

Firm-level preparedness for the LDC graduation in the Lao garment industry and expected loss of preferential market access conditions

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List of abbreviations

AFTA	ASEAN Free Trade Area
AFTEX	ASEAN Federation of Textile Industry
ALGI	Association of Lao Garment Industry
ASEAN	Association of South East Asian Nations
ASEAN+3	ASEAN + China, Japan, Rep. Korea
CMP	Cut – Make - Pack
CMT	Cut-make-trim
COVID	Corona Virus Disease
DOTS	Direction of trade Statistics
EBA	Everything but arms
ERIA	Economic Research Institute for ASEAN and east Asia
EU	European Union
FTA	Free Trade Agreement
GMS	Greater Mekong Subregion
GNI	Gross National Income
GSDC	Garment Skills Development Centre
GSP	General System of Preferences
GSP+	Special Incentive Arrangement for Sustainable Development and Good Governance
HS	Harmonised System
ILO	International Labour Organization
IMF	International Monetary Fund
JETRO	Japan External Trade Organisation
LAK	Lao Kip
LDC	Least Developed Country
LNCCI	Lao National Chamber of Commerce and Industry
LSSO	Lao Social Security Organisation
MFN	Most Favoured Nation
MSME	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PDR	People’s Democratic Republic
R&D	Research and Development
RoO	Rules of Origin
SME	Small and Medium Enterprises
SWOT	Strengths – Weaknesses – Opportunities - Threats
TDF	Trade Development Facility
TFP	Total Factor Productivity
UK	United Kingdom of Great Britain and Northern Ireland

UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USD	United States Dollar
WITS	World Integrated Trade Solutions
WTO	World Trade Organisation

Executive Summary

The Lao textile and clothing sector is basically a garment industry which is concentrated in Vientiane, mainly in foreign or Joint Venture ownership and highly export oriented. With an export volume of about 220m USD the industry is small by international comparison but it is an important provider of employment for the Lao PDR. Most of the companies perform CMT (Cut-Make-Trim) operations which yield relatively low value added. Challenges for the industry are lack of skilled and unskilled labour, low productivity, high lead times, high logistic costs and a lack of supplying industry.

Almost all garment exports are imported by countries that grant Lao products preferential market access, with the EU being the most important export destination. These exports are endangered if the country loses its current privileges of the quota free and tariff free regime of the EU's EBA (Everything But Arms) arrangement. A GSP+ arrangement with the EU might be difficult to reach, and even if the Lao PDR attains it, the garment companies will most likely struggle to comply with the rules of origin since the country has to import most of the inputs for the industry.

Options for the sector to react to the potential loss of trade privileges are, among others, measures to enhance productivity, market diversification, product upgrading, specialisation, and regional collaboration.

1. Introduction

The purpose of this study is to provide background information on the Lao textile and clothing (T&C) industry and to give an assessment of the impacts of the upcoming LDC graduation on the exports of the industry. Since the country does not produce any significant amount of yarn or textiles, the Lao T&C industry is in fact a garment industry.

The garment industry itself consists of a substantial number of handicraft and family units, micro, small and medium enterprises (MSME) and a limited number of major factories. The MSME and handicraft operations cater often to domestic, tourists and niche markets like souvenirs, interior decoration, uniforms etc., but also the *sinh*, the traditional tube skirt worn by Lao women; some of them export articles like scarves, home textiles, pillow covers and other accessories to markets in the EU, Japan, and ASEAN.

However, the by far most important exporters, and thus the ones potentially most affected by the LDC graduation of the Lao PDR, are the major garment factories in the country, on which this study focuses.

Not belonging to the textile and clothing industry in the narrower sense, the footwear industry, HS code 64 (footwear, gaiters and the like as well as parts thereof), is covered in a

separate chapter since it is of some relevance for the country. In 2019 the Lao PDR exported goods for 73m USD that fall under HS code 64, over half of it to Japan and Thailand.

2. Methodology

The information used in this study was gathered by desk research and a number of expert interviews with factory managers and suppliers conducted in May and June 2021; further interviews and a survey of the Lao garment industry were conducted in June/July 2021 to update the information for this paper. In total there were 12 complete replies to the survey from companies which together accounted for some 6,000 workers, and an additional 14 in-depth expert interviews have been conducted. Given the base population this falls short of statistical relevance for an error margin of 5% with a confidence level of 95%. Therefore, the results of the survey and the interviews are more indicative rather than representative. However, the results of both are in line with the findings of the desk research, which suggests that the combination of the methods applied gives a true and comprehensive picture of the actual reality.

Statistical data until 2019 have been used (and therefore data for the EU comprise data for the UK), not only because more recent data are only partially available. The main reason is that the global fashion industry and its Lao suppliers have been heavily hit by the impacts of the COVID 19 pandemic which started to affect international markets early 2020, so that year would be atypical for underlying trends and developments and thus might lead to wrong conclusions. However, a short article about the impact of COVID 19 on the industry has been added.

3. Development and structure of the Lao textile and clothing industry

In the mid-1980s the Lao government decided to move from a centrally planned economy towards a market-oriented economy; the first investment law was adopted in 1988, and first foreign investments that came into the country in the early 1990s were mainly in the garment industry.

In 1990 there were only two garment factories in the country. In 2005 there were 114 registered garment factories. In 2011 there were 88 garment factories left, of which 47 had fewer than 100 employees, 33 between 100 and 499 employees and only 9 with 500 or more workers.¹

The number of garment companies further declined to 78 in 2018 of which about 50 were export oriented and the other 28 factories were subcontracting.² For most companies the domestic market is not significant, mainly due to its limited size.

Over the years, although the number of Lao garment factories has declined, the big professional companies, which are mostly foreign owned or joint ventures, have expanded. The general trend can be summarised as “survival of the fittest” and increased professionalism among the survivors.

Besides these major companies, which are almost all located in Vientiane, there are a number of MSME, handicraft, village and artisanal units operating in the sector. They often cater to domestic or, less so, foreign niche markets, some supply the armed forces, other security forces or they cater to a specific government demand like uniforms for teachers, mass organisations etc., some produce souvenirs or home decorations.

According to the Lao Ministry of Industry and Commerce the total investment in the textile and clothing sector amounts to over 450m USD, most in the ISIC Codes 1410 (Manufacture of wearing apparel, except fur apparel) and 1430 (Manufacture of knitted and crocheted apparel).³

The Lao Textile and clothing industry today is basically a garment industry that produces for export. Inputs for the industry are mainly imported. Most exporting Lao garment factories provide cut, make and trim (CMT) services and are often sub-contractors of larger companies

¹ Malam, L. et al: Sewing the line. Vientiane 2012, p. 5.

² Ministry of Industry and Commerce, Economic Research Institute for Industry and Trade: Lancang-Mekong Cooperation and the Development of Regional Textile& Apparel Value Chains: A Case study of Lao PDR. 2018, p.1, 2.

³ National Enterprise Database, Ministry of Industry and Commerce, <http://erm.gov.la/index.php/en/explore-data-en/statistics> as of May 13th 2021.

in other countries. Most exports enjoy trade privileges in major markets like the EU and Japan due to the LDC status of the Lao PDR.

There is little competition among the players in the Lao garment industry since every company has its own customers. The main competition is between Lao companies and producers in other countries like Viet Nam, Bangladesh or India.⁴

Most companies produce apparel like T-shirts or work gear, most have not fundamentally changed their product portfolio or their markets in recent years. New trends are taken up but fundamental product changes are few. For most of the companies it might also be difficult to find markets for new products, according to some entrepreneurs.

Over the years the industry has to a certain degree declined, not least due to the lack of workers and low productivity growth (see below). The industry in general as well as the size of the companies – few garment producers employ more than 1.500 workers – means that the industry struggles to handle large orders which consequently typically go partially or completely to other countries. On the other hand some companies turn their small size to a distinct business advantage, as stated by one “we can produce small amounts of products based on customers’ orders.”

3.1. Ownership structure

In 2015 Laos had 92 garment factories of which 78 were operational in 2019. 7 of the operating companies were locally owned, another 7 Joint Ventures and the rest foreign owned.⁵ 28 of the foreign owned companies were subcontractors.⁶ The most significant origin of investors in terms of the numbers of companies they have invested in were Japan, the EU, and Thailand. Although there are several Lao owned garment companies, they tend to be comparatively small, providing in total some 4,000 jobs in 2016; the sector is thus dominated by enterprises which are wholly or partially foreign owned.⁷

⁴ Interview with a factory manager of the Lao garment industry conducted by the author in June 2021.

⁵ Anon.: Garment industry in Laos continues to face challenges. January 16th 2019.

<https://www.fibre2fashion.com/news/apparel-news/garment-industry-in-laos-continues-to-face-challenges-246737-newsdetails.htm>

⁶ Ministry of Industry and Commerce, Economic Research Institute for Industry and Trade: Lancang-Mekong Cooperation and the Development of Regional Textile& Apparel Value Chains: A Case study of Lao PDR. 2018, p. 3.

⁷ Lao National Chamber of Commerce and Industry: Articles in garment’s exports to the EU market: Technical barriers to trade by exporters in Lao PDR. Articles in garment’s exports to the EU market: Technical barriers to trade by exporters in Lao PDR. Published by CUTS International, Geneva, September 2016, p. 5.

4.1. Organisation of the Lao garment industry

About 50 of the important Lao garment factories are members of the Association of the Lao Garment Industry (ALGI) which was founded in 1995. Some 40 of the association's members produce exclusively for export, while the rest produces for the international as well as for the domestic market. The association regularly communicates and consults with its members, gathers their data, ideas and their concerns. Among the different Lao industry associations, ALGI is one of the strongest and best organized, albeit the respective threshold is not very high. The association lacks adequate funding and is thus limited in its activities.

ALGI operates its own training facility, the Garment Skills Development Centre (GSDC) which was founded with the support of the TDF (Trade Development Facility). The centre provides courses like sewing operator, supervisor, quality control etc. But funding for the centre might be a challenge as is indicated in the project completion report of the TDF 2: "...due to the small size of the highly fragmented garment industry, it is challenging for the GSDC to achieve full financial sustainability from fees earned from serving it ... long term institutional and financial sustainability of the centre remain uncertain."⁸

ALGI, which is member of the ASEAN Federation of Textile Industry (AFTEX), is very much aware of the challenges that the LDC graduation of the Lao PDR might imply, so are certainly some of its members. The association doubts, though, that all companies are aware of the details and the extent of the potential loss of trade privileges. The current preoccupation of the industry is how to deal with the ongoing COVID 19 crisis. For many companies the fight for imminent survival has to be won before they can tackle longer term strategic issues. However, ALGI plans to raise awareness on the potential issues of the loss of trade privileges associated with LDC graduation and to organize workshops to inform its members about the situation and the potential future threat.

It must be kept in mind, though, that the final decision regarding the strategic reaction to the graduation might not be made in the Lao PDR. As mentioned above, the important garment companies in the country are foreign owned or Joint Ventures, so the fundamental decisions are most likely made in the respective headquarters abroad. According to the association some companies might actually pull out of the country whereas other will probably adapt their production in order not to lose their investment in the Lao PDR.

⁸ National Implementation Unit, Department of Planning and Cooperation, Ministry of Industry and Commerce: Trade Development Facility Phase II (TDF II). Project Completion Report. Vientiane, November 2018, p. 7-8.

4.2. Labour, wages and productivity

In terms of value-creation the industry is of rather modest size and much smaller than in most of the competing countries but, different from other Lao manufacturing industries like mining and power generation, it is labour intensive and thus an important source of employment. With about 26,000 workers (2019) the industry is still the most important employer among the manufacturing industries of the Lao PDR. About 85-90% of the workers are women, most under the age of 25 and often from rural areas. For many of them it is the first job in an industrial setting. Most workers are formally and full time employed. Whereas most of the workers on the shop floor are Lao citizens, the middle management, with the exception of HR management, is dominated by foreigners, particularly from Sri Lanka and other South Asian countries, the Philippines, and Thailand. The origin of the Lao workers in the surveyed sample varied from company to company. Whereas some followed a policy to hire mainly people from or near Vientiane, most stated that between one third and two thirds of the workers (in one case even 95%) came from rural communities located farther away.

All of the garment factories that were surveyed/visited for this report provided some additional benefits for their workers. Each provided social security coverages (SSO) for their staff, most offered dormitories and free meals, some had shuttle bus services, offered bonuses and sick leave benefits or other allowances, one even offered scholarships for the children of some employees. Most surveyed companies had some waste management in place, some were regularly audited and certified to specific standards required by their customers.

The Lao garment sector has traditionally suffered from a chronic shortage and a high turnover of labour. While in 2020, the year of the outbreak of the COVID pandemic, the demand for Lao garments and thus for workers in the industry collapsed, the following year the problem of labour shortage resurfaced again. In July 2021 the industry was short of 10,000 if not 15,000 workers.⁹

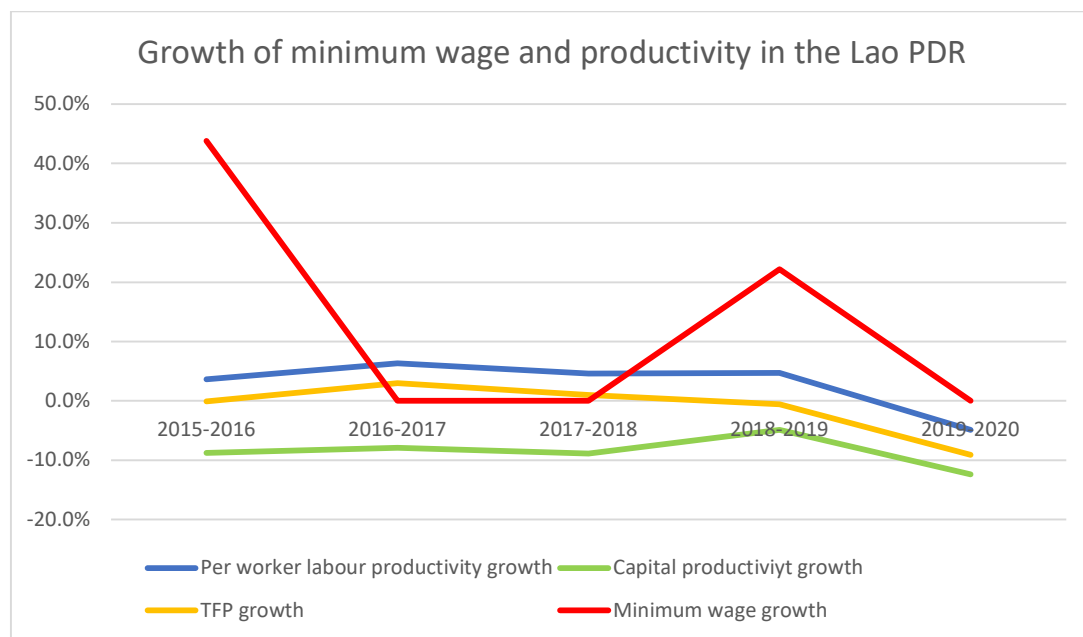
Wages are rather low, so the sector is not very attractive for potential workers. Rather than working in a Lao garment factory, many young people prefer to work in neighbouring Thailand. There, minimum wages are significantly higher which attracts a substantial amount of migrant workers, not least from the Lao PDR. Furthermore, domestically the variety of employment opportunities has increased over the years in sectors like construction, services, mining etc. and in the special economic zones. Often a job in a Lao garment factory is not seen as a long-term career but more like a job that is done for a few years before one moves on to another employment. Labour turnover is high by international standards and often reaches more than 30% per year, for some factories even 40 - 60%. In particular, workers from far away provinces tend to quit even as freshly hired staff, sometimes only after a few weeks, whereas labour force from nearby villages and workers who have already been more than

⁹ Thanabouasy, P.: Lao garment industry requires over 10,000 workers. In: Vientiane Times, July 7th 2021.

two years with a company show more loyalty to their respective employer. This permanent drain of freshly skilled labour has a negative impact on productivity for many factories and also makes them reluctant to invest in the upgrading of skills – and thus productivity – of their workers. And low productivity means that wages remain low – a vicious circle. One of the surveyed companies pointed to a further problem. Many workers do not only stay only a short time with a particular company, they also tend to leave the industry which makes it particularly difficult to create and maintain a pool of skilled and experienced labour the companies can recruit from.

