - Engagement with International Trade	
Q9_This year is your company Selling Products to Non-Residents? (Exporter/Non-Exporter)	
Yes	127
No	160
Q9.1.1_Sales to the Domestic market in Laos - Percent of Total Sales	
Mean	83
Median	100
Q9.1.2_Sales to Thailand (directly or though an intermediary) - %	
Mean	25
Median	10
Q9.1.3_Sales to Vietnam (directly or though an intermediary) - %	
Mean	12
Median	5
Q9.1.4_Sales to other ASEAN countries (directly or though an intermediary) - %	
Mean	16
Median	5
Q9.1.5_Sales to China (directly or though an intermediary) - %	
Mean	15
Median	5
Q9.1.6_Other direct sales outside ASEAN - %	
Mean	42
Median	30
Q9.1.7_Other indirect exports Via a third party trader - %	
Mean	17
Median	10
Q10.0_No prospect for Export sales - Number of Firms	
Yes	195
No	92
Q10.1_Australia/New Zealand - Firms with Export Prospects	
Yes	19
No	268
Q10.2_Japan	

	Yes	36
	No	251
Q10.3_Korea		
	Yes	26
	No	261
Q10.4_India		
	Yes	11
	No	276
Q10.5_EU		
	Yes	41
	No	246
Q10.6_USA		
	Yes	24
	No	263
Q10.7_Thai		
	Yes	48
	No	239
Q10.8_China		
	Yes	39
	No	248
Q10.9_Other		
	Yes	24
	No	263
Q11.0_Do not have a high priority for Non_ASEAN markets		
	Yes	35
	No	57
Q11.1_Australia/New Zealand - Number of Firms Indicating High Priority		
	Yes	15
	No	77
Q11.2_Japan		
	Yes	28
	No	64
Q11.3_Korea		
	Yes	19
	No	73
Q11.4_India		
	Yes	7
	No	85
Q11.5_EU		
	Yes	34
	No	58
Q11.6_USA		
	Yes	16
	No	76
Q12_Significant Sales to Other Exporters?		
	Yes	57
	No	230
Q12.1_Percentage of domestic sales to Other Exporters		
	Mean	31
	Median	29
Q13.1_Over the past two years have your Direct sales to neighboring ASEAN countries Increased, decreased or remained the same?		
	Sales have increased rapidly	10
	Increased slowly	22
	Largely unchanged	30

	Declined slowly	15
	Declined rapidly	7
	Not applicable	203
Q13.2_ Over the past two years (Direct sales to ASEAN countries) have your sales Increased, decreased or remained		
	Sales have increased rapidly	4
	Increased slowly	9
	Largely unchanged	10
	Declined slowly	8
	Declined rapidly	3
	Not applicable	253
Q13.3_ Over the past two years (Direct sales to China) have your sales Increased, decreased or remained		
	Sales have increased rapidly	10
	Increased slowly	7
	Largely unchanged	14
	Declined slowly	10
	Declined rapidly	3
	Not applicable	243
Q13.4_ Over the past two years (Direct sales to other trading partners) have your sales Increased, decreased or remained		
	Sales have increased rapidly	7
	Increased slowly	23
	Largely unchanged	40
	Declined slowly	14
	Declined rapidly	3
	Not applicable	200
Q13.5_ Over the past two years (Direct sales to ASEAN countries) have your sales Increased, decreased or remained		
	Sales have increased rapidly	1
	Increased slowly	3
	Largely unchanged	5
	Declined slowly	4
	Declined rapidly	4
	Not applicable	270
Q13.6_ Over the past two years (Indirect exports through third-party traders) have your sales Increased, decreased or remained		
	Sales have increased rapidly	35
	Increased slowly	93
	Largely unchanged	69
	Declined slowly	48
	Declined rapidly	12
	Not applicable	30
Q13.7_ Over the past two years (Domestic sales to major exporters) have your sales Increased, decreased or remained		
	Sales have increased rapidly	5
	Increased slowly	22
	Largely unchanged	20
	Declined slowly	9
	Declined rapidly	3
	Not applicable	228
Q14_ Planning strategies to increase your export sales		
	Yes	93
	No	50
	Not relevant	144
Q14.1.1_ Improve efficiency in my operations		

	Yes	65
	No	28
Q14.1.2_ Improve my product quality		
	Yes	60
	No	33
Q14.1.3_ Improve my packaging and/or my marketing efforts		
	Yes	43
	No	50
Q14.1.4_ Reduce my prices		
	Yes	19
	No	74
Q14.1.5_ Expand capacity to fill larger orders		
	Yes	45
	No	48
Q14.1.6_ Purchase more modern machinery or equipment		
	Yes	44
	No	49
Q14.1.7_ Attend international trade fairs		
	Yes	23
	No	70
Q14.1.8_ Pursue international sales through the internet		
	Yes	27
	No	66
Q14.1.9_ Seek information on potential foreign customers from the government or Commercial attaches of foreign embassies in Lao PDR		
	Yes	19
	No	74
Q14.1.10_ Improve training for my workers		
	Yes	56
	No	37
Q14.1.11_ Other		
	Yes	11
	No	82
Q15_ Excluding fuel, do your operations depend to any significant extent on supplies of foreign_made imports...		
	Yes	231
	No	56
Q15.1.1_ Raw materials		
	Yes	94
	No	137
Q15.1.2_ Semi_finished		
	Yes	44
	No	187
Q15.1.3_ Packaging materials		
	Yes	56
	No	175
Q15.1.4_ Technical services		
	Yes	73
	No	158
Q15.1.5_ Production equipment		
	Yes	120
	No	111
Q15.1.6_ Spare parts		
	Yes	99
	No	132