Although the minimum wage regulations in the Lao PDR (1.1m LAK or 117 USD per month) are *per se* regionally rather competitive, labour productivity in many companies is often less so, among others due to lack of skills. This results in small profit margins, particularly in companies that produce in the CMT segment, where wages account for a substantial part of production cost.¹⁰

Figure 1: Growth of minimum wages and productivity in the Lao PDR



Source for productivity data: Asian Productivity Organization: APO Productivity Databook 2020. Tokyo 2020, p. 116

Note: Productivity data for 2018-2020 are projections.

Recent aggregate productivity data for the Lao garment industry are not publicly available. But if the development of the overall productivity data in the Lao PDR are an indicator, there might be some reason for concern: whereas per worker labour productivity has risen in the

¹⁰ NOLINTHA and JAJRI refer in their paper to a study of 2012 that comes to the conclusion that labour cost account for 63% of the production cost in the Lao CMT garment industry. See: Nolintha, V., I. Jajri: The Garment Industry in Laos: Technological Capabilities, Global Production Chains and Competitiveness. ERIA Discussion Paper Series, ERIA-DP-2015-13. February 2015, p. 16.

years in the years 2015-2019 (albeit there was a decline 2019-2020), capital productivity growth was negative in the years 2015-2020 and total factor productivity (TFP) declined in most of the years between 2015 and 2020.

These figures are the continuation of a long-term trend in the Lao PDR: between 2000 and 2018 per worker labour productivity grew by an annual average of 2.5%, capital productivity fell by an average of 8% per year and TFP fell by 1.1%.¹¹ This development erodes the advantage of low wages¹² and leads to less competitive wage cost per unit of output.

While low wages are one of the few location advantages of the Lao PDR (although they seem to be rising faster than productivity), the current minimum wages are so low that they barely allow for a living. Given that the minimum wages have not been adjusted in the last few years, there is a chance that they will be increased in the near future and thus there is the risk that one location advantage is lost or reduced.

It is beyond the scope of this article to examine the productivity development in the garment sector and thus to draw conclusions on potential impacts on competitiveness. Further research and specific data are required, taking into account aspects like the Balassa-Samuelson effect etc.¹³

Regarding the impact of potentially higher future minimum wages particularly some of the more professionally run companies were rather unperturbed because they already pay higher wages to workers who have successfully completed a probation period.

4.3. Lack of domestic backward linkages

An intrinsic problem of the Lao garment industry is its small size. This not only prevents the establishment of a supplying industry like spinning mills, dye factories or knitting mills (for which qualified personnel would most likely not be available anyhow) – the only exception being some local printing and embroidery.

This results in the lack of domestic supporting industries or local backward linkages. There are no producers of yarn, fabric, buttons, zippers etc. in the Lao PDR that could supply the exporting industry, so all major imports have to be imported, leaving for many companies mainly the CMT segment.

¹¹ Asian Productivity Organization: APO Productivity Databook 2020. Tokyo 2020, p. 116.

¹² It should be noted that the minimum wage is the baseline for payment, Workers can make substantially more via bonus regulations, overtime, piece rates etc. Several factories also provide free meals and accommodation in form of dormitories.

¹³ For further insight into this issue see Sy, M., H. Tabarraei: Capital inflows and exchange rate in LDCs: The Dutch disease problem revisited. 2010. halshs-00574955; Botta, A.: The Macroeconomics of a Financial Dutch Disease. Working Paper no. 850, Levy Economics Institute of Bard College, Oct. 2015.

The dependence on imported intermediaries may lead to a severe problem after Laos' LDC graduation. Most FTAs and other preferential trade agreements insist on specific rules of origin (RoO) which require that products must contain a certain amount of local value added in order to be eligible for preferential treatment. Without cumulation provisions many products of the Lao garment industry will struggle to meet the RoO regulation and thus will not be able to benefit from preferential regulations or FTAs.

4.4. Other challenges for the industry

The small size of the industry not only prevents backward linkages, it also adds cost in other, more subtle ways for the existing apparel producers. For instance, quality inspectors of the clients have to travel to Laos for quality control of the products, which has been particularly difficult during the COVID pandemic with respective quarantine regulations very costly. In countries with a bigger garment industry the clients often have their own offices with resident quality inspectors.

Other challenges for the industry are the rather expensive transport costs associated with a landlocked country lacking a very sophisticated logistics sector (SOUTHICHACK pointed out in 2017 that export costs were over three times those for companies in Thailand, Viet Nam or Myanmar)¹⁴, and a generally not very favourable business environment. The Lao PDR ranked 154th of 190 countries in the Ease of Doing Business Ranking for 2020; in ASEAN, only Myanmar ranked lower.¹⁵ There is a chance, however, that the cost of imports of raw materials originating from China will be reduced once the Vientiane-Kunming railroad will be operational, which is expected to materialize in December 2021. It is currently estimated that “the cost of freight transport [will be] about 600 kip per tonne per km, which is at least two times cheaper than other modes of land transport”.¹⁶ This could potentially be a relief since transport costs in the Lao PDR are typically significantly higher than in neighbouring countries, partially due to limited competition. A study in 2017 came to the conclusion “that transport costs along key trade corridors are between 1.4 and 2.2 times higher in the Lao PDR than in Thailand, depending on whether backload cargo is secured”.¹⁷

Eventually this railway line is supposed to be extended to Bangkok and beyond, so in the longer run there might also be an impact on the transport cost of garments exported via

¹⁴ Southichack, M.: LDC status graduation, the ways forward for Lao PDR. Presentation at regional capacity building workshop in Thimpu, Bhutan, organized by UNESCAP and the Royal Government of Bhutan, 14th – 19th November 2017.

¹⁵ World Bank Group: Doing business 2020. Washington 2020. P. 4.

¹⁶ Nhansana, S.N.: What are the true benefits of the Laos-China railway? Vientiane Times, July 2nd 2021.

¹⁷ World Bank: From land-locked to land-linked. Unlocking the potential of Lao-China rail connectivity. Washington 2020, p. 10.

Laemchabang. According to a study from JETRO carried out in 2016, the transport cost for a container from Bangkok harbour to Vientiane (693 km) is between 1,333 and 2,088 USD.¹⁸

Despite some recent reforms, trading across borders is still cumbersome, not least because the “operational practices of all trade-related agencies in Lao PDR remain focused on control rather than facilitation”.¹⁹ Furthermore, regulations are often neither very transparent nor entirely predictable.

The Lao economy shows a low level of economic complexity and sophistication which, together with low education levels and widespread lack of vocational skills, makes it challenging to upgrade its position in the value chain.²⁰

Besides these intrinsic challenges, there are additional issues when it comes to the competitiveness of the Lao garment industry vis-à-vis the garment industry of other LDCs. Whereas some of the latter provide government support for their companies in the form of export promotion campaigns and export subsidies, the Lao government, although being permitted to do so under WTO regulations, does not because it basically lacks the funds to do so.

¹⁸ Anon.: Laos, Thailand working on rail transport to cut costs. In: The Nation, July 12th 2021. <https://www.nationthailand.com/business/30310800>

¹⁹ World Bank: From land-locked to land-linked. Unlocking the potential of Lao-China rail connectivity. Washington 2020, p. 11.

²⁰ Baker, P.: Impact of LDC graduation on the textiles and clothing sector. April 30th 2021, p. 18.

Table 1: Example of import cost for a Lao printing company

Import cost of dye and dying agent produced in Guangdong, China, for a Lao printing company catering to the garment sector, early 2021

Item	USD
Product cost and transport cost China-Bangkok (as per bill from producer)	
HD silicone	\$1,762.50
Matte silicone	\$2,610.00
Anti migration silicone	\$700.00
Anti migration silicone agent	\$18.00
Silicone fast dry catalyst	\$1,080.00
Silicone pigment	\$105.00
Freight (in China)	\$200.20
TOTAL	\$6,475.70
Handling cost in Bangkok (Laemchabang)	
S Terminal handling charge	\$19.81
S-CFS charge	\$21.76
S-status charge	\$13.60
S-document fee	\$47.93
H/C	\$38.34
BAF	\$19.21
In transit charge	\$31.95
Other cost (WFG, LCL HDL, S-cleaning, S-CIC, PCS)	\$22.92
VAT	\$15.09
TOTAL	\$230.61
Shipping from Bangkok and fees	
Delivery order fee per shipment (i.e. cost from handling agent)	\$230.61
Handling charges destination	\$31.95
Data transmission fee	\$9.59
In-transit customs clearance	\$239.63
Import customs clearance	\$207.68
Trucking Bangkok-Vientiane	\$479.25
TOTAL	\$1,198.69
Import duty and fees in Laos	
10% of 2,275.40 USD	\$227.34
5% of 2,500.74 USD	\$125.04
TOTAL	\$352.38

SUMMARY		
	%	USD
Product cost incl. shipping China-Laemchabang (Thailand)	80.7%	6,475.70
Handling and transport cost from Laemchabang to Vientiane	14.9%	1,198.69
Import duty and fees in Laos	4.4%	352.38
TOTAL	100.0%	8,026.77

4.5. Impact of the COVID 19 pandemic on the Lao garment sector

The garment sector has been one of the hardest hit Lao industries by the COVID 19 pandemic. It is estimated that the garment sector, after growing by 2.5% in 2019 suffered a negative growth rate of -21.2% in 2020.²¹ As demand plummeted in the major markets – the profits of the global fashion industry are estimated to have fallen in 2020 by 93% year-on-year²² and in Germany alone some 500 million pieces of garment were left unsold in 2020²³ - Lao garment exports fell in 2020 by 40 to 50%, and many companies had to scale down or temporarily suspend operations and lay off staff or reduce their working hours.²⁴ Many workers saw no payment or delays in payment.²⁵ Between April and June 2020 only 12 to 15 garment companies could uphold their production.²⁶

A survey conducted by UNIDO²⁷ in early 2021, just before the second COVID-19 wave hit the Lao PDR²⁸, showed that the pandemic caused three, almost equally important problems for the garment industry: fall in demand (the surveyed companies reported a reduction in sales of over 30%), increased cost of inputs, and lack of workers (although, on the other hand, many companies laid off workers). To deal with resulting cash flow shortages the companies took commercial bank loans, to deal with the difficult supply situation 75% delayed deliveries, 20% looked for alternative suppliers.

To alleviate the situation of the workers the Lao Social Security Organisation (LSSO) announced in February 2021 cash transfers to up to 17,000 employees of 1.8m USD, funded by the Federal Republic of Germany, to mitigate the lost income of the workers.²⁹

While Lao PDR had very few COVID 19 cases in 2019, the situation worsened considerably by mid-April 2021 which led to new lockdown measures that affected the garment industry considerably. Some companies suspended operations, some closed partially, some continued operating with reduced capacity.

Subsequently the situation has changed. After a grim 2020, a substantial number of Lao garment companies, particularly the ones that are run in a highly professional way, are currently (second quarter 2021) pursuing extension and modernisation programmes. Some companies have relocated part of their production from other countries to Laos.

²¹ World Bank Group: Lao PDR Economic Monitor. Supporting Economic Recovery. Vientiane, January 2021, p. 20.

²² McKinsey & Company: The state of fashion 2021. P 111.

²³ Interview with entrepreneur from the Lao garment industry, conducted by the author in June 2021.

²⁴ Pongkhao, S.: Garment workers to benefit from German-funded programme. Vientiane Times, September 16th 2020.

²⁵ Ministry of Planning and Investment Lao PDR et al.: Impact of COVID-19 on children, adolescents and their families in Lao PDR. Vientiane, February 15th 2021, p. 9.

²⁶ Anon.: Garment makers to focus on domestic market as foreign orders slump. JCLAO, August 28th 2020. <https://jclao.com/garment-makers-to-focus-on-domestic-market-as-foreign-orders-slump/>

²⁷ United Nations Industrial Development Organization: UNIDO survey on the impact of COVID-19 on manufacturing firms in Lao PDR. Draft report. Time coverage 08. Feb – 28 April 2021. n.d., n.l.

²⁸ The second COVID wave started to hit the Lao PDR on April 21st 2021.

²⁹ https://www.ilo.org/asia/media-centre/news/WCMS_773038/lang-en/index.htm as of May 13th 2021.

Together with the revival, the shortage of labour became again a major issue. In May 2021 many Lao garment companies were hiring. Although meanwhile many Lao migrant workers had returned to Thailand this seemed to have little to no impact on the lack of labour for the industry.

An often-overlooked additional effect is the rise of shipping cost since November 2020. Early November 2020 the average price of shipping a 40-foot container from East Asia to Northern Europe cost less than 2,200 USD – on May 21st 2021 it was 8,880 USD.³⁰ But – although this is a massive increase - it should be kept in mind that such a container can hold 19,000 to 20,000 trousers or jacket or about double the amount of T-shirts, so the cost increase per unit of shipped garment is still manageable.

5. Clothing and garment exports of Lao PDR

In 2019 the Lao PDR exported goods for some 5.8bln USD (2018: 5.7bln USD).³¹ Being mainly an exporter of electricity and copper, garments account only for 219.4m or about 3.8% of the country's export of goods.³² Over time the relative importance of garment exports has shrunk significantly: in the early 2000s they accounted for nearly 40% of all exports.³³ However, according to the Association of the Lao Garment Industry (ALGI), in 2018 the Lao garment industry produced 42% of the manufactured exports of the country.³⁴

Almost all of the garments produced in the Lao PDR are exported.³⁵ Clothing exports of the Lao PDR between 2010 and 2019 fluctuated more or less between 150m and 200m USD with a major exception for 2012 when they plummeted to just 50m USD.

The value of Lao garment exports stood in 2016 at 174.23m USD and reached 185m USD in 2018.³⁶ According to the WTO in 2019 the export of clothing reached 208m USD and the

³⁰ Freightos Baltic Index: <https://fbx.freightos.com/freight-index/FBX11> as of May 24th 2021.

³¹ Different sources claim different figures:

- 5.809bln USD according to UN Comtrade (<https://comtrade.un.org/data> as of May 18th 2021),
- 5.806bln USD according to Bank of the Lao PDR: Annual Economic Report 2019, p. 36,
- 5.857bln USD according to IMF, Direction of Trade Statistics (DOTS):
<https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slid=1539174008154> as of May 14th 2021.

³² <https://comtrade.un.org/data> as of May 18th 2019.

³³ Southichack, M.: LDC status graduation, the ways forward for Lao PDR. Presentation at regional capacity building workshop in Thimpu, Bhutan, organized by UNESCAP and the Royal Government of Bhutan, 14th – 19th November 2017.

³⁴ Association of Lao Garment Industry (ALGI) report, quoted in: Ministry of Industry and Commerce, Economic Research Institute for Industry and Trade: Lancang-Mekong Cooperation and the Development of Regional Textile & Apparel Value Chains: A Case study of Lao PDR. 2018, p. 4.

³⁵ The figure reposted is 99% in: Anon.: Garment makers to focus on domestic market as foreign orders slump. JCLAO, August 28th 2020. <https://jclao.com/garment-makers-to-focus-on-domestic-market-as-foreign-orders-slump/>

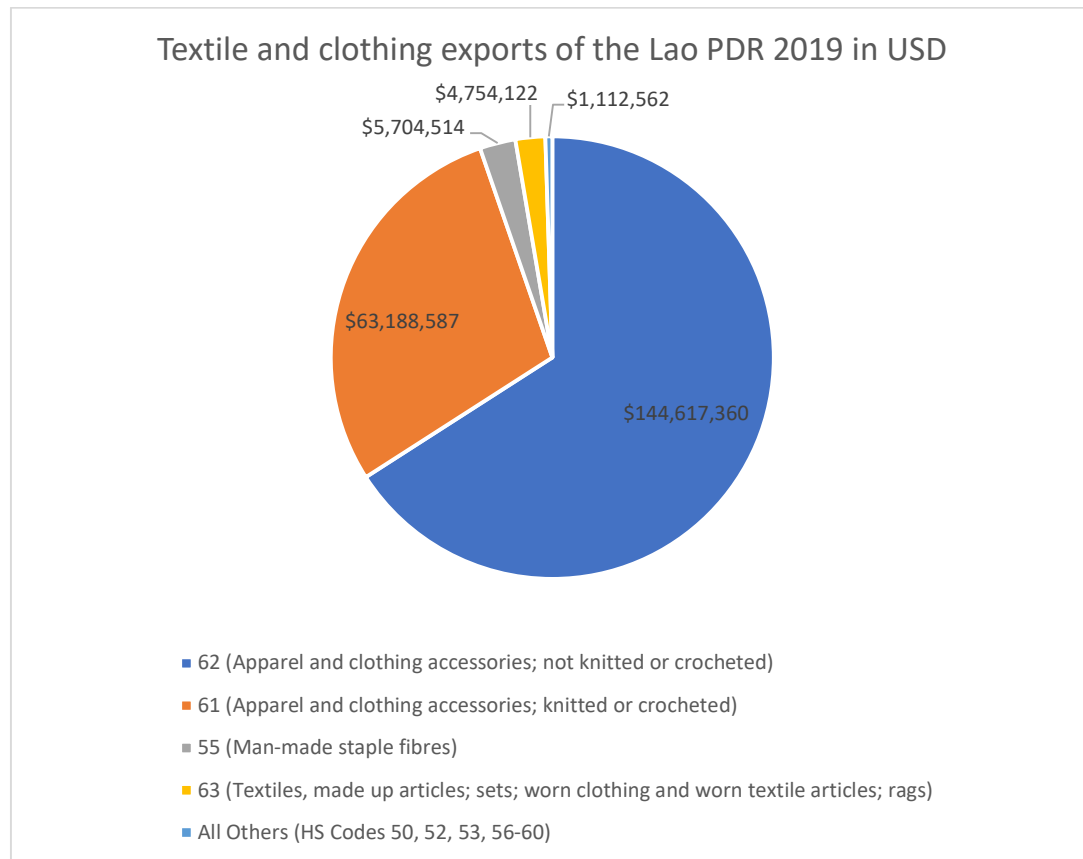
³⁶ Pongkhao, S.: Garment workers to benefit from German-funded programme. Vientiane Times, September 16th 2020.

export of textiles reached 11m USD.³⁷ According to the Comtrade statistics of the UN, to which most of the following figures relate, the Lao export of textile and clothing articles (HS commodity groups 50 to 63) amounted to 219.4m USD in 2019 with HS code 62 accounting for 66%, followed by HS code 61 (29%).³⁸

5.1. Exported products

The lion’s share of Lao clothing exports consists of products that fall under the HS code 62 (not knitted or crocheted apparel and clothing accessories), totalling over 144m USD in 2019. The share of this category rose from about 48% in 2010 to over 70% in 2016 before it stabilised at some 66%. The most important exported products under this category are not knitted or crocheted men’s and boys’ trousers and shorts of which Germany, Sweden, Denmark, and the UK are substantial importers.³⁹

Figure 2: Textile and clothing exports of the Lao PDR 2019 in USD



Source: UN, Comtrade: <https://comtrade.un.org/data>

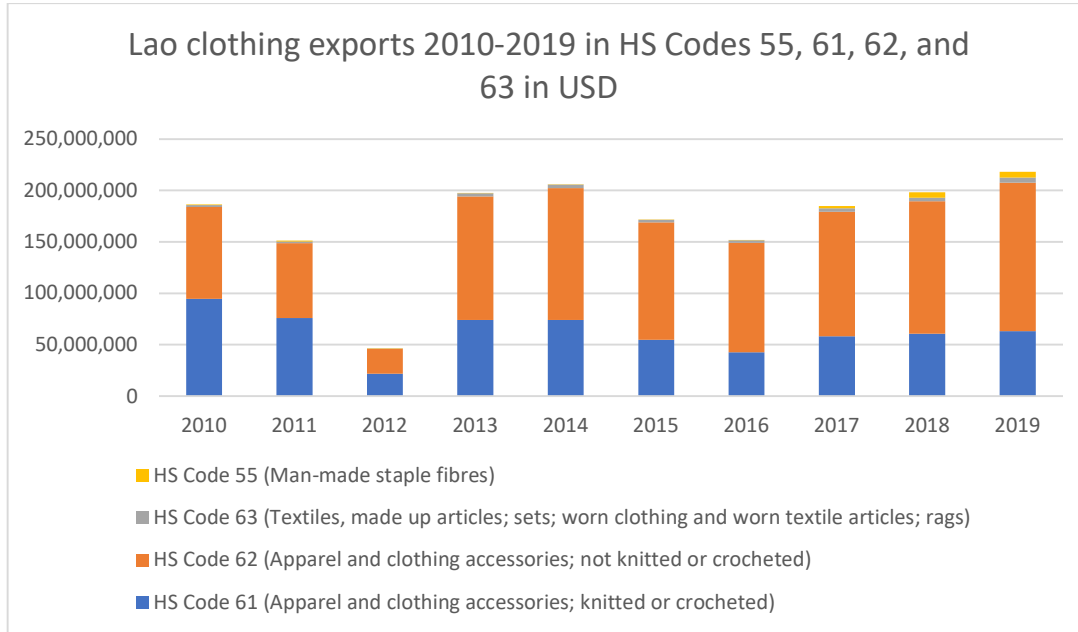
³⁷ <https://data.wto.org/> as of May 14th 2021

³⁸ Comtrade: <https://comtrade.un.org/data> as of May 14th 2021

³⁹ HS codes 620342, 620343, 620349

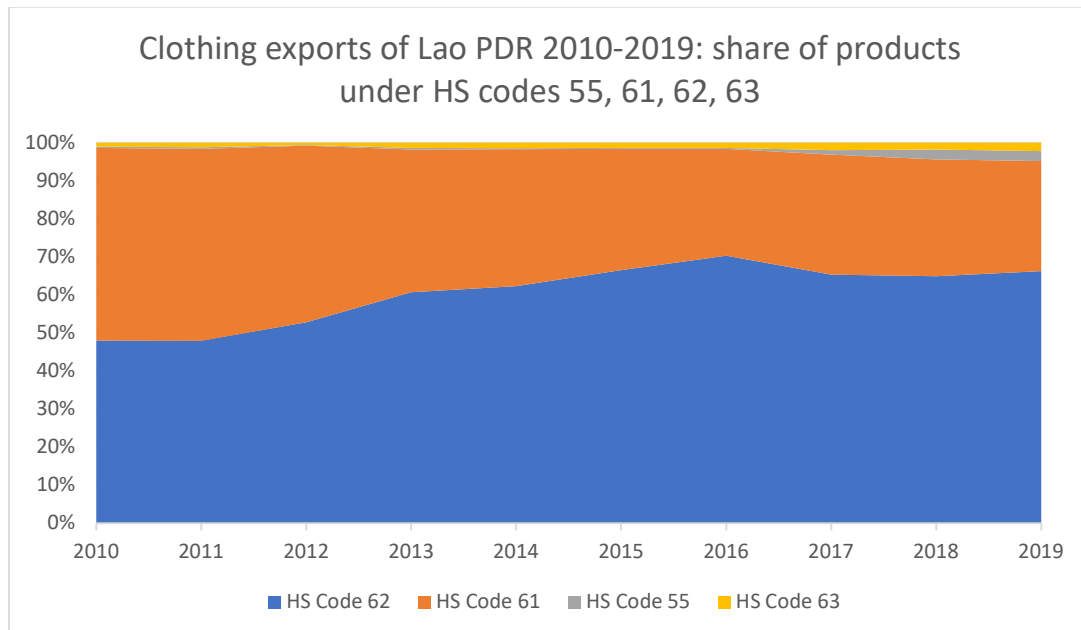
The second most important category is HS code 61 (knitted or crocheted apparel and clothing), accounting for over 63m USD or about 29% of all clothing exports. Its relative importance declined more or less constantly from some 50% of Lao clothing exports in 2010

Figure 3: Lao clothing exports 2010-2019 in HS Codes 55, 61, 62, and 63 in USD



Source: Comtrade: <https://comtrade.un.org/data> as of May 14th 2021

Figure 4: Clothing exports of Lao PDR 2010-2019: share of products under HS codes 55, 61, 62, 63



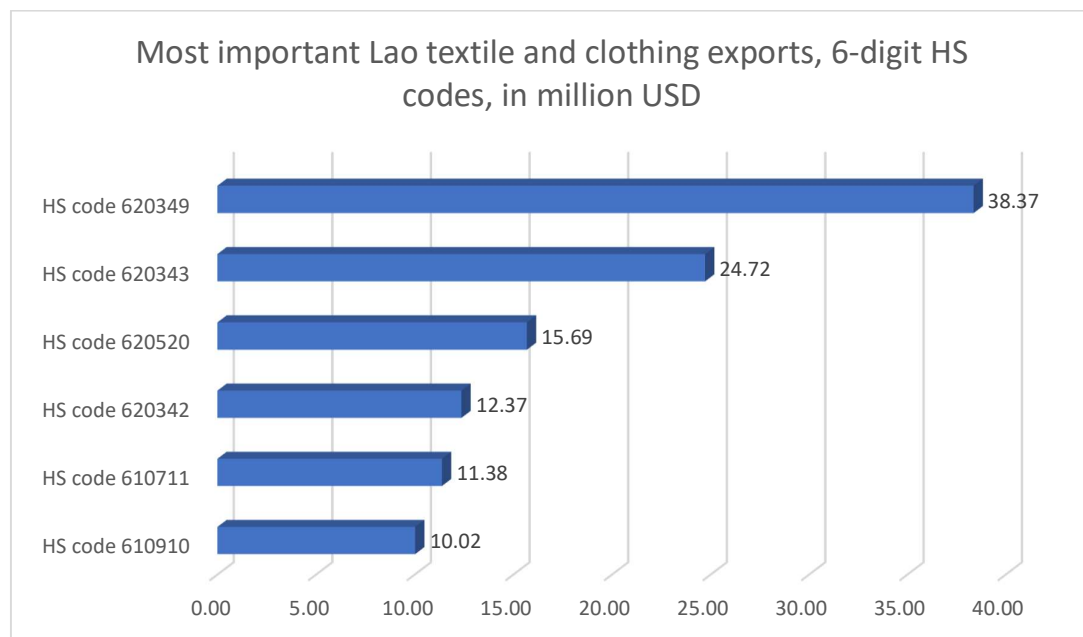
Source: Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

to about 29% in 2019. The most important export products are underwear, T-shirts, jerseys, pullovers and shirts.⁴⁰

The most relevant importers are Germany, Italy, Canada, and Thailand. Of minor importance are products that fall under HS codes 55 (man-made staple fibres) and 63 (textiles, made up articles; sets; worn clothing and worn textile articles; rags). Exports that fall under HS code 55 were insignificant until 2017, when they reached over 2.1m USD, of which Turkey bought more than 2m USD. 2018 these exports more than doubled to almost 5.2m USD, in 2019 they stood at 5.7m USD, still with Turkey as the most important export destination by far.

Exports under HS code 63 climbed – with some intermittent set-backs – from 1.8m USD in 2010 to 4.75m USD in 2019 but still account for only 2.2% of Lao clothing exports.

Figure 5: Most important Lao textile and clothing exports, 6-digit HS codes, in million USD



Source: Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

HS Codes:

- 620349: Trousers, bib and brace overalls, breeches and shorts; men's or boys', of textile materials (other than wool, fine animal hair, cotton or synthetic fibres), (not knitted or crocheted);
- 620343: Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted);
- 620520: Shirts; men's or boys', of cotton (not knitted or crocheted);
- 620342: Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted);
- 610711: Underpants and briefs; men's or boys', of cotton, knitted or crocheted;
- 610910: T-shirts, singlets and other vests; of cotton, knitted or crocheted.

⁴⁰ HS codes 6105, 6407, 6109, 6110

Lao clothing exports that fall under any other HS code totalled 1.1m USD in 2019 and are, with a share of 0.51% of all Lao clothing exports, practically insignificant. Products of HS codes 56-60 accounted combined only for exports of some 560,000 USD, HS codes 65 and 66, for less than 165.000 USD in 2019.

Differentiated by 6-digit HS code, the 6 most important export products make up about half of Lao textile and clothing exports under the HS categories 50-56 and 58-63.

5.2. Major export markets and reliance on duty-free market access

Almost all of the garment exports are imported by countries that grant the Lao PDR preferential market access, be it in form of LDC privileges or in form of free trade agreements.