Q15.1.7_Finished products for resale		
	Yes	91
	No	140
Q16_Are you facing any problems with competition in the Laotian domestic market from imported products/services		
	Yes	144
	No	143
Q16.1_How serious are the problems your business is currently facing from import competition		
	Minor Problems only	47
	Serious Problems, but manageable	58
	Critical problems	39
Q17_Do you anticipate serious problems from import competition over the next two years....		
	No problems	130
	Minor problem only	49
	Increasingly serious problems, but manageable	58
	Critical problems	50
Q18.1_Steps Being Taken to Meet Import Competition -- Question not relevant: facing no problem		
	Yes	120
	No	167
Q18.2_Improving efficiency in my operations		
	Yes	118
	No	169
Q18.3_Improving my product quality		
	Yes	97
	No	190
Q18.4_Improving my packaging and/or marketing		
	Yes	67
	No	220
Q18.5_Reducing my prices		
	Yes	36
	No	251
Q18.6_Pursuing new sales through the internet		
	Yes	30
	No	257
Q18.7_Purchasing new machinery or equipment		
	Yes	51
	No	236
Q18.8_Focusing on market segments where imports are not a factor		
	Yes	20
	No	267
Q18.9_New training for my workers		
	Yes	77
	No	210
Q18.10_Changing to other product lines that do not compete with imports		
	Yes	25
	No	262
Q18.11_Lobbying government for tariff protection		
	Yes	51
	No	236
Q18.12_Other		
	Yes	26
	No	261
Q19.1_Export licensing procedures -- Constraints to Increasing Exports?		

Not a constraint	64
Minor Constraint	27
Important constraint	15
Critical Constraint	9
Do not know, or not relevant to my type of business	172
Q19.2_ Customs forms and documents	
Not a constraint	67
Minor Constraint	38
Important constraint	19
Critical Constraint	8
Do not know, or not relevant to my type of business	155
Q19.3_ Customs Procedures at the border	
Not a constraint	64
Minor Constraint	34
Important constraint	21
Critical Constraint	8
Do not know, or not relevant to my type of business	160
Q19.4_ Transportation costs	
Not a constraint	59
Minor Constraint	36
Important constraint	29
Critical Constraint	20
Do not know, or not relevant to my type of business	143
Q19.5_ Transportation or logistics delays	
Not a constraint	56
Minor Constraint	41
Important constraint	31
Critical Constraint	13
Do not know, or not relevant to my type of business	146
Q19.6_ Information about external markets	
Not a constraint	73
Minor Constraint	27
Important constraint	19
Critical Constraint	4
Do not know, or not relevant to my type of business	164
Q19.7_ Certification of Rules of Origin	
Not a constraint	70
Minor Constraint	18
Important constraint	9
Critical Constraint	10
Do not know, or not relevant to my type of business	180
Q19.8_ Product quality standards	
Not a constraint	82
Minor Constraint	27
Important constraint	9
Critical Constraint	13
Do not know, or not relevant to my type of business	156
Q19.9_ Certification of quality	
Not a constraint	69
Minor Constraint	28
Important constraint	12
Critical Constraint	11
Do not know, or not relevant to my type of business	167
Q19.10_ Inadequate production volume	
Not a constraint	63

Minor Constraint	43
Important constraint	29
Critical Constraint	14
Do not know, or not relevant to my type of business	138
Q19.11_Inadequate Internet connectivity	
Not a constraint	81
Minor Constraint	34
Important constraint	25
Critical Constraint	14
Do not know, or not relevant to my type of business	133
Q19.12_Availability of trade finance	
Not a constraint	74
Minor Constraint	40
Important constraint	40
Critical Constraint	23
Do not know, or not relevant to my type of business	110
Q19.13_Cost of Trade finance	
Not a constraint	70
Minor Constraint	40
Important constraint	29
Critical Constraint	16
Do not know, or not relevant to my type of business	132
Q19.14_Access to essential imported inputs	
Not a constraint	82
Minor Constraint	36
Important constraint	17
Critical Constraint	17
Do not know, or not relevant to my type of business	135
Q19.15_Tariffs and taxes on imported inputs	
Not a constraint	72
Minor Constraint	29
Important constraint	37
Critical Constraint	14
Do not know, or not relevant to my type of business	135
Q19.16_Export taxes	
Not a constraint	57
Minor Constraint	24
Important constraint	26
Critical Constraint	9
Do not know, or not relevant to my type of business	171
Q19.17_Lack of skilled labor	
Not a constraint	57
Minor Constraint	33
Important constraint	46
Critical Constraint	38
Do not know, or not relevant to my type of business	113
Q19.18_Contract process for international sales	
Not a constraint	62
Minor Constraint	32
Important constraint	16
Critical Constraint	5
Do not know, or not relevant to my type of business	172
Q19.19_Other	
Not a constraint	2
Minor Constraint	0

Important constraint	1
Critical Constraint	5
Do not know, or not relevant to my type of business	279
Section III - Experience With and Awareness of Trade Policies and Practices	
Q20.1_ Import licensing -- Does Company Have Direct Experience With?	
Yes	122
No	165
Q20.2_ Export licensing	
Yes	69
No	218
Q20.3_ Customs forms	
Yes	137
No	150
Q20.4_ Customs procedures for Exports	
Yes	68
No	219
Q20.5_ Customs procedures for Imports	
Yes	120
No	167
Q20.6_ Quality standards for certain import products	
Yes	78
No	209
Q20.7_ Quality standards for certain export products	
Yes	54
No	233
Q20.8_ Certification of quality for Exports	
Yes	55
No	232
Q20.9_ Standard and inspection for trade in animal and plant products	
Yes	25
No	262
Q20.10_ Rules of Origin procedures for ASEAN trade preferences	
Yes	40
No	247
Q20.11_ Pre_ shipment inspection procedures	
Yes	102
No	185
Q20.12_ Intellectual property rights controls on products your import	
Yes	51
No	236
Q20.13_ Intellectual property rights benefits on goods or services you produce	
Yes	53
No	234
Q20.14_ Transportation logistics for international trade	
Yes	89
No	198
Q21.1_ Import licensing - Has Company Faced Serious Problems With?	
Yes	32
No	90
N/A	165
Q21.2_ Export licensing	
Yes	14
No	57

	N/A	216
Q21.3_ Customs forms		
	Yes	37
	No	100
	N/A	150
Q21.4_ Customs procedures for Exports		
	Yes	20
	No	50
	N/A	217
Q21.5_ Customs procedures for Imports		
	Yes	31
	No	89
	N/A	167
Q21.6_ Quality standards for certain import products		
	Yes	11
	No	70
	N/A	206
Q21.7_ Quality standards for certain export products		
	Yes	9
	No	46
	N/A	232
Q21.8_ Certification of quality for Exports		
	Yes	13
	No	42
	N/A	232
Q21.9_ Standards and inspection for trade in animal and plant products		
	Yes	7
	No	20
	N/A	260
Q21.10_ Rules of Origin procedures for ASEAN trade preferences		
	Yes	4
	No	37
	N/A	246
Q21.11_ Pre_ shipment inspection procedures		
	Yes	19
	No	85
	N/A	183
Q21.12_ Intellectual property rights controls on products you import		
	Yes	11
	No	43
	N/A	233
Q21.13_ Intellectual property rights benefits on goods or services you produce		
	Yes	10
	No	46
	N/A	231
Q21.14_ Transportation logistics for international trade		
	Yes	24
	No	64
	N/A	199
Q22.1_ Lao PDR membership in world trade Organization(WTO) -- Company Awareness Of		
	Well informed about it	24
	Aware of it (I know some of the contents)	101
	Heard of it (but I do not know any of the contents)	99
	No knowledge or information about it	63
Q22.2_ Lao membership in ASEAN		

Well informed about it	45
Aware of it (I know some of the contents)	115
Heard of it (but I do not know any of the contents)	95
No knowledge or information about it	32
Q22.3 ASEAN free trade Agreement(AFTA)	
Well informed about it	22
Aware of it (I know some of the contents)	75
Heard of it (but I do not know any of the contents)	95
No knowledge or information about it	95
Q22.4 ASEAN Economic Community Blueprint	
Well informed about it	10
Aware of it (I know some of the contents)	40
Heard of it (but I do not know any of the contents)	79
No knowledge or information about it	158
Q22.5 ASEAN plus 6 Agreement	
Well informed about it	8
Aware of it (I know some of the contents)	36
Heard of it (but I do not know any of the contents)	78
No knowledge or information about it	165
Q22.6 ASEAN Agreement harmonization of standards	
Well informed about it	9
Aware of it (I know some of the contents)	25
Heard of it (but I do not know any of the contents)	73
No knowledge or information about it	180
Q22.7 Every thing But Arms(EBA) preferences for Exports to the EU	
Well informed about it	8
Aware of it (I know some of the contents)	31
Heard of it (but I do not know any of the contents)	58
No knowledge or information about it	190
Q22.8 General System of preferences(GSP) for Lao export to USA and Other countries	
Well informed about it	5
Aware of it (I know some of the contents)	33
Heard of it (but I do not know any of the contents)	47
No knowledge or information about it	202
Q22.9 Access to information on trade laws and regulation, trade standards, trade preferences, etc...,through the Lao PDR trade Portal	
Well informed about it	10
Aware of it (I know some of the contents)	42
Heard of it (but I do not know any of the contents)	62
No knowledge or information about it	173
Q22.10 Access to information on trade laws and regulation through the GoL official Electronic Gazette (E_Gazette)	
Well informed about it	5
Aware of it (I know some of the contents)	29
Heard of it (but I do not know any of the contents)	46
No knowledge or information about it	207
Q22.11 The Lao PDR National Trade Strategy	
Well informed about it	4
Aware of it (I know some of the contents)	43
Heard of it (but I do not know any of the contents)	100
No knowledge or information about it	140
Q22.12 The Lao PDR National Export Strategy	
Well informed about it	5
Aware of it (I know some of the contents)	37
Heard of it (but I do not know any of the contents)	83

No knowledge or information about it	162
Q22.13_ The Lao PDR National Trade Facilitation Strategy	
Well informed about it	6
Aware of it (I know some of the contents)	39
Heard of it (but I do not know any of the contents)	79
No knowledge or information about it	163
Q22.14_ Annual Lao Business Forum(LBF)	
Well informed about it	28
Aware of it (I know some of the contents)	78
Heard of it (but I do not know any of the contents)	96
No knowledge or information about it	85
Q23.1_ Lao PDR membership in world trade Organization(WTO) -- Company Perceived Impact Of	
Help	124
Hinder	4
No Significant effect that you are aware of	41
No opinion	118
Q23.2_ Lao membership in ASEAN	
Help	165
Hinder	5
No Significant effect that you are aware of	26
No opinion	91
Q23.3_ ASEAN free trade Agreement(AFTA)	
Help	110
Hinder	4
No Significant effect that you are aware of	26
No opinion	147
Q23.4_ ASEAN Economic Community Blueprint	
Help	61
Hinder	4
No Significant effect that you are aware of	17
No opinion	205
Q23.5_ ASEAN plus 6 Agreement	
Help	60
Hinder	2
No Significant effect that you are aware of	17
No opinion	208
Q23.6_ ASEAN Agreement harmonization of standards	
Help	43
Hinder	9
No Significant effect that you are aware of	15
No opinion	220
Q23.7_ Every thing But Arms(EBA) preferences for Exports to the EU	
Help	42
Hinder	4
No Significant effect that you are aware of	15
No opinion	226
Q23.8_ General System of preferences(GSP) for Lao export to USA and Other countries	
Help	43
Hinder	3
No Significant effect that you are aware of	13
No opinion	228
Q24.1_ Business meetings and Conferences - Source of Information on Trade Policies and Practices?	
Yes	122