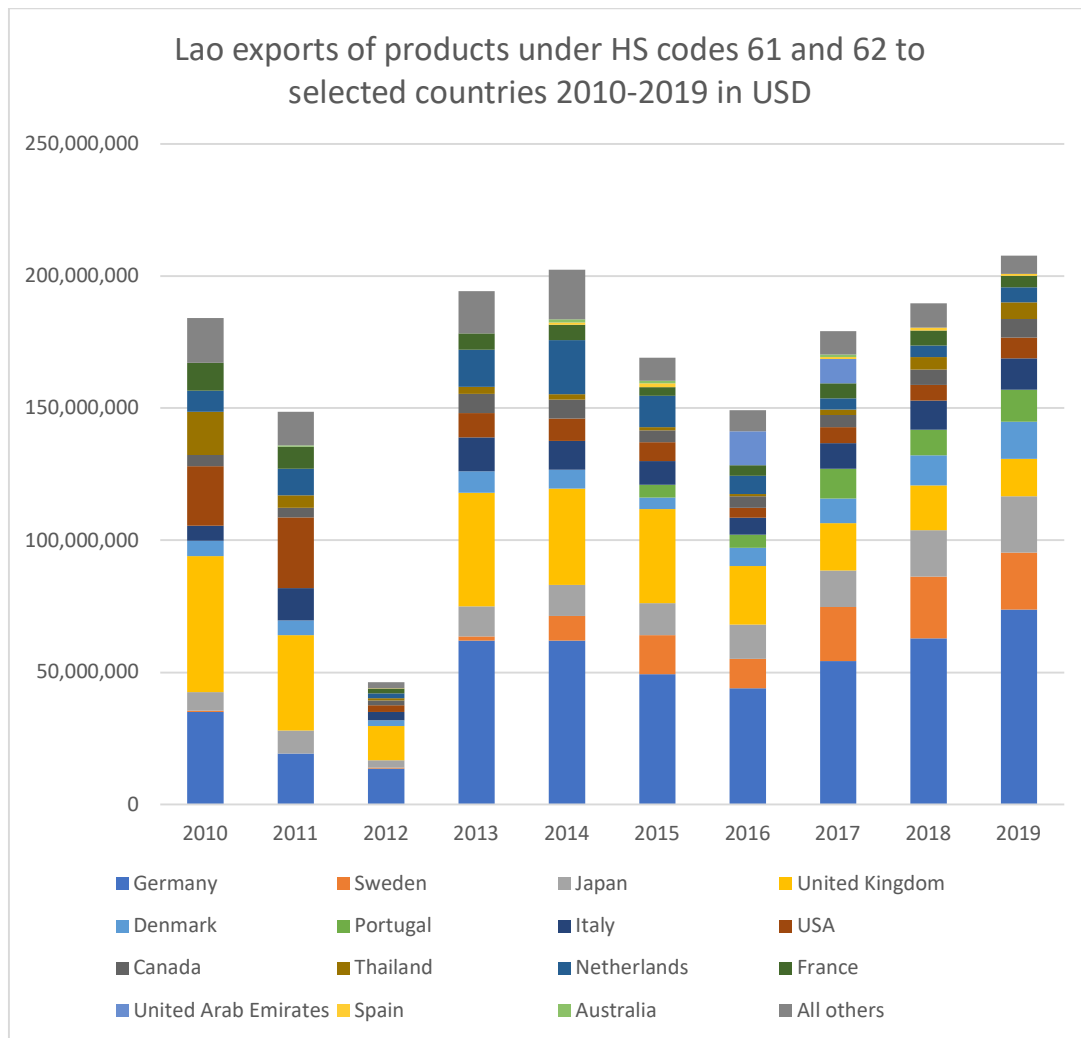
Regarding the destination countries for the Lao exports of products under HS codes 61 and 62, Germany is by far the most important one, buying about 35.5% or 73.7m in 2019 of the respective exports. However, in international comparison the absolute figures are still rather modest.

Second comes Sweden with 10.4% or 21.6m USD in 2019, almost exclusively products under HS code 62, closely followed by Japan (10.3%, 21.3m USD), where also products of HS code 62 dominate. Next in importance are the United Kingdom and Denmark with a market share of 6.8% each; exports to Denmark fall almost exclusively under HS code 62, whereas the UK imported in 2019 products under HS code 61 for 3.8m USD and products under HS code 62 for over 10.3m USD. However, UK imports show a substantial decline since 2013, when they were about three times bigger than 2019. Danish imports on the other hand more than tripled since 2015.

Portugal accounted in 2019 for 5.8% of garment exports, importing almost exclusively products of HS code 62. Portuguese imports of Lao garments began basically in 2015 with about 4.7m USD, then more than doubled in 2017 and reached 12m USD in 2019.

Italy is a traditional importer of Lao garments (5.7% market share in 2019), almost exclusively focusing on products under HS category 61. With garment imports from Laos almost worth 13m USD, Italian imports reached their climax in in 2013, then continuously dropped to half that value in 2016 before constantly rising again to reach almost 12m USD in 2019.

Figure 6: Lao exports of products under HS codes 61 and 62 to selected countries 2010-2019 in USD



Source: Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

Note: Exports for the selected countries have only been accounted for if they reach at least 0.5% of total exports in specific year for the specific HS code.

All other importers of Lao garments are of minor significance, none reached more than 4% market share in 2019.

Dutch imports reached over 20m USD in 2014 but are now not much more than a quarter of that. Canadian imports reached their peak in 2013, then fell and gradually climbed up over the consecutive years to reach some 7m USD in 2019, almost equally distributed between HS codes 61 and 62. US imports peaked in 2011 with almost 27m USD, dropped by over 90% in 2012 and only recovered somewhat thereafter. In 2019 they stood at 7.8m USD, mostly HS code 61. A mini export boom to the United Arab Emirates in 2016 and 2017 proved to be short lived – now there are basically no Lao garment exports to the UAE or any other middle eastern country. The only ASEAN member state that imports a (somewhat) significant amount of Lao

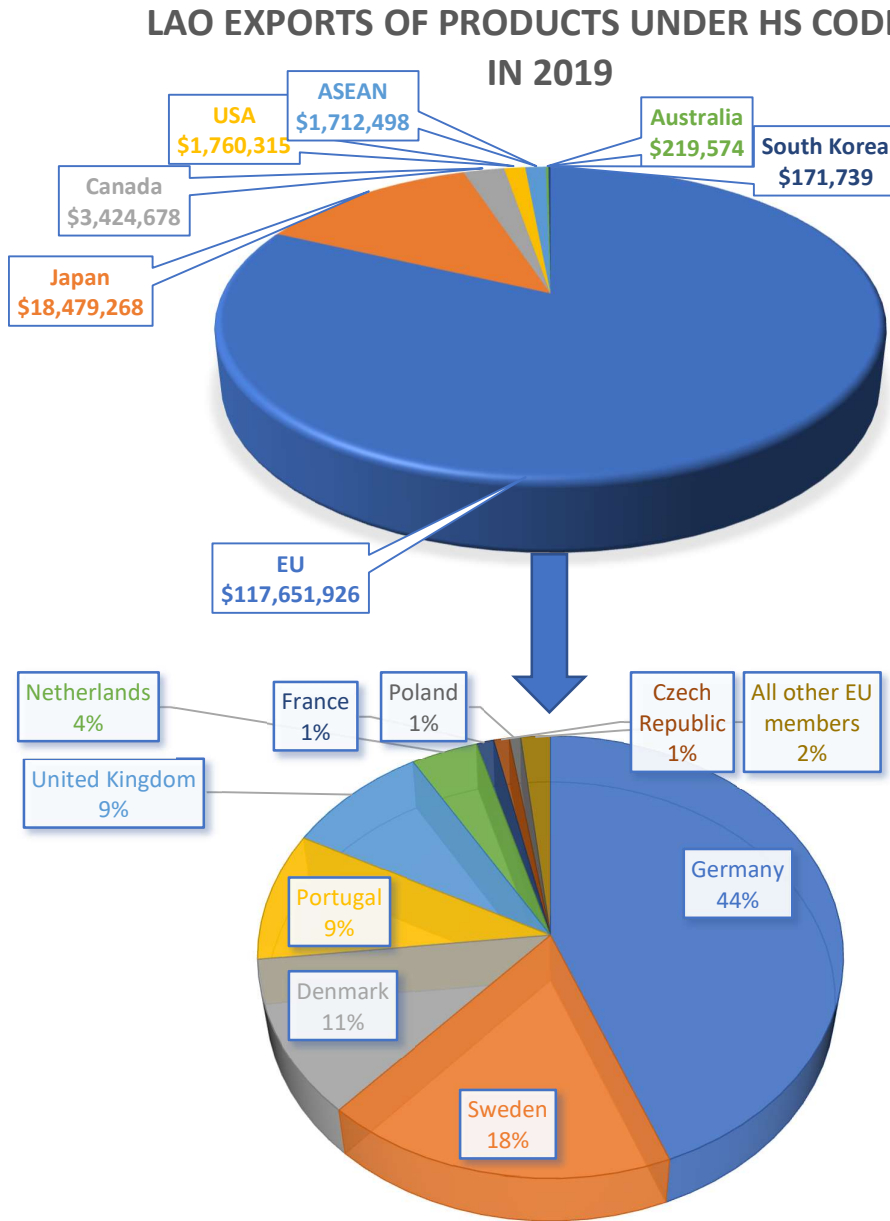
garments is Thailand. With figures constantly rising from 2016 (0.8m USD) onwards to 6.3m USD (mainly HS code 61) in 2019 their trajectory is impressive, though even in 2019 the Thai share of Lao garment exports was still only 3%.

The result of the survey conducted for this study suggests that the relevance of certain export markets relates to the origin of the parent company of the Lao production site. Common to all surveyed companies is the almost complete absence of market diversification. The Japanese owned companies apparently tend to focus (sometimes exclusively) on the Japanese market, whereas for most other companies the European market accounts for between 80 and 100% of the sales. Among the surveyed companies even the one with the highest degree of market diversification stated that 80% of its products go to Europe, 15% to the USA and 5% to ASEAN markets.

5.2.1. Lao exports under HS code 62 (Apparel and clothing accessories; not knitted or crocheted)

Exports under HS code 62 are with 144.6m USD or over 66% the most important Lao clothing exports. In 2019 basically all of these exports went to countries that either have granted the Lao PDR GSP preferences, like the EU, Australia, Canada, and Japan, that are part of the ASEAN and thus of the ASEAN Free Trade Area (AFTA), that are part of the East Asia Free Trade Area (ASEAN+3), which includes also China and the Republic of Korea, or with which it has a bilateral trade agreement, like USA. The EU is the most relevant export destination and also grants the Lao PDR the most favourable conditions under its EBA scheme – no tariffs, no quota. Over 50% of Lao exports under HS code 62 went to just two countries, Germany and Sweden, with Germany accounting for some 36%.

Figure 7: Lao exports of products under HS code 62 in 2019

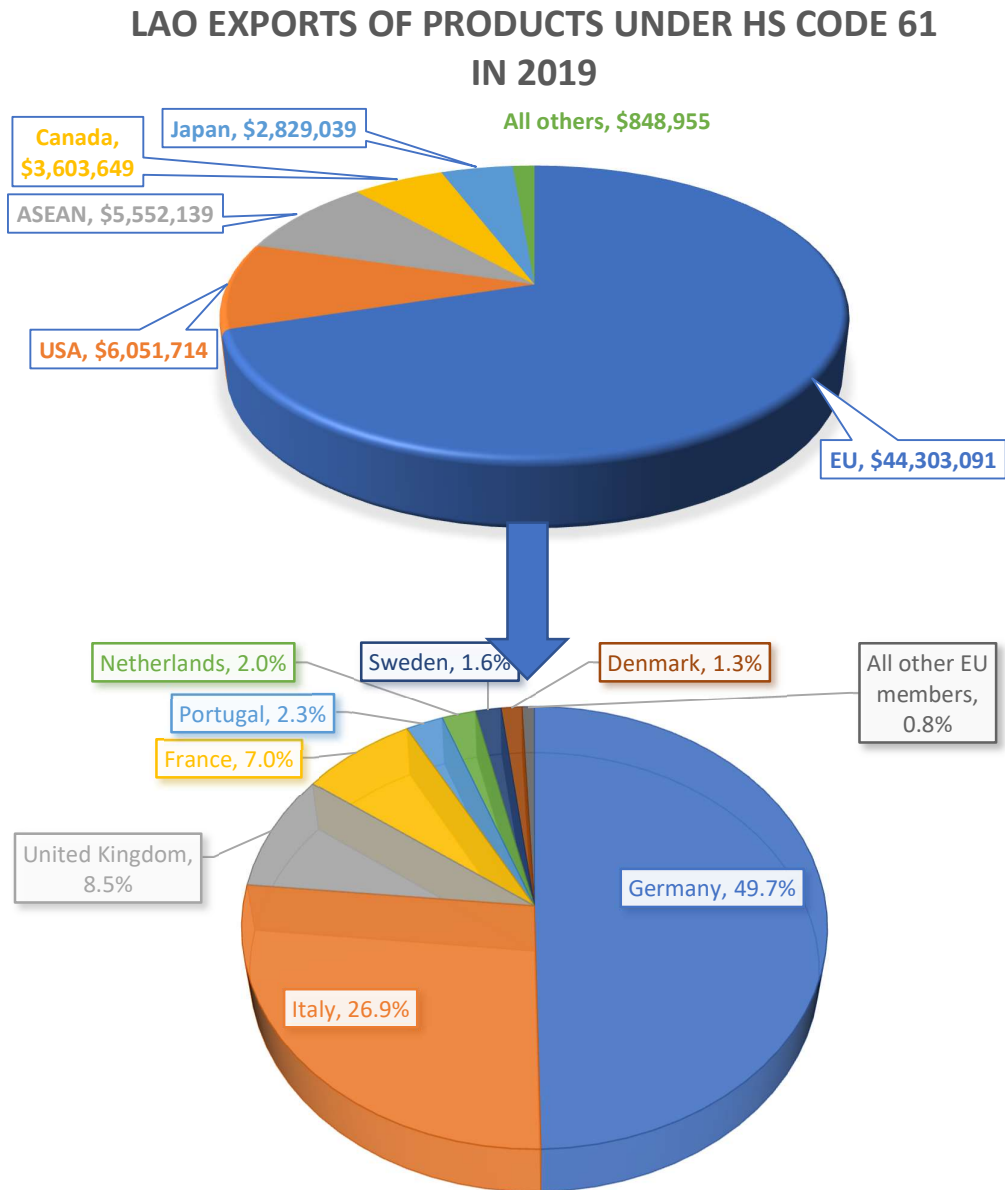


Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

5.2.2. Lao exports under HS code 61 (apparel and clothing accessories; knitted or crocheted)

Lao exports under HS Code 61 account for 63.2m USD or 29% of all the country’s clothing exports. As for HS Code 62, almost all of the exports went to countries or regions that grant unilaterally grant the Lao PDR trade privileges or with which Lao has some kind of trade agreement. The EU accounted in 2019 for over 70% of the market.

Figure 8: Lao exports of products under HS Code 61 in 2019



Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

In the EU Germany is the most important market – it imports 35% of all Lao exports in this category – or half of the respective exports to the EU. After the EU, USA is the (distant) second most important export destination with a market share of 9.6%, followed by the ASEAN with 8.8% and Canada with 5.7%. Other export destinations are relatively insignificant.

5.2.3. Other clothing exports

Other clothing exports of the Lao PDR are of minor significance. They fall under HS codes 55 (man-made staple fibres) and 63 (textiles, made up articles; sets; worn clothing and worn textile articles; rags).

HS code 55 accounted in 2019 for 5.7m USD or 2.6% of Lao clothing exports. Main buyer was Turkey (85.6%), which has granted Lao preferential trade status, followed by fellow ASEAN member Malaysia (9.1%), and Sweden (3.5%). The most important products under HS code 55 were products of category HS 551311⁴¹, which accounted for 4.88m USD and were exclusively exported to Turkey, and HS 5514, of which Laos exported goods worth 0.6m USD, mainly to Malaysia (0.38m USD)⁴² and Sweden (0.2m USD)⁴³. Exports of products that fall under HS code 63 accounted in 2019 for 4.75m USD or 2.2% of all Lao clothing exports. 38% of the products went to Japan, 32% to France and 19% to the USA.

5.2.4. Footwear industry and footwear exports

The footwear industry does not belong to the garment or clothing industry in the narrower sense. It has therefore not been included in the other chapters of this report. Since it is nevertheless of some relevance for the country's export a brief overview is given in this article.

The Lao PDR exported goods of HS code 64 (Footwear; gaiters and the like; parts of such articles) for 73m USD in 2019. About 50m USD was accounted for by products under HS code 6403 (Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of leather), 18.6m USD was the export value of products under HS code 6406 (Footwear; parts of footwear; removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof).

⁴¹ Fabrics, woven; plain weave, of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m², unbleached or bleached.

⁴² All exports to Malaysia under HS code 5514 consisted of "Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m² - Of polyester staple fibres, plain weave" (HS code 551411).

⁴³ All exports to Sweden under HS code 5514 consisted of "Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed principally or solely with cotton and weighing > 170 g/m², dyed (excl. those of polyester staple fibres)" (HS code 551429).

Under HS Code 6403, footwear with metal toe caps accounted for 12.6m USD, over 90% of these were exported to Japan. A prominent manufacturer of these safety shoes is Lao Midori Safety Shoes Co., Ltd in Vientiane, which belongs to the Tokyo based Midori Anzen Co., Ltd.

22.5m USD of the exports under HS code 6403 consisted of goods falling under code 640391 (footwear not elsewhere classified in 6403, covering the ankle), of which the Netherlands and the United Kingdom imported over 6m USD each, followed by USA (3.4m USD), Poland and Canada (over 1m USD each). Exports of products under HS code 640399 (footwear not elsewhere classified in 6403, not covering the ankle) reached some 14.5m USD in 2019 of which Japan bought about half, followed by Germany (2.7m USD) and the UK (1.4m USD).

99.7% of the exports of products under HS code 6406 consisted of “footwear; parts, uppers and parts thereof, other than stiffeners” (HS code 640610). Main importing countries were Thailand (64.7%) and Japan (35%).

Regarding footwear exports in general (HS code 64), Japan imported in 2019 about 36.6%, followed by Thailand (17.4%), which means that over half of Lao footwear exports should not be affected by the loss of trade privileges due to LDC graduation.

The EU market (including UK) accounted for 27.7% of Lao footwear exports. Here the loss of trade privileges would potentially have an impact since the average import duties could reach almost 6.9% under GSP arrangements.⁴⁴ For articles falling under 640391, of which the Lao PDR exported over 15m USD worth to the EU (incl. UK), the tariff will increase to 4.17% under GSP conditions.⁴⁵

Footwear exports to the USA amounted to 4.2m USD or 5.7%. Import tariff average under the current GSP scheme is about 10.2%; under MFN status they would see an insignificant increase to some 10.5%.

Exports to Canada were comparatively minor (1.2m USD or 1.6%) but here import tariffs could jump from 0% to a substantial 11.2% under GSP arrangements or to 12.2% under MFN regulations.

5.3. Preferential market access

About 99% of Lao garment exports go to countries that have either unilaterally granted the Lao PDR preferential market access or with which, as in the case of ASEAN, the Lao PDR has a free trade agreement.

⁴⁴ Tariff averages based on HS sub-heading average method according to WTO (<http://tao.wto.org/report/TariffAverages.aspx>)

⁴⁵ Ibid.

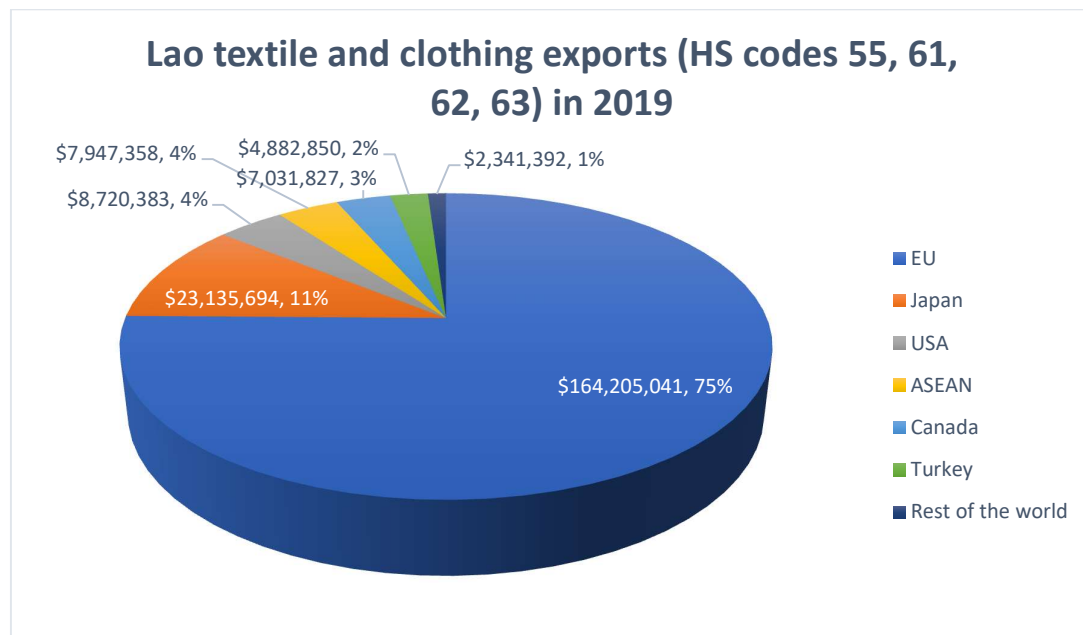
All companies contacted for this study were aware of the LDC status of the Lao PDR and most were also aware of the trade preferences that come with this status. For the very few that were not aware of the latter, it was insignificant since they export exclusively to countries which have an FTA with the Lao PDR.

Most companies consider the trade preferences as “very important” or at least “somewhat important”. Almost all for whom the preferences are “very important” export 80% or more of their output to the EU, those see them as “somewhat important” focus on other markets, where these trade preferences are very limited, like the US, or where they are not relevant due to the existence of an FTA, like Japan.

All companies that were willing to share information on that point, stated that they made 100% use of the trade privileges granted under the EBA scheme or FTAs.

Digging deeper exposes the limits of information available in some companies. Whereas most of the exporters to the EU agreed that the trade preferences granted under the EBA scheme are the most important for them, others cited that LDC related preferences would be very important in markets where they are actually very minor (USA) or not relevant (ASEAN, Japan).

Figure 9: Lao textile and clothing exports (HS codes 55, 61, 62, 63) in 2019



Source: Comtrade: <https://comtrade.un.org/data> as of May 18th 2021

This implies that the upcoming LDC graduation of the Lao PDR might have a detrimental impact on the majority of Lao garment exports, although the magnitude of that impact differs among the export destinations as can be seen from the varying degree of preferences that is granted by the importing country.

Table 2: MFN/GSP Rates Applicable to T&C Imports, 2020

HS Code	Commodity	EU			Japan				USA		Canada		
		MFN	GSP	GSP+ EBA	MFN	GSP	LDC	ASEAN-FTA	MFN	GSP	MFN	GSP	LDC
55	Man-made staple fibres	6.2	4.9	0	6.3	5.0	0	0	10.5	10.5	0.15	0.15	0
61	Apparel and clothing accessories; knitted or crocheted	11.7	9.3	0	9.0	8.9	0	0	12.8	12.7	17.1	16.9	0
62	Apparel and clothing accessories; not knitted or crocheted	11.3	9.0	0	9.4	8.5	0	0	10.1	10.0	16.1	15.6	0
63	Textiles, made up articles; sets; worn clothing and worn textile articles; rags	10.2	8.1	0	5.7	3.3	0	0	6.8	6.7	15.8	14.8	0

Source: <http://tao.wto.org/report/TariffAverages.aspx> as of May 24th 2021; simple averages, based on HS subheadings

5.3.1. Lao exports to the EU

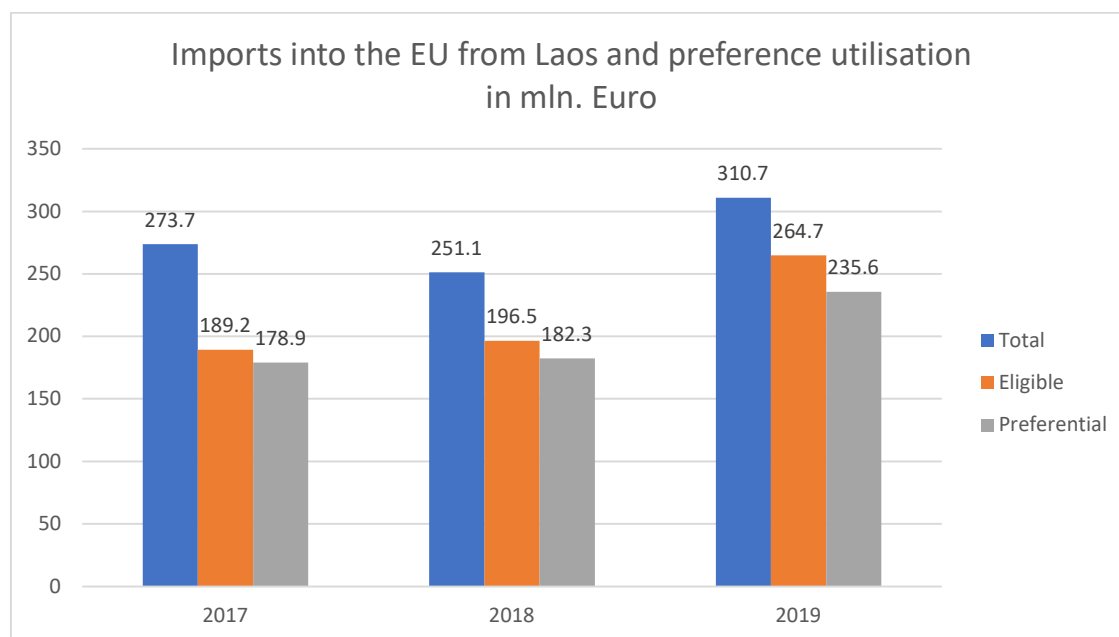
The Lao PDR is beneficiary of the EU's EBA scheme which it allows duty free and quota free import of garments to the European Union. Imports to the EU from the Lao PDR have risen over the last years and reached 311m Euro in 2019 of which 264.7m Euro were eligible as preferential imports.⁴⁶

About 85% of all Lao exports to the EU are eligible for EBA preferences and about 76% of EU imports from Lao are actually imported under the preferential conditions which means that the actual EBA utilisation rate (i.e. the ratio of preferential to eligible imports) is with 89% rather high. However, considering all Lao exports to the EU, the preference utilisation rate reached 98.5% in 2012 and constantly dropped ever since.⁴⁷

⁴⁶ <https://gsphub.eu/country-info/Lao%20People%27s%20Democratic%20Republic> as of May 13th 2021. Note: Another entry on the same website states that the preferential imports in the EU from Laos were only 236m Euro.

⁴⁷ <https://gsphub.eu/country-info/Lao%20People%27s%20Democratic%20Republic> as of May 13th 2021.

Figure 10: Imports into the EU from Laos and preference utilisation



Source: <https://gsphub.eu/country-info/Lao%20People%27s%20Democratic%20Republic> as of May 13th 2021.

For Lao garments, which are the most important products the European Union imports from the PDR, the utilisation rate has rather increased - Lao garment exporters made extensive use of the EBA agreement. Garment products with a value of over 187m EUR were eligible for the EBA scheme and it was actually used by products worth over 179m EUR which signifies a utilization rate of almost 96%.⁴⁸

Given the size of the market share and the high preference utilisation rate, the loss of preferential market access to the EU as a consequence of the LDC graduation will potentially have the gravest impacts on the Lao garment industry and its exports. In a paper produced for an ITC project, DECREUX and SPIES⁴⁹ come to the conclusion that in case the Lao PDR loses the LDC trade privileges and cannot attain GSP+ status, the country might face a loss of 71m USD in its apparel exports to the EU and the UK. However, the EU is the only economy that offers a three-year grace period before a different tariff system is applied, so there is more time for the industry to adapt to the upcoming situation.

Some insiders of the industry are less sceptical. Some assume that the higher import tariffs for Lao garment products will probably have a significant impact on the export of simple products like T-shirts but much less so for more sophisticated products.

⁴⁸ <https://gsphub.eu/country-info/Lao%20People%27s%20Democratic%20Republic> as of May 13th 2021.

⁴⁹ Decreux, Y., J. Spies: Trade implications of Lao PDR's graduation from LDC status. <https://umbraco.exportpotential.intracen.org>

5.3.2. Lao exports to other countries with preferential market access

Although garment exports from the Lao PDR to Japan make almost 100% use of the offered preferential regulations⁵⁰, they should not be affected by the LDC graduation since they would be covered by the ASEAN-Japan FTA, which foresees tariff rates of 0 percent.

Exports to the USA should also be barely affected since the tariff privileges for the garment sector that come with GSP status (which is the same that covers LDCs) are only very minor.

Exports to Canada, currently eligible for a tariff rate of 0%, will certainly be affected. Although Lao garment exporters made less use of the preferential tariff rates offered by Canada than they did when exporting to Japan or the EU, the utilisation rate was still about 80% in the years 2016 – 2018.⁵¹ If the Lao exports fall on GSP status, the difference in the tariff rates of the latter and the MFN rates are only minor for garment products. Since Canadian GSP-RoO⁵² allow only for up to 40% of the ex-factory price of products consisting of non-originating materials there will be also a major challenge for Lao garments to fulfil that requirement.

The Lao PDR exported in 2019 polyester fabrics for some 4.9m USD to Turkey. They are currently eligible for a tariff rate of zero per cent. A GSP conditions would push up the tariff to 6.4%, otherwise the MFN rate of 8% would apply.