	No	165
Q24.2_Government announcements or gazette notices		
	Yes	155
	No	132
Q24.3_Articles in the press or Other print media		
	Yes	166
	No	121
Q24.4_News on Radio or T.V		
	Yes	169
	No	118
Q24.5_Government internet Resources		
	Yes	65
	No	222
Q24.6_Other internet Resources (WTO,ASEAN,etc.)		
	Yes	51
	No	236
Q24.7_Various business Contacts		
	Yes	156
	No	131
Q24.8_Family and friends		
	Yes	135
	No	152
Q24.9_Other		
	Yes	14
	No	273
Q24.10_No main Sources of information		
	Yes	8
	No	279
Q25.1_The Lao PDR trade Portal -- Usefulness of Other Sources of Information		
	Yes	50
	No	10
	N/A	227
Q25.2_The GoL Official Electronic Gazette		
	Yes	24
	No	8
	N/A	255
Q25.3_annual Lao business Forum(LBF)		
	Yes	101
	No	18
	N/A	168
Q26.1_The Ministry of Industry and Commerce - Usefulness as Source of Trade Information		
	Yes	176
	No	61
	Don't know	50
Q26.2_The Lao PDR SPS Enquiry Point		
	Yes	29
	No	30
	Don't know	228
Q26.3_The Lao PDR TBT Enquiry Point		
	Yes	32
	No	35
	Don't know	220
Q26.4_National Business Associations(LNCCI)		
	Yes	161
	No	54

	Don't know	72
Q26.5_Provincial Business Associations(PCCI)		
	Yes	126
	No	88
	Don't know	73
Q26.6_Other Business Associations		
	Yes	164
	No	44
	Don't know	79
Q27_Does the government effectively take in to Account private sector views and Concerns when Formulating trade policies, Laws and regulations		
Yes, the government effectively involves the private sector		72
The government goes through the motions, but does not seriously address private sector concerns		158
I am not aware of government efforts to involve the private sector		57
Q28_Based on your personal experience, roughly what percentage of citizens of Lao PDR are aware of the Policies and the opportunities they create for local business		
	Mean	27
	Median	30
Q29.1_Yes,I know of cases where this policy has been implemented -- foreign registered companies allowed to import goods without recourse to a Lao intermediary, condition of WTO membership		
	Yes	66
	No	221
Q29.2_No, I know of cases where this policy failed to be implemented		
	Yes	47
	No	240
Q29.3_I have no knowledge of this issue		
	Yes	176
	No	111
Q29.4_Other		
	Yes	2
	No	285
Q34_Are there any significant differences for businesses Owned by Women Compared to those Owned by Men		
	Yes	107
	No	180

Appendix C. Business Perception Survey Questionnaire

Questionnaire No: .../.../.....

Enumerator: ☐ Male ☐ Female

Interview Date:/...../..... Interview Time: Start..... : ; End..... :

Field Supervisor:..... Date Checked:/...../.....

Central Level Supervisor:..... Date Checked:/...../.....

Objective: This survey is seeking information on how businesses in Laos perceive the opportunities and challenges presented by the nation's increased opening to international trade. The Government of Laos is deeply committed to meeting its international commitments on trade policies and creating an attractive environment for the private sector to benefit from trade. The present survey is designed to provide the Government and development partners with valuable information to guide decisions on further reforms to improve trade policies and practices. Please be assured that your responses will be entirely confidential. We will report overall results of the survey, but we will not disclose your name or any information about your company.

Instructions: For each of the following questions, please fill in the blank..... or mark ✕ in the box
☐ as appropriate

Section A: Company Characteristics

1.) Full name of company:

Name in Lao:

Name in English:

1.a Address:

Village: District: Province:

Tel: Mobile:

E-mail:

Website:

2.) If the Headquarters of your company is located in a foreign country, please specify below:

☐ Not relevant

2.a Country: 2.b City:

3.) Primary Respondent

(1): ☐ Male ☐ Female

Respondent (2): ☐ Male ☐ Female

3.a Position Category of primary respondent: (Select one, the senior most position)

1. ☐ Owner 2. ☐ Senior Manager 3. ☐ Middle Manager

4.) Category of company ownership?

1. ☐ 100% Laotian 2. ☐ 100% foreign

3. ☐ Mixed, with majority Laotian 4. ☐ Mixed, with majority foreign

5.) Gender of company ownership:

1. ☐ 100% owned by women

2. ☐ Majority ownership by women, but less than 100%

3. ☐ 50% of company owned by women

4. ☐ Minority ownership by women (<50%)

5. ☐ 100% of company owned by men

6. ☐ Information not available

6.) Principal sector of activity (specify main type of products/services on blank line):

AGRICULTURE/FISHERIES:

1. ☐ Agriculture (specify)

2. ☐ Fisheries (specify).....

MANUFACTURING:

3. ☐ Manufacturing (specify)

SERVICES:

4. ☐ Wholesale/retail trade (specify)

5. ☐ Hotel/restaurant/tourism (specify)

6. ☐ Transportation (specify).....

7. ☐ Finance (specify)

8. ☐ Business services (specify)

9. ☐ Personal services (specify).....

10. ☐ Other (specify)

7.) Excluding owners, how many full-time workers are currently employed in your company?

1. ☐ 1-19 persons

2. ☐ 20-99 persons

3. ☐ ≥ 100 persons

8.) Other gender data (*approximations allowed, if necessary*):

8.1) Number of senior managers 8.1) a. Of which female

8.2) Number of full-time employees 8.2) a. Of which female

8.3) Number of part-time employees 8.3) a. Of which female

Section B: Engagement with International Trade

Exports

* *Note to enumerators and respondents:* By exports we mean goods or services produced in Laos that are sold to individuals, companies or other customers who are residents of a foreign country. In the case of tourism and other services, the sale may take place in Laos, but is considered an export sale if the buyer is not a resident of Laos.

9.) This year is your company selling any of its products or services to customers or clients who normally reside outside of Lao PDR, either directly or indirectly (via a third-party trader)?

☐ 1. Yes

☐ 2. No

9.1) What percentage of your sales this year are going to each of the following markets or residents of those markets (*approximation allowed, as long as totals sum to 100%*):

1. Sales to the domestic market in Laos%

2. Sales to Thailand (directly or through an intermediary)%

3. Sales to Vietnam (directly or through an intermediary)%

4. Sales to other ASEAN countries (directly or through an intermediary)%

5. Sales to China (directly or through an intermediary)%
6. Other direct sales outside ASEAN (specify)%
7. Other indirect exports via a third party trader%
- 10.) Taking into consideration various trade agreements that provide preferential treatment for imports of goods from Lao PDR, do you see any prospect for new and/or increased export sales to any of the following markets (*select any that are applicable*):

0. ☐ No prospect for export sales (If select this option, go to Q12)
- | | |
|---|---|
| 1. <input type="checkbox"/> Australia/New Zealand | 2. <input type="checkbox"/> Japan |
| 3. <input type="checkbox"/> Korea | 4. <input type="checkbox"/> India |
| 5. <input type="checkbox"/> European Economic Community | 6. <input type="checkbox"/> United States |
| 7. <input type="checkbox"/> Thailand | 8. <input type="checkbox"/> China |
| 9. <input type="checkbox"/> Other (specify) | |

- 11.) Are any of the following non-ASEAN markets, other than China, a high priority for your firm?
(*Select any that are applicable*)

**Reminder: Exports refers to any sales to non-residents of Lao PDR*

0. ☐ Do not have a high priority for Non-ASEAN Markets
- | | |
|---|---|
| 1. <input type="checkbox"/> Australia/New Zealand | 2. <input type="checkbox"/> Japan |
| 3. <input type="checkbox"/> Korea | 4. <input type="checkbox"/> India |
| 5. <input type="checkbox"/> European Economic Community | 6. <input type="checkbox"/> United States |

- 12.) Does your company sell a significant amount of products or services that are inputs to domestic businesses that are, themselves, major exporters (such as electricity and mining companies, agro-industry exporters, or producers of garments or wood products mainly for export, or companies in the SEZ)?

1. ☐ Yes 2. ☐ No (If No, go to Q13)

- 12.1) Approximately what percentage of your company's domestic sales this year (as specified in Q9.1), goes to domestic customers who are themselves major exporters?%

- 13.) Over the past two years (or since your start-up date, for newer businesses), have your sales increased, decreased, or remained about the same in each of the following sales categories? Please answer using a scale ranging from 1 to 5, where:

- 1 = Sales have increased rapidly
 2 = ... increased slowly
 3 = ... largely unchanged
 4 = ... declined slowly
 5 = ... declined rapidly
 6 = Not applicable

	1	2	3	4	5	6 =N/A
1. Direct sales to neighboring ASEAN countries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Direct sales to other ASEAN countries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Direct sales to China	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Direct sales to other trading partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Indirect exports through third-party traders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Domestic sales in Lao PDR, overall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Domestic sales to major exporters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14.) Are you taking any steps or actively planning strategies to increase your export sales?

1. ☐ Yes 2. ☐ No (If No, go to Q.15) 3. ☐ Not relevant (If No, go to

14.1) What steps are you taking or actively planning to increase your export sales? (*Select one or more responses, as applicable to your business.*)

1. ☐ Improve efficiency in my operations
2. ☐ Improve my product quality
3. ☐ Improve my packaging and/or my marketing efforts
4. ☐ Reduce my prices
5. ☐ Expand capacity to fill larger orders
6. ☐ Purchase more modern machinery or equipment
7. ☐ Attend international trade fairs
8. ☐ Pursue international sales through the internet
9. ☐ Seek information on potential foreign customers from the
Government or commercial attaches of embassies in Lao PDR
10. ☐ Improve training for my workers
11. ☐ Other (specify)

Imports

15.) Excluding fuel, do your operations depend to any significant extent on supplies of foreign-made imports of goods or services? (Disregard minor items such as office supplies, cleaning fluids, etc.)

1. ☐ Yes 2. ☐ No (If No, go to Q.16)

15.1) What kind of imports are important inputs to the conduct of your business? (*Select any that apply.*)

- | | |
|---|--|
| 1. <input type="checkbox"/> Raw materials | 2. <input type="checkbox"/> Semi-finished |
| 3. <input type="checkbox"/> Packaging materials | 4. <input type="checkbox"/> Technical services |

5. ☐ Production equipment 6. ☐ Spare parts
7. ☐ Finished products for resale

16.) Are you facing any problems with competition in the Laotian domestic market from imported products/services similar to your own?

1. ☐ Yes 2. ☐ No (If No, go to Q.17)

16.1) How serious are the problems your business is currently facing from import competition?
(Select one answer that best fits the situation of your business.)

1. ☐ Minor problems only
2. ☐ Serious problems, but manageable
3. ☐ Critical problems

17.) Do you anticipate serious problems from import competition over the next two years? (Select one answer that best fits the situation of your business.)

1. ☐ No problems
2. ☐ Minor problems only
3. ☐ Increasingly serious problems, but manageable
4. ☐ Critical problems

18.) *If you are facing current or potential problems from import competition, what steps are you taking or actively planning to respond to this competition? (Select one or more responses, as applicable to your business.)*

1. ☐ Question not relevant: facing no problems
2. ☐ Improving efficiency in my operations
3. ☐ Improving my product quality
4. ☐ Improving my packaging and/or marketing
5. ☐ Reducing my prices
6. ☐ Pursuing new sales through the Internet
7. ☐ Purchasing new machinery or equipment
8. ☐ Focusing on market segments where imports are not a factor
9. ☐ New training for my workers
10. ☐ Changing to other product lines that do not compete with imports
11. ☐ Lobbying government for tariff protection
12. ☐ Other (specify) _____

19.) For a company like yours, how would you rate each of the following issues as *constraints to selling products or services to external markets*, regionally and internationally? Please answer using a scale, ranging from 1 to 5, where:

- 1 = Not a constraint
 2 = Minor constraint
 3 = Important constraint
 4 = Critical constraint
 5 = Do not know, or not relevant to my type of business

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
1. Export licensing procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Customs forms and documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Customs procedures at the border	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Transportation costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Transportation or logistics delays	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Information about external markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Certification of Rules of Origin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Product quality standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Certification of quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Inadequate production volume	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Inadequate Internet connectivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Availability of trade finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Cost of trade finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Access to essential imported inputs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Tariffs and taxes on imported inputs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Export taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Lack of skilled labor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Contract process for international sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Other (specify) _____					

Section C: Experience with, and Awareness of Trade Policies and Practices

20.) Does your company have direct experience with any or all of the following issues relating to trade facilitation or trade regulations? (Yes or No)

	Yes	No
1. Import licensing	<input type="checkbox"/>	<input type="checkbox"/>
2. Export licensing	<input type="checkbox"/>	<input type="checkbox"/>
3. Customs forms	<input type="checkbox"/>	<input type="checkbox"/>
4. Customs procedures for exports	<input type="checkbox"/>	<input type="checkbox"/>
5. Customs procedures for imports	<input type="checkbox"/>	<input type="checkbox"/>
6. Quality standards for certain import products	<input type="checkbox"/>	<input type="checkbox"/>
7. Quality standards for certain export products	<input type="checkbox"/>	<input type="checkbox"/>
8. Certification of quality for exports	<input type="checkbox"/>	<input type="checkbox"/>
9. Standards & inspections for trade in animal and plant products	<input type="checkbox"/>	<input type="checkbox"/>
10. Rules of Origin procedures for ASEAN trade preferences	<input type="checkbox"/>	<input type="checkbox"/>
11. Pre-shipment inspection procedures	<input type="checkbox"/>	<input type="checkbox"/>
12. Intellectual property rights controls on products you import	<input type="checkbox"/>	<input type="checkbox"/>
13. Intellectual property rights benefits on goods or services you produce	<input type="checkbox"/>	<input type="checkbox"/>
14. Transportation logistics for international trade	<input type="checkbox"/>	<input type="checkbox"/>

21.) Has your company experienced serious problems involving any of the above issues? (N/A = not applicable; company has no experience with the item.)

	Yes	No	N/A
1. Import licensing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Export licensing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Customs forms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Customs procedures for exports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Customs procedures for imports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Quality standards for certain import products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Quality standards for certain export products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Certification of quality for exports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Standards & inspections for trade in animal and plant products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Rules of Origin procedures for ASEAN trade preferences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Pre-shipment inspection procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Intellectual property rights controls on products you import	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Intellectual property rights on goods or services you produce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Transportation logistics for international trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22.) Are you aware of any or all of the following issues pertaining to international trade policies and practices of Lao PDR? Please answer using a scale ranging from 1 to 4, where:

- 1 = Well informed about it
 2 = Aware of it (I know some of the contents)
 3 = Heard of it (I do not know any of the contents)
 4 = No knowledge or information about it

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
1. Lao PDR membership in World Trade Organization (WTO)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Lao membership in ASEAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. ASEAN Free Trade Agreement (AFTA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. ASEAN Economic Community Blueprint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. ASEAN Plus 6 Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. ASEAN Agreement on Harmonization of Standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. "Everything But Arms" (EBA) preferences for exports to the EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. General System of Preferences (GSP) for Lao exports to USA and other countries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Access to information on trade laws and regulations, trade standards, trade preferences, etc., through the Lao PDR Trade Portal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Access to information on Lao laws and regulations through the GoL Official Electronic Gazette (e-Gazette)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The Lao PDR National Trade Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. The Lao PDR National Export Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The Lao PDR National Trade Facilitation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Annual Lao Business Forum (LBF)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

23.) In your view, do the following trade agreements help, hinder, or have no significant effect that you are aware of on your business?

- 1 = Help
 2 = Hinder
 3 = No significant effect that you are aware of
 4 = No opinion

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
1. Lao PDR membership in World Trade Organization (WTO)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Lao membership in ASEAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. ASEAN Free Trade Agreement (AFTA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. ASEAN Economic Community Blueprint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 5. ASEAN Plus 6 Agreement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. ASEAN Agreement on Harmonization of Standards | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. “Everything But Arms” (EBA) preferences for exports to the EU | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. General System of Preferences (GSP) for Lao exports to USA
and other countries | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

24.) What are your main sources of information on Lao PDR trade policies and practices? (Select any responses that are important sources of such information for your company.)

1. ☐ Business meetings and conferences
2. ☐ Government announcements or gazette notices
3. ☐ Articles in the press or other printed media
4. ☐ News on radio or TV
5. ☐ Government Internet resources
6. ☐ Other Internet resources (WTO, ASEAN etc.)
7. ☐ Various business contacts
8. ☐ Family and friends
9. ☐ Other (specify) _____
10. ☐ No main sources of information

25.) Has your company found any of the following to be helpful sources of information on trade policies, laws, and regulations? (Yes or No) (Select NA if the respondent is not aware of it)

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|--------------------------|--------------------------|--------------------------|
| 1. The Lao PDR Trade Portal | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The GoL Official Electronic Gazette | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Annual Lao Business Forum (LBF) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

26.) In your view, can companies like yours obtain useful information or assistance on international trade issues through the following channels?

- | | <u>Yes</u> | <u>No</u> | <u>Don't know</u> |
|--|--------------------------|--------------------------|--------------------------|
| 1. The Ministry of Industry and Commerce | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The Lao PDR SPS Enquiry Point * | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The Lao PDR TBT Enquiry Point * | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. National business associations (LNCCI) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Provincial business associations (PCCI) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Other business associations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(* Note: SPS = Sanitary and Phyto-Sanitary measures; TBT = Technical Barriers to Trade)

27.) In your view, does the government effectively take into account private sector views and concerns when formulating trade policies, laws, and regulations? (Select **one** answer that **best** describes your view.)