Imports to China and India, both minor in volume and mainly falling under the HS codes 61 and 62, will barely be affected by the LDC graduation – due to the ASEAN-China FTA the People’s Republic will apply a tariff rate of zero percent whereas the FTA between ASEAN and India foresees tariff rates between 1% (HS code 61) and 0.8% (HS code 62).

5.3.3. Alternatives to current preferential trade schemes

5.3.3.1. *Garment exports to the EU*

The Generalised System of Preferences of the EU (GSP) contains three schemes: a general arrangement (GSP), a special arrangement for sustainable development and good governance (GSP+) and a special scheme for LDCs, the Everything but Arms (EBA) scheme. The current EU’s GSP regulations expire by the end of 2023 and the provisions of the new regulations were not yet available by the time this report has been written.

⁵⁰ Decreux, Y., J. Spies: Trade implications of Lao PDR’s graduation from LDC status. P. 7. <https://umbraco.exportpotential.intracen.org>

⁵¹ Decreux, Y., J. Spies: Trade implications of Lao PDR’s graduation from LDC status. P. 7. <https://umbraco.exportpotential.intracen.org>

⁵² Baker, P.: op cit., p. 14.

Being an LDC, the Lao PDR currently benefits from the EBA arrangement under which it can export all goods but arms and ammunition duty free and quota free to the EU. This arrangement will come to an end three years after LDC graduation.

Once Laos loses the benefits granted under the EBA scheme of the EU there are several alternatives: trade under GSP+, GSP or MFN regulations.

5.3.3.1.1. GSP and GSP+

After the post-graduation transition period Laos would automatically fall under the GSP system until it surpasses the threshold for an upper middle-income country as defined by the World Bank. In 2021 this threshold is a GNI per capita of 4,046 USD pre year, using the World Bank Atlas method.⁵³ According to this method the Lao PDR had in 2019 a GNI p.c. of 2,570 USD.⁵⁴

Attaining the GSP+ status (Special Arrangement for Sustainable Development and Good Governance) would, as under the current EBA scheme, foresee the application of “0” tariffs on garment exports.

However, although the Lao PDR would meet the necessary vulnerability criteria⁵⁵, there are mainly two kinds of challenges for achieving the GSP+ status.

The first challenge is of legal nature – the EU might insist that the Lao PDR ratifies certain international conventions, among others the ILO conventions 87 and 98, which it has so far not. Ratifying them might meet politico-legal resistance in the Lao PDR.

The second challenge is supply chain related – the products would have to fulfil the rules of origin requirements (double transformation).

Under the GSP and GSP+ schemes of the EU the rules are stricter than under the EBA scheme of which the Lao PDR currently benefits. The EBA arrangement allows for ‘single transformation’ and for 70% of the value added to be produced abroad. Under the GSP arrangement the companies would have to comply with the double transformation requirements and the limit for the value added produced abroad is 50%. This is a challenge since there is basically no plausible possibility to domestically source yarn or fabrics (see chapter 6 below). However, under certain conditions the EU’s cumulation provision allows for meeting the RoO by sourcing inputs from countries of a regional group or potentially other countries that benefit from the GSP regulations. It is unclear though whether the industry

⁵³ The Atlas method uses a conversion factor to reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes.

⁵⁴ <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=LA> as of May 26th 2021.

⁵⁵ Baker, P.: Impact of LDC graduation on the textiles and clothing sector. April 30th 2021. P. 11.

would be able to secure the respective inputs in the necessary quality and quantity and for competitive prices.

If the Lao PDR would fail to attain a (tailored) GSP+ arrangement and the country would fall under the ordinary GSP arrangement, import duties for the most important garment exports to the EU would rise to an average of 9.3% for products under HS code 61 and 9% for HS code 62, only about 2.3% more favourable than the MFN rate.

5.3.3.1.1. Free trade agreement

In theory there is the possibility to enter into negotiations for a Free Trade Agreement (FTA) with the EU. However, an FTA is a mutual agreement under which both parties open their markets or parts thereof. Depending on the results of the negotiations not all products or services might be included or some products might not be included right from the start of the FTA. If the EU-Viet Nam FTA is any guide this may happen to Lao garment exports. In this FTA apparel (HS Codes 61 and 62) are not duty free from day one of the treaty; rather tariff rates between 11 and 12% apply which will be phased out (i.e. reduced to zero) over a period of up to 8 years.⁵⁶

In order to benefit from an FTA supply chains might still have to be restructured. Double transformation regulations can – and often do – require that intermediate inputs like yarn, buttons, fabrics etc. have to be produced in the countries covered by the FTA. In the case of the EU-Viet Nam FTA this means that the fabrics have to come from within Viet Nam or the EU; however, there are cumulation provisions that consider fabrics originating from South Korea or from a member country of the ASEAN with which the EU has an FTA are considered like fabrics produced in Viet Nam.

There is however the question how high up the Lao PDR is in the priority list of the EU to negotiate an FTA. To come to an ASEAN-EU FTA might also be a challenge, given the somewhat precarious political situation in some ASEAN countries.

5.4. Important national policies that may be affected by LDC graduation

Different from some other LDCs that are competing with the Lao PDR in the garment industry the country has no particular export promotion policies like export subsidies that would be affected by the LDC graduation. It is therefore unsurprising that none of the surveyed companies had received any garment sector specific financial assistance.

⁵⁶ <https://shenglufashion.com/2020/06/12/eu-vietnam-free-trade-agreement-and-outlook-of-vietnams-apparel-export/> as of May 17th 2021

5.5. Opportunities and plans for market diversification

As shown above the majority of Lao garment exports go to the EU and they are potentially severely affected if they lose their preferential treatment three years after the Lao's LDC graduation. Given the size of the EU market for Lao garments it might be difficult to find a substitute. A paper from 2017⁵⁷ argues that "factories will become more specialized in niche activities and strengthen rather than shut down, though those that are unable to restructure might go out of business" if the trade preferences come to an end. This means that low technology stand-alone companies that currently specialise in CMT operations might have to undertake substantial efforts or shut down while those that are able to restructure, upgrade their technology, invest in skill development of their workforce and produce high value niche items have a chance to survive and thrive.

Another paper sees untapped market potential for Lao apparel exports in Japan (16.6m USD), the USA (16m USD), and China (14.4m USD).⁵⁸ But even if the Lao garment industry can reap all this market potential completely, it would not be sufficient to compensate for the potential loss of a major share of the EU market.

The survey undertaken for this study showed that none of the respondents had immediate intentions or plans for a major market diversification. Most intend to stick with their current market, some intend to initiate minor changes like shifting some of their current exports to the EU to the US or trying to tap into the Japanese market. Still, particularly those companies that mainly export to the European market fear a loss of competitiveness due to the potential future loss of trade preferences and stricter rules of origin. Some expect a decrease of orders, others consider the possibility that production will completely shift their orders to other countries. Understandably, those companies that export mainly to Japan or export parts of their production to the USA or ASEAN markets are less apprehensive.

5.6. Options for enlarging the domestic part of the value chain

A substantial part of the Lao garment industry does not produce products for the cheap end of the European or OECD market. In fact, some companies produce for mid- to high level fashion brands like Benneton or Armani or they produce sophisticated workwear for Western markets. The issue is rather that the value-added is comparatively low because most of the companies are only engaged in the CMT process.

The LAO NATIONAL CHAMBER OF COMMERCE AND INDUSTRY describes the situation in a position paper⁵⁹ as follows: "Some locally owned garment factories Laos are manufacturing-oriented

⁵⁷ Ministry of Planning and Investment, United Nations Development Programme in Lao PDR: Graduation from least developed country status. Lao PDR 2017. The 5th National Human Development Report. Vientiane 2017, p. 40.

⁵⁸ Decreux, Y., J. Spies: Trade implications of Lao PDR's graduation from LDC status. <https://umbraco.exportpotential.intracen.org>

⁵⁹ Lao National Chamber of Commerce and Industry: Articles in garment's exports to the EU market: Technical barriers to trade by exporters in Lao PDR. Articles in garment's exports to the EU market: Technical barriers to trade by exporters in Lao PDR. Published by CUTS International, Geneva, September 2016, p.3.

and work on a CMT (cut, make and trim) basis or use subcontractors, mainly via traders in Thailand, Singapore and Hong Kong. The working procedure is such that brand-name sportswear is designed by the brand owners, for example in Europe. The orders are placed with a Hong Kong-based representative office which will then make contact with garment suppliers in the region including China, Cambodia, Laos, Thailand and Viet Nam. If the order is for 5 million pieces, for instance, it will be divided up according to each country's supply capacities. Suppliers in Laos are more likely to receive the smallest allocation in the light of their limited production capacities in comparison with those in China and Viet Nam."

The Lao PDR is thus a place where garments are produced but not a place where strategic decisions for the industry are made. One insider of the industry described the situation as follows, citing the company SCAVI as an example: SCAVI is a subsidiary of the French Group Financière B'Lao (formerly Corèle International) and describes itself as an International Outsourcing Services, specialised in lingerie, swimwear, and sportswear.⁶⁰ The group has about 15,000 workers and 9 operating locations – 2 in France, 6 in Viet Nam and 1 in the Lao PDR. SCAVI's headquarter is in Viet Nam. A client like Armani would place its order with the headquarters which then subcontracts to its production facilities. The order of part of it might go to SCAVI in the Lao PDR, where the production takes place, but basically no further decisions are made. Like the other garment factories in the country the company would not directly cater to the final client or undertake its own marketing.

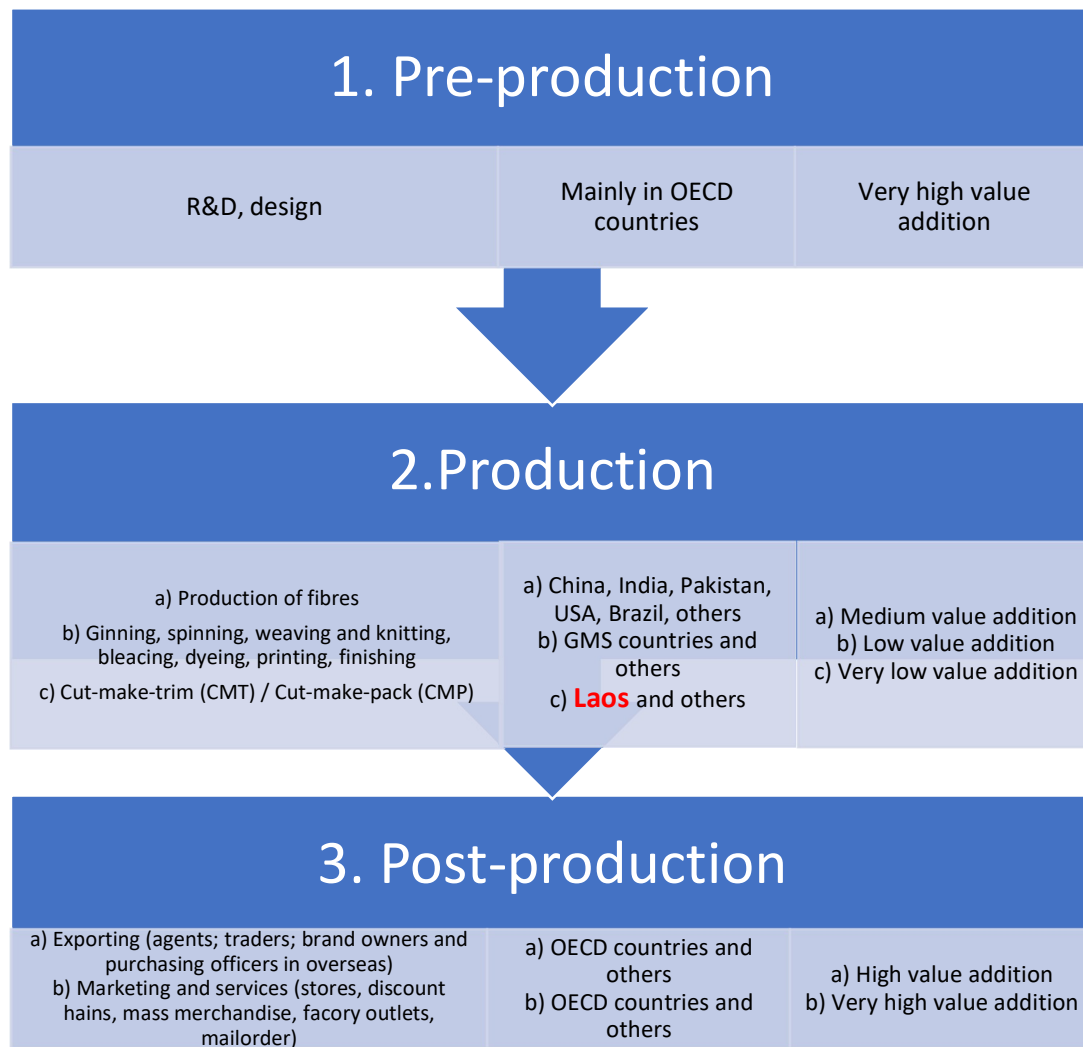
ABE et al. point out in their paper⁶¹ that the actual production of a piece of garment accounts only for a small part of the value added of the actual product. Referring to a study published in 2013 they show that the production itself of a man's jacket sold in the USA accounts only for 9% of the retail price; the residual 91% are associated with pre- and post-production activities like R&D, design, logistics, distribution, advertising, retail, profits etc.⁶² Enlarging the domestic part of the global value chain in garment and clothing production would therefore be an option to significantly increase the local value added.

⁶⁰ <http://www.scavi.com.vn/en/pages/general-information.aspx> as of June 28th 2021.

⁶¹ Abe, M., J. Kim, S.M. Jahan: Maximizing benefits of Mekong value-chains for SMEs. UNESCAP. Bangkok 2020.

⁶² Abe, M., J. Kim, S.M. Jahan: op cit., p. 92.

Figure 11: The Lao PDR in the global textile and clothing value chain



However, there are limits to the restructuring and reorganisation of these value chains due to the small domestic market. The latter does not allow for significant economies of scale, and, combined with the lack of specialised skills and technological capabilities, prevents the location of upstream activities in the Lao PDR. A not very conducive business enabling environment adds to the obstacles. Downstream activities or post-production activities like marketing, advertising, sales etc. are often undertaken by multinational companies that are based in Europe or in the wider region but not in the Lao PDR. In 2018 none of the apparel produced in the Lao PDR was sold under a manufacturer’s brand, all were sold under the buyer’s brand. The Lao garment companies operate in value chains led by the buyers which control production networks, design, distribution, marketing, and branding. Many of the Lao garment companies would not even know enough details about the final client or end consumer of their products nor would they have the capabilities to deal with the after-production services.

A solution therefore might be to focus more on niche markets and products with a higher value added, but this would most likely require more investment in capital and more capacity building.