1. ☐ Yes, the government effectively involves the private sector
2. ☐ The government goes through the motions, but does not seriously address private sector concerns
3. ☐ I am not aware of government efforts to involve the private sector

28.) In your view, based on your personal experience, roughly what percentage of citizens of Lao PDR are aware of these policies and the opportunities they create for local businesses?

☐ _____%

29). As a condition of WTO membership, the Government adopted a new policy that allows businesses that are not registered in Laos to import goods into the country without a requirement to engage a local intermediary to handle this process. This does not include engagement of local intermediary in the distribution of goods **within Laos**.

Do you know of any cases this year where this policy was implemented allowing foreign firms to import directly? (Select **one or more**)

1. ☐ Yes, I know of cases where this policy has been implemented
2. ☐ No, I know of cases where this policy failed to be implemented
3. ☐ I have no knowledge of this issue
4. ☐ Other (specify) _____

Section D: Priorities for Action to Maximize Benefits from Trade for Lao PDR

We have touched on various aspects of the trade regime in Lao PDR. The most important consideration is to obtain views from companies like yours about steps that can be taken to enable local producers to gain maximum benefits from the opportunities created by opening the economy to trade.

30) Realistically, what do you see as the most important policy measures, regulatory reforms, or procedural reforms for the Government to focus on over the next two years to *help your company or similar companies benefit more fully from export sales*? (List up to 3 suggestions, key words.)

30.a. _____

30.b. _____

30.c. _____

31) Realistically, what do you see as the most important policy measures, regulatory reforms, or procedural reforms for the Government to focus on over the next two years to *help your company or similar companies benefit more fully from access to imported inputs*? (List up to 3 suggestions, key words)

31.a. _____

31.b. _____

31.c. _____

32) Realistically, what do you see as the most important policy measures, regulatory reforms, or procedural reforms for the Government to focus on over the next two years *to help your company or similar companies respond more effectively to import competition?* (List up to 3 suggestions, key words.)

32.a. _____

32.b. _____

32.c. _____

33) Realistically, what do you see as the most important policy measures, regulatory reforms, or procedural reforms for the Government to focus on over the next two years *to help your company or similar companies expand exports or reduce the cost of imported products you need in order to be competitive?* (List up to 3 suggestions, key words.)

33.a. _____

33.b. _____

33.c. _____

34) In your view, are there any significant differences for businesses owned by women compared to those owned by men as it relates to international trade?

1. ☐ Yes

2. ☐ No

(If No, go to Q.35)

34.1. What are these differences? (Up to 3 responses, key words.)

34.1.a. _____

34.1.b. _____

34.1.c. _____

35) Can you suggest any government policies or actions to facilitate international trade transactions for women-owned businesses? (Up to 3 responses, key words)

35.a. _____

35.b. _____

35.c. _____

36) Do you have any other comments about government policies and procedures affecting trade and/or investment in Laos?

Section E: Opinions about Foreign Assistance to Lao PDR

1) To the best of your knowledge, which countries, through the government, have given foreign aid to Laos? *(Select as many as applicable)*

1. <input type="checkbox"/>	Australia	13. <input type="checkbox"/>	Laos	25. <input type="checkbox"/>	Sweden
2. <input type="checkbox"/>	Belgium	14. <input type="checkbox"/>	Malaysia	26. <input type="checkbox"/>	Switzerland
3. <input type="checkbox"/>	Canada	15. <input type="checkbox"/>	Myanmar	27. <input type="checkbox"/>	Saudi Arabia
4. <input type="checkbox"/>	China	16. <input type="checkbox"/>	Netherlands	28. <input type="checkbox"/>	Thailand
5. <input type="checkbox"/>	England	17. <input type="checkbox"/>	New Zealand	29. <input type="checkbox"/>	Turkey
6. <input type="checkbox"/>	France	18. <input type="checkbox"/>	North Korea	30. <input type="checkbox"/>	Taiwan
7. <input type="checkbox"/>	Germany	19. <input type="checkbox"/>	Norway	31. <input type="checkbox"/>	United Arab Emirates
8. <input type="checkbox"/>	India	20. <input type="checkbox"/>	Philippines	32. <input type="checkbox"/>	United States of America
9. <input type="checkbox"/>	Indonesia	21. <input type="checkbox"/>	Russia	33. <input type="checkbox"/>	Others
10. <input type="checkbox"/>	Italy	22. <input type="checkbox"/>	Singapore		
11. <input type="checkbox"/>	Japan	23. <input type="checkbox"/>	South Korea		
12. <input type="checkbox"/>	Kuwait	24. <input type="checkbox"/>	Spain		

2). As far as you know does the United States Government provide financial and other assistance to Laos?

1. ☐ Yes 2. ☐ No 3. ☐ Don't know

3). Are you familiar with the United States Agency for International Development or USAID?

1. ☐ Yes 2. ☐ No

4). Would you describe your opinion of USAID?

1. ☐ Very favorable 2. ☐ Somewhat favorable 3. ☐ Somewhat unfavorable
 4. ☐ Very unfavorable 5. ☐ No opinion/Not relevant

That ends the survey questionnaire.

Thank you very much for your patience and cooperation.