Being a landlocked country that has to rely on harbours in neighbouring states like Laemchabang in Thailand and Danang in Viet Nam and having a not very efficient or cheap logistics sector leads to comparatively long lead times. Road transport to the ports is comparatively very expensive, which adds to the cost burden. Beside improving its international connectivity, upgrading the logistics sector will therefore become ever more important. Some companies complain that the lead times are unnecessarily stretched further by cumbersome government import/export regulation and practices.

5.7. Option for regional markets and regional collaboration

As outlined above there is the option to penetrate deeper into the Japanese, US and Chinese markets.

There is also a certain chance to develop the ASEAN market more, in particular the fast growing Thai market, which imported already garments for 6.4m USD from the Lao PDR in 2019, half of them men's and boys' shirts. Malaysia ranks a distant second in ASEAN for Lao garment exports, importing Lao garments for 0.95m USD. In East Asia it might make sense to try to strengthen the presence in the Japanese market, which is covered by a free trade agreement and will therefore not be impacted by loss of trade privileges after LDC graduation.

A regional collaboration in order to enlarge the supply chain might be an option if the Lao PDR seeks a GSP or GSP+ arrangement with the EU and if the EU would allow regional cumulation to fulfil the RoO. A closer integration into ASEAN value chains or the ASEAN part of global value chains, combined with upgrading and a higher degree of specialisation could mitigate the reliance on imports of third countries.

However, some Lao garment companies doubted that inputs of the necessary quality would be available in the region in sufficient quantities. Among the GMS countries, only Thailand and Viet Nam have some capacity to produce natural fibres and have the technology and know-how to produce artificial fibres but still lack the technology to produce quality products.⁶³

Another option would be an increased cooperation with larger garment factories, particularly from Cambodia, Viet Nam and Thailand, so that the Lao companies can easier participate in

⁶³ Abe, M., J. Kim, S.M. Jahan: Maximizing benefits of Mekong value-chains for SMEs. UNESCAP. Bangkok 2020, p. 91.

bigger orders. This would require some division of labour based on the strengths of the individual companies.

6. Input sources: Embeddedness of textile and accessory industries at national or regional level

6.1. Reliance on imported raw material

The garment industry of the Lao PDR has to import almost all of its inputs. There is no developed fibre or textile producing capacity, no noticeable bleaching, dyeing or finishing capacity, very few printers.⁶⁴ Companies specialise in cut-make-trim (CMT) which requires low capital investment and comparatively low skills. Inputs are usually sourced from abroad, domestic backward linkages are next to non-existent. This is a very relevant peculiarity of the industry, since yarn and fabrics make up for about 60% of the costs for most garment factories in the country.⁶⁵

AMBASHI sums the situation up as follows: “The Lao PDR’s sewing industry needs more supporting industries. Most of the necessary materials are generally procured from abroad through parent companies, contractors, and buyers. Ironically, cardboard materials are the only materials that can be procured domestically. This lack of domestic materials limits the potential to incorporate upstream works.”⁶⁶

6.1.1. Major sources of imported yarns and fabrics

As described above, there is no significant domestic supporting industry. Most imports for the Lao garment industry originate from China (29%) and Thailand (23%, followed by Japan (11%). Other than Thailand, Malaysia and Viet Nam are important sources of inputs from ASEAN, accounting together for 10.5 % of Lao imports of fibres, fabrics, waddings and yarn.

⁶⁴ Abe, M., J. Kim, S.M. Jahan: Maximizing benefits of Mekong value-chains for SMEs. UNESCAP. Bangkok 2020, p. 91.

⁶⁵ Interview with entrepreneur of the Lao garment sector, conducted by the author in June 2021.

⁶⁶ Ambashi, M. (Ed.): Development strategy of five selected sectors in the Lao People’s Democratic Republic (2020-2025). ERIA Research Project Report 2018, No. 07. Jakarta 2019, p. 33.

Table 3: Lao imports of textiles and clothing 2019

HS Code	Commodity	Million USD	Imports from (in %)							
			China	Thailand	Japan	Chinese Taipei	Hong Kong SAR, China	Malaysia	Viet Nam	Others
52	Cotton	39.1	38.5	30.2	11.3	0.7	3.5	0.2	5.5	10.1
55	Man-made staple fibres	71.8	21.8	10.8	11.8	10.2	3.4	13.1	4.5	24.4
5512	Woven fabrics containing 85% or more synthetic staple fibres by weight	18.4	31.2	8.2	9	30.9	4.2	5	5.1	6.4
5514	Woven fabrics containing predominantly, but less than 85% synthetic staple fibres by weight, mixed mainly or solely with cotton, of a weight exceeding 170 g/m ²	39.6	21.5	4.5	13	4	3.9	21.4	5.7	26
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	12.3	56.6	20.6	4.3	0	7	0.3	3.1	8.1
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	14.7	19.7	23.8	12.4	3.8	22.4	0.1	4.1	13.7
60	Fabrics, knitted or crocheted	19.3	27.5	58.5	0.7	5.1	1.7	0	3.1	3.4
6006	Fabrics, knitted or crocheted, fabrics other than those of headings 60.01 to 60.04	13.6	6	82.6	0.8	3.2	2.4	0	1.8	3.2
Total of 52, 55, 56, 59, 60	In million USD	157.1	45.8	36.8	16.9	9.1	8.3	9.5	7.0	
	In %	100	29.2	23.4	10.7	5.8	5.3	6.1	4.4	15.1

Source: <https://comtrade.un.org/data> as of May 24th 2021.

Literally all of the surveyed companies imported all their inputs, be it yarn fabrics or accessories. The sources, however varied considerably from company to company although most relied on one or two sources only. Some imported all their inputs from China, others sourced from China and ASEAN with the Chinese component being as much as 95% in one case or as little as 10% on the other side of the spectrum. The few companies that exclusively rely on other sources like Japan or Thailand often have their parent company in this respective country.

7. Ongoing or planned changes in the Lao garment industry

The Lao garment industry in early 2021 provides a heterogeneous picture. Some companies are focussing mainly on survival of the negative impacts induced by the COVID pandemic. Some have focussed on the health of their workers and provided vaccination for their whole staff. Some companies are locked down whereas others are expanding substantially. Some companies have profited from the trade tensions between the USA and China, receiving American orders that went before to companies in the PR China. At least one company has changed ownership from a European multinational to a Chinese enterprise and changed production from apparels for the European market to headgear for the US market and set up a printing shop to cater for in-house demand.

Only half of the surveyed companies have any specific plan or strategy how to deal with the future LDC graduation of the Lao PDR. Those that have, focus on product upgrading or customisation, others on cost cutting, investment in more sophisticated machinery and skills upgrading of the workforce.

According to one expert “There is no clear policy or strategy of the Lao government regarding the garment industry.”⁶⁷

7.1. Investment plans to build a local backward (textile) industry

Given the small size of the Lao market there are currently no known tangible plans by the government or the industry to build up a domestic backward industry.

⁶⁷ Interview conducted by the author in June 2021.

7.2. Move towards automation, digitalization, incl. process upgrading and other aspects of the 4th Industrial revolution

Some Lao garment companies are upgrading towards more complicated and sophisticated products which can more easily absorb higher tariff rates. Others have changed their product lines and their markets, not least in response to the Sino-American trade frictions, while some companies have plans to invest in skills development and machinery, or are doing so already.

However, one entrepreneur summed the situation up as follows: “Automation in the Lao garment industry is rather difficult due to lack of skilled labour. The lack of skilled labour is not only an issue when it comes to operating more sophisticated machines but also to maintain them. On the other hand, extensive automation would lead to many fewer jobs and thus reduce the main benefit the sector provides to the country.”⁶⁸

“The possibilities for automation and computerization are limited; they can boost production but only to a limited extent substitute for workers, who can adapt more easily to the frequently changing fashion trends”, commented another manager.⁶⁹

No research has yet been undertaken regarding the increased use of digitalisation in the Lao garment companies but anecdotal evidence leads to the assumption that at least some enterprises are undertaking respective efforts.

Among the surveyed companies, the majority sees the production of more sophisticated and complex garments as the most viable answer to the loss of trade privileges and the potentially increasing competition from other countries, in other words they intend to focus more on products than on processes.

7.3. Other developments and observations

None of the companies that were contacted cited any international or regional trend in the sector (other than the potential loss of trade preferences) that that would have a negative impact on the business. If anything, it is rather the opposite. One said “as for clothing trends, there are good trends because customers respond well to the products we export to them”. Another company, specialised in workwear, had a similar view. Since the 1980s and even more so since the 1990s the market trend goes towards workwear fashion. The reason is on one hand that the fashion aspect itself is becoming more important as, particular in Western SMEs, ever more workers choose their own workwear. On the other hand, workwear is increasingly worn also outside of the factory, be it on the way to and from the workplace or

⁶⁸ Interview with entrepreneur from the Lao garment industry, conducted by the author in June 2021.

⁶⁹ Interview with factory manager from the Lao garment industry, conducted by the author in June 2021.

even in leisure time. The parent company follows these trends closely and tries not only to be on top of them but even shape the trends. As a consequence, the designs that are used for producing workwear become ever more sophisticated under professional considerations as well as in their fashion aspects which is rewarded by high customer demand, leading to the expansion of operations in the Lao PDR.

Most surveyed companies stated that their products required some special skills from the workforce, be it orientation to detail, the ability to operate modern machinery or skills as a tailor. Further upgrading of the skills of the workforce is pursued by quite some companies, so that the staff will be able to operate more sophisticated machinery but also produce more complicated and complex products. Companies that produce niche products sometimes follow their very own path – a smaller Japanese company that specialises on baby clothing for export, for instance, encourages its staff to do home-based sewing, another Japanese company that produces blankets, bedsheets and medical clothing for the Japanese market tries to boost sales by increased advertising via Facebook.

As pointed out earlier, transport costs are a major issue for the Lao garment industry. Therefore, the most important infrastructure project that is currently under construction, the so-called Lao-China Railway, which is part of the Chinese Belt and Road Initiative, might in future be of relevance for the industry. Ultimately the railway, which will connect Vientiane with Kunming and the Chinese railway network from December 2021 on, is supposed to be extended to Bangkok and Singapore. By mid-2021 details of what the railway actually will offer to the business sector like freight fares, train frequencies, logistics at train stations etc., are still sketchy. Most of the Lao garment sector takes still up a wait and see position at the time the time this report has been written. Being interested in reducing logistic cost, most plan to investigate the opportunities; only one of the contacted companies showed no interest in using the railway in future.

Regarding the importance of technical assistance and capacity building the surveyed companies presented a heterogenous picture – about 50% stated that this support would be very important, whereas the for the rest it was only somewhat important or unimportant, citing reasons like the preferred method of training would be internally developed and implemented in-house training.

8. Case studies of the Lao garment industry

8.1. Mascot

Mascot International A/S is a family-owned Danish company specialised in workwear. The company produces 79% of the workwear it sells and employs about 2,400 people in its production sites in Viet Nam and the Lao PDR. Mascot has won numerous international awards, from corporate fashion awards to awards for high labour standards.

MASCOT International (Lao) Sole Co., Ltd., a subsidiary of MASCOT International A/S, officially opened in December 2013 in the VITA Industrial Park in Vientiane Capital. The company, which is currently expanding significantly, is one of only two in the country that produce workwear. It is subcontractor for Mascot International, using CMT operations.

Mascot employs in Laos about 1450 people, 83% of whom are female. Different from many other garment factories the company does not offer dormitories but prefers recruiting in the neighbourhood and the workers to stay in nearby villages.

The company is proud of good working conditions, freedom of association, collective bargaining, and of paying comparatively high salaries.⁷⁰ Occupational health and safety are a priority. The company provides free meals for its staff and is certified according to CSR standard SA 8000. All employees are covered by the Lao social security system (SSO).

Quality standards are high, products are sophisticated and complicated, so every new staff needs training. This limits the intake of new workers, although there is a huge waiting list, since only a certain number can be trained in parallel.

All raw materials are imported since they cannot be sourced domestically in the required quantity or quality. The finished products are 100% exported, mainly to Europe. Regarding the delivery 98% of the products are shipped to the parent company in Denmark, only 2% are shipped directly to the final customer.

The management is well aware of the existing trade preference schemes and sees them as very important for their business model, particularly the EU's EBA scheme of which it makes use for 100% of its products. It is therefore assumed that the loss of these trade privileges and the application of stricter RoO could have a negative impact although there is less concern that buyers might shift to new sources, reasoning that if all major producers lose their trade privileges choices will be limited. Another reason is that more sophisticated products will *per se* be less affected by increased tariff duties.

Mascot recommends the Lao government to negotiate a GSP+ arrangement with the EU and emphasises that the regulations regarding the RoO are crucial for any future arrangement since the quality of domestically or regionally sourced raw material is insufficient.

⁷⁰ <https://www.mascotworkwear.com/en/production> as of June 28th 2021

The main strategy to cope with the potential loss of trade privileges is constant upgrading of products to meet new requirements and fashion trends, which are becoming more relevant. To this end the parent company in Denmark undertakes market research, develops new products and tries to be on top of market development or even shape them. Digitalisation is ongoing, e-commerce is becoming more important as well as customization.







8.2. Everlaos

Everlaos was established in 1991 as Alpilao Co., Ltd. in Vientiane by the Bangkok based Redalpi Group to produce T-shirts, polo shirts, hoodies, pants, tops etc. and expanded in 2016. In 2019 the Hong Kong based company Everbright Industry Group bought 100% of Alpilao and changed the production – the main focus is now on headwear. Everbright’s reasoning to produce in the Lao PDR included political stability, duty free access to Europe and Canada, low labour cost and “the people are kind”.⁷¹ Other locational factors were low energy cost, low cost of living, Lao’s membership of ASEAN, and the future railway to China, which might once be used to import raw materials and eventually to transport products for shipping to Bangkok.

Everlaos produces as subcontractor 80% headwear, mainly caps/headwear for different leagues (*National Football League- NFL*, *National Basketball Association - NBA*, *Major League Baseball - MLB*), and 20% apparel (sportswear), all for export. 85% of the headwear is exported to the US, the rest mainly to Australia and UK. Raw material is imported from China, finished products are exported via Bangkok. The company plans to increase sales in USA and Australia.

⁷¹ <https://www.everbrightheadwear.com/pages/eblaos> as of July 1st 2021

The company employs about 1300 workers (90% female), all covered by the national social security scheme SSO. Dormitories are available for about 35% of the work force, daily free lunch is provided. About 40% of the work force originates from Northern provinces. The staff turnover is about 40% p.a. with higher figures for unskilled workers from faraway places and lower rates for staff living nearby. Everlaos has numerous social compliance certificates from different clients and undergoes regular social and other audits.

Everlaos has recently made significant investments in new machinery, automation and new technology which requires higher skills from the workforce. New workers are trained for three months.

The company works on new products and produces more complicated items. The current demand is so high that the staff has to work overtime.

The management is well aware of the trade privileges linked to the LDC status of the Lao PDR, but they are only relevant for exports to UK, not to the USA, which is the principal market. Stricter rules of origin, which may be applied by importing countries after Laos's LDC graduation are only seen as an issue for the limited sales to Australia. The trade tensions between China and the USA may be more consequential than the LDC graduation.