Appendix D. Coding for Open-ended Questions (see Section 7)

Measures to Enhance Benefits from Exports

Coded Phrases	Code Description
Regulatory and Customs Procedures	Comments that relate to simplifying procedures, consistent application, reducing the time involved and/or and mentions of “one-stop shop”
Export Promotion	Comments encouraging the government to promote exports, assist in finding markets, organization and/or participation trade fairs
Trade Policies & Legislation	General comments to improve legislation, and comments about making trade policy consistent with ASEAN or International standards
Export Fees & Taxes	Comments encouraging the reduction fees and taxes related to exports
Training Programs	Comments on general training needs. Some specifically suggested trainings to build human resources skills or learning how to improve product quality
Improve Government Capabilities	Comments relating to improvements to civil servants working procedures, perceived corruption, and suggestions to improve the level of transparency
Improve Finance	Includes comments on increasing access and/or reducing interest rates
Tourism Support	Tourism was one of the only sectors that had a number of specific mentions. Comments included suggested actions to take to improve the tourism sector this included investments in infrastructure, and promotion of tourism businesses and tourism related occupations
Expand Export Production	Comments related to policies focused around increasing the production of goods. Specific mentions included agriculture goods, Lao handicraft and industry
Domestic Preference on Concessions	These comments included protectionist actions such as applying strict measures to foreigners
Quality Inspection of goods	These comments tended to focus on improving quality of domestic products through inspections and certifications of product standards.
Other	Comments included a wide mix of suggestions. Some comments focused on IPR, infrastructure, and costs of electricity. There was also a lot of comments about the wood quotas in Laos but this mixed from increasing and limiting the quota

Measures to Enhance Access to Imported Inputs

Coded Phrases	Code Definition
Regulatory and Customs Procedures	Comments that relate to simplifying procedures, consistent application, reducing the time involved and/or and mentions of “one-stop shop”
Import Tariffs	Comments encouraging the reduction of import tariffs
Trade Laws and Policies	General comments to improve trade related legislation

Coded Phrases	Code Definition
Financing	Includes comments on increasing access and/or reducing interest rates
Improve Government Capabilities	Comments relating to improvements to civil servants working procedures, and suggestions to improve the level of transparency
Domestic Preference	These comments included protectionist actions such as applying strict measures to foreigners, and controlling imports
Policy Awareness	Comments suggesting improving the dissemination of government trade policies and laws to businesses and the public in general
Business Taxes	Comments related to taxes in general, or did not specifically mention import tariffs. These tended to suggesting reductions
Training Programs	Varied comments related to training, skills development and education more generally.
Other	Included an assortment of comments. Some focused finding markets and goods, infrastructure, reduction of various business costs

Measures to Facilitate Adjustment to Import Competition

Coded Phrases	Code Definition
Regulatory and Customs Procedures	Included comments encouraging procedures to be more strictly applied in addition to those that related to simplifying procedures, consistent application, reducing the time involved and/or mentions of “one-stop shop”
Trade Protection	These comments included protectionist actions such as applying strict measures to foreigners, controlling imports and jobs preferences for Lao citizens
Domestic Product Quality	Comments suggesting improving the quality of Lao goods and/or meeting international standards for quality
Domestic Promotion	Comments encouraging the government to promote Lao made goods within Laos and increasing domestic production.
Improve Government Capabilities	Comments relating to improvements to civil servants working procedures, and suggestions to improve the level of transparency
Financing	Includes comments on increasing access and/or reducing interest rates
Training Programs	Varied comments related to training, skills development and education more generally.
Business Taxes	Comments related to taxes in general. These tended to suggesting reductions
Import Tariffs for Domestic Businesses	Reduction of import tariffs
Policy Awareness	Comments suggesting improving the dissemination of government trade policies and laws to businesses and the public in general. Included suggestions to hold discussions and post policies on the internet.
Trade Policies and Legislation	General comments to improve legislation, and comments about making trade policy consistent with ASEAN or International standards
Other	Varied comments that included some mentions of developing/strengthening business organizations, improving infrastructure and IPR

Differences in Dealing with Trade, Due to Gender of Ownership (Question 34)

Coded Phrases	Code Definition
Gender stereotype (women good for business)	Included stereotypes that implied strengths of women owners such as women being more detail oriented, or having personalities that are better suited to working with customers.

Coded Phrases	Code Definition
	This category also included stereotypes that implied weaknesses of men, with comments such as men are less thorough and have more of a temper
Gender stereotype (women bad for business)	Included stereotypes about women's limitations that tended to focus on women as lacking in courage, or as weak decision-makers. This category also included stereotypes about men being stronger in business. These tended to focus on men being braver, more decisive and able to work faster
Gender stereotype (mixed)	General stereotypes that didn't mention a specific gender. Comments included perceived differences in management abilities, communication, speediness, and levels of sensitivity.
Societal Constraint	Comments that focused on constraints women face do to cultural or social factors such as having more responsibilities in their lives, travel limitations, or their level or recognition in society
Experience/capacity	Comments stating that women have lower levels of capacity, experience or education than men
Gender Dynamics and Female Participation	Comments relating to limitations women face because of working dynamics with men that included working in a male dominated business environment. The category also includes comments encouraging more participation from women
Physical Trait	Related to comments focusing on female strength and limitations to doing physical labor
Other	General comments that said there was a difference but didn't indicate what the difference was

Measures to Facilitate Trade for Female Business Owners

Coded Phrases	Code Definition
Promote female employment/opportunities	Related to comments suggesting the promotion businesses typically employing women (specifically mentioning tourism and garments) and comments about making women more visible in society through incentives and awards
Policies and Legislation	Dominated by comments encouraging the granting of equal rights, but also included specific suggestions intended to promote women business owners such as tax and procedure reductions, SME policies and IPR for Lao handicrafts
Training and Education	Included comments encouraging leadership and management training, as well as technical skills. Some comments referred to lower education levels overall
Gender equality	Comments encouraging greater gender equality and less discrimination in society and in business environments but these comments related to the promotion of equality rather than legislative changes. A few mentioned the greater need for women to participate in meetings and share their opinion
Promote women owned businesses	Comments encouraging the government to do more promotion and facilitation of women owned businesses
Financing for women	Facilitating access to capital for women and small businesses
Female business association	Comments suggesting actions to organize associations of women business owners
Increase access to info (policies & markets)	Comments touching on the need to disseminate information on policies and markets to women
Other	A varied assortment ranging from improving quality of goods inspections and improving the benefits of civil servants
Not an issue	These comments included references to the government already granting equal rights to men and women so there was no issue, or comments stating that it would not be fair for the government to favor women-owned businesses

U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

www.usaid.gov