For the garment industry in general the management see the situation somewhat different though. Considering that the garment industry is rather footloose, and is already producing since about 30 years in SE Asia, the future might bring several structural changes with high end products being manufactured in China and partially in Bangladesh, simpler production might relocate to Africa. The Lao garment industry might update their products and possibly diversify its supply sources and most likely survive for the next decade. After that shortage of labour and higher wages might become major obstacles.

8.3. Eurotech Co., Ltd., a supplier of the Lao garment industry

Eurotech Co., Ltd. is a printing factory that was established in 2006, the same years two other printers opened shop in the country. 2013 there were 6 independent printers for garments in the Lao PDR of which 2 have survived until 2021, with Eurotech being the biggest. The company works exclusively for clients in the Lao PDR, mostly printing T-shirts. It is the only independent company in the Lao PDR that does flock printing. Final clients of the products are often high-end fashion houses like Armani with high quality requirements.

Due to the limited market the number of clients is small, resulting in a cluster risk. If one client goes bankrupt or changes its line of products the company faces a major economic risk of potentially catastrophic proportion.

The major issue for the company, however, is the lack of skilled printers and the high turnover of personnel, the latter being a general feature of the Lao garment industry if not of the whole

Lao business sector. So literally all newly hired staff has to be trained as printers which takes about 4 to 5 months. “You have to know your business inside out, be able to conduct every step in the operation by yourself and also to train all your staff from scratch”, the Western owner-manager describes the situation. Finding people willing to undergo the training is difficult, retaining them can be even more of a challenge. From 8 trained printers two are still working on the company 6 month after they have been hired. “If you have to train 8 people to retain two, training becomes a costly permanent activity, not to say a commercial headache.” Once the newly recruited and trained staff does not quit in the first 6 months there is a tendency to stay significantly longer in the company, though. Still, the particular HR situation does not allow for the introduction of sophisticated new technology. The company therefore applies screen printing technology which gives it a certain amount of flexibility.

There is no service provider for the maintenance of the machinery of the company – let alone more sophisticated machinery, so the owner basically has to maintain the printing shop by himself.

9. SWOT analysis of the Lao garment industry

The most important challenges and opportunities can be summarized in the following SWOT analysis.

Figure 12: SWOT analysis of the Lao garment industry



10. Conclusions

The Lao garment industry is almost completely export oriented and nearly all garment exports are imported by countries that grant the Lao PDR trade privileges. The most important export destination of Lao garments is the EU, where the preference utilisation rate is very high.

The loss of trade privileges, particularly in the trade with the EU, could potentially have severe consequences for the industry. Even if the Lao PDR can attain a GSP+ arrangement with the EU, due to stricter RoO and due to the lack of a domestic supplying industry it will be challenging to fulfil the requirements for preferential market access.

From the government support is needed to mitigate the future challenges, particularly improving the business environment and connectivity as well as improving import procedures and regulations and actual custom procedures. Other issues the government needs to address are the education and skill level of the population and the attitude towards accumulating professional experience.

For the companies there are several options worth considering.

A probably only partial solution is market diversification by trying to deepen the penetration into existing markets like Japan, USA and ASEAN or by developing markets which are as yet not or only barely tapped, such as China.

A necessity is most likely the improvement of productivity of capital as well as labour. This means upgrading of skills, measures to attract and retain staff and investment in machinery, production processes and digitisation.

Upgrading and specialisation of products are other ways to cushion the transition, so could be a deeper integration into regional value chains.

Given the fact that most garment companies are under control of companies abroad, the most fundamental decisions about how to strategically position the Lao garment industry will depend on considerations in the respective headquarters and probably not be made in the Lao PDR.

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Lao textile and clothing export 2019⁷²

1. Lao textile and clothing exports by HS commodity codes, two-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total
50	Silk	18,794	0.01%
52	Cotton	406,486	0.19%
53	Vegetable textile fibres; paper yarn and woven fabrics of paper yarn	107,044	0.05%
54	Man-made filaments; strip and the like of man-made textile materials	73,674	0.03%
55	Man-made staple fibres	5,704,514	2.60%
56	Wadding, felt and nonwovens, special yarns; twine, cordage, ropes and cables and articles thereof	335,108	0.15%
58	Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery	84,513	0.04%
59	Textile fabrics; impregnated, coated, covered or laminated; textile articles of a kind suitable for industrial use	4,942	0.00%
60	Fabrics; knitted or crocheted	151,626	0.07%
61	Apparel and clothing accessories; knitted or crocheted	63,188,587	28.79%
62	Apparel and clothing accessories; not knitted or crocheted	144,617,360	65.90%
63	Textiles, made up articles; sets; worn clothing and worn textile articles; rags	4,754,122	2.17%
Total		219,446,770	100.00%

⁷² Source: UN, Comtrade: <https://comtrade.un.org/data>
Minor variations in numbers may occur due to rounding.

2. Lao exports of products under HS code 55, 4-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 55
55	Man-made staple fibres	5,704,514	100%
5501	Synthetic filament tow	4,473	0.1%
5509	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale	17,337	0.3%
5512	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres	176,210	3.1%
5513	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m ²	4,882,850	85.6%
5514	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170g/m ²	605,103	10.6%
5515	Woven fabrics of synthetic staple fibres, n.e.c. in chapter 55	18,540	0.3%

2.1 Lao exports of most important products under HS code 55, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 5513
5513	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m²	4,882,850	100.0%
551311	Fabrics, woven; plain weave, of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m ² , unbleached or bleached	4,882,850	100.0%

2.1.1 Lao exports of most important product under HS code 5513 by country, 6-digit differentiation

2.1.1.1 Lao exports of products under HS code 551311 by import country, 6-digit differentiation

Importer	Trade value in USD	% of total commodity 551311	% of code
World	4,882,850		100.0%
Turkey	4,882,850		100.0%

2. Lao exports of products under HS code 61, 4-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 61
61	Apparel and clothing accessories; knitted or crocheted	63,188,582	100
6101	Coats; men's or boys' overcoats, car-coats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets and similar articles; knitted or crocheted, other than those of heading no. 6103	910,921	1.4%
6102	Coats; women's or girls' overcoats, car-coats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading no. 6104	978,826	1.5%
6103	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches, shorts (not swimwear); men's or boys', knitted or crocheted	3,489,655	5.5%
6104	Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (not swimwear), women's or girls', knitted or crocheted	4,163,776	6.6%
6105	Shirts; men's or boys', knitted or crocheted	9,858,009	15.6%
6106	Blouses, shirts and shirt-blouses; women's or girls', knitted or crocheted	2,660,275	4.2%
6107	Underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles; men's or boys', knitted or crocheted	11,553,534	18.3%
6108	Slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles; women's or girls', knitted or crocheted	3,986,811	6.3%
6109	T-shirts, singlets and other vests; knitted or crocheted	12,571,954	19.9%
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles; knitted or crocheted	11,480,658	18.2%
6111	Garments and clothing accessories, babies'; knitted or crocheted	488,890	0.8%
6114	Garments; knitted or crocheted, n.e.c. in chapter 61	176,082	0.3%
6115	Hosiery; panty hose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings for varicose veins) and footwear without applied soles, knitted or crocheted	849,980	1.3%
6116	Gloves, mittens and mitts; knitted or crocheted	10,420	0.0%
6117	Clothing accessories; made up, knitted or crocheted, knitted or crocheted parts of garments or of clothing accessories	8,791	0.0%

3.1 Lao exports of most important products under HS code 61, 6-digit differentiation

3.1.1 Lao exports of products under HS code 6103, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6103
6103	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches, shorts (not swimwear); men's or boys', knitted or crocheted	3,489,654	100%
610310	Suits; men's or boys', knitted or crocheted	47,226	1.4%
610332	Jackets and blazers; men's or boys', of cotton, knitted or crocheted	2,288	0.1%
610333	Jackets and blazers; men's or boys', of synthetic fibres, knitted or crocheted	8,811	0.3%
610342	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton, knitted or crocheted	448,375	12.8%
610343	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres, knitted or crocheted	1,572,546	45.1%
610349	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of textile materials (other than wool or fine animal hair, cotton or synthetic fibres), knitted or crocheted	1,410,408	40.4%

3.1.1.1 Lao exports of most important products under HS code 6103 by import country, 6-digit differentiation

3.1.1.1.1 Lao exports of products under HS code 610343 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,572,546	100.0%
Germany	27,255	1.7%
Italy	70,692	4.5%
Japan	21,543	1.4%
Thailand	696,845	44.3%
United Kingdom	89,779	5.7%
USA	619,968	39.4%
All other countries	46,464	3.0%

3.1.1.1.2 Lao exports of products under HS code 610349 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,410,408	100%
Austria	46,031	3.3%
Belgium	106,182	7.5%
Japan	25,698	1.8%
Malaysia	23,843	1.7%
Thailand	40,994	2.9%
United Kingdom	1,164,619	82.6%
All other countries	3,041	0.2%

3.1.2 Lao exports of products under HS code 6104, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code
6104	Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (not swimwear), women's or girls', knitted or crocheted	4,163,772	100%
610413	Suits; women's or girls', of synthetic fibres, knitted or crocheted	2,550	0.1%
610419	Suits; women's or girls', of textile materials (other than synthetic fibres), knitted or crocheted	39,980	1.0%
610432	Jackets; women's or girls', of cotton, knitted or crocheted	120	0.0%
610433	Jackets; women's or girls', of synthetic fibres, knitted or crocheted	12,113	0.3%
610441	Dresses; women's or girls', of wool or fine animal hair, knitted or crocheted	8,254	0.2%
610442	Dresses; women's or girls', of cotton, knitted or crocheted	88,120	2.1%
610443	Dresses; women's or girls', of synthetic fibres, knitted or crocheted	127,716	3.1%
610449	Dresses; women's or girls', of textile materials (other than wool or fine animal hair, cotton, synthetic or artificial fibres), knitted or crocheted	296	0.0%
610452	Skirts and divided skirts; women's or girls', of cotton, knitted or crocheted	1,896	0.0%
610453	Skirts and divided skirts; women's or girls', of synthetic fibres, knitted or crocheted	68,527	1.6%
610462	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of cotton, knitted or crocheted	1,619,485	38.9%
610463	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of synthetic fibres, knitted or crocheted	1,172,808	28.2%
610469	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of textile materials (other than wool or fine animal hair, cotton or synthetic fibres), knitted or crocheted	1,021,907	24.5%

3.1.2.1 Lao exports of most important products under HS code 6104 by import country, 6-digit differentiation

3.1.2.1.1 Lao exports of products under HS code 610462 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,619,485	100%
France	258,126	15.9%
Italy	1,326,566	81.9%
Netherlands	28,932	1.8%
All other countries	5,861	0.4%

3.1.2.1.2 Lao exports of products under HS code 610463 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,172,808	100%
Germany	11,374	1.0%
Italy	72,222	6.2%
Japan	980,706	83.6%
United Kingdom	94,051	8.0%
All other countries	14,455	1.2%

3.1.2.1.3 Lao exports of products under HS code 610469 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,021,907	100%
Austria	53,626	5.2%
Belgium	104,995	10.3%
Ireland	15,604	1.5%
Italy	98,230	9.6%
United Kingdom	748,754	73.3%
All other countries	698	0.1%

3.1.3 Lao exports of products under HS code 6105, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6105
6105	Shirts; men's or boys', knitted or crocheted	9,858,008	100%
610510	Shirts; men's or boys', of cotton, knitted or crocheted	4,169,566	42.3%
610520	Shirts; men's or boys', of man-made fibres, knitted or crocheted	5,688,442	57.7%

3.1.3.1 Lao exports of products under HS code 6105 by import country, 6-digit differentiation

3.1.3.1.1 Lao exports of products under HS code 610510 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	4,169,566	100%
Germany	2,325,655	55.8%
Portugal	1,006,425	24.1%
Viet Nam	184,137	4.4%
USA	290,283	7.0%
Thailand	331,861	8.0%
All other countries	31,205	0.7%

3.1.3.1.2 Lao exports of products under HS code 610520 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	5,688,442	100%
Canada	160,622	2.8%
Germany	585,353	10.3%
Japan	100,337	1.8%
Netherlands	49,299	0.9%
Viet Nam	134,119	2.4%
United Kingdom	131,321	2.3%
USA	1,399,282	24.6%
Thailand	3,104,124	54.6%
All other countries	23,985	0.4%

3.1.4 Lao exports of products under HS code 6106, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6106
6106	Blouses, shirts and shirt-blouses; women's or girls', knitted or crocheted	2,660,275	100%
610610	Blouses, shirts and shirt-blouses; women's or girls', of cotton, knitted or crocheted	1,850,724	69.6%
610620	Blouses, shirts and shirt-blouses; women's or girls', of man-made fibres, knitted or crocheted	705,178	26.5%
610690	Blouses, shirts and shirt-blouses; women's or girls', of textile materials (other than cotton or man-made fibres), knitted or crocheted	104,373	3.9%

3.1.4.1 Lao exports of most important products under HS code 6106 by import country, 6-digit differentiation

3.1.4.1.1 Lao exports of products under HS code 610610 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,850,724	100%
Germany	742,930	40.1%
USA	926,073	50.0%
Thailand	176,746	9.6%
All other countries	4,975	0.3%

3.1.5 Lao exports of products under HS code 6107, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6107
6107	Underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles; men's or boys', knitted or crocheted	11,553,533	100%
610711	Underpants and briefs; men's or boys', of cotton, knitted or crocheted	11,378,756	98.5%
610712	Underpants and briefs; men's or boys', of man-made fibres, knitted or crocheted	174,777	1.5%

3.1.5.1 Lao exports of most important products under HS code 6107 by import country, 6-digit differentiation

3.1.5.1.1 Lao exports of products under HS code 610711 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	11,378,756	100%
Canada	3,310,800	29.1%
Germany	3,479,436	30.6%
China, Hong Kong SAR	225,059	2.0%
Italy	4,065,626	35.7%
Rep. of Korea	122,436	1.1%
USA	157,361	1.4%
All other countries	18,038	0.2%

3.1.6 Lao exports of products under HS code 6108, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6108
6108	Slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles; women's or girls', knitted or crocheted	3,986,810	100%
610819	Slips and petticoats; women's or girls', of textile materials (other than man-made fibres), knitted or crocheted	1,239,966	31.1%
610821	Briefs and panties; women's or girls', of cotton, knitted or crocheted	264,292	6.6%
610822	Briefs and panties; women's or girls', of man-made fibres, knitted or crocheted	2,482,552	62.3%

3.1.6.1 Lao exports of most important products under HS code 6108 by import country, 6-digit differentiation

3.1.6.1.1 Lao exports of products under HS code 610819 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,239,966	100%
Germany	872,802	70.4%
Italy	15,882	1.3%
United Kingdom	347,053	28.0%
All other countries	4,229	0.3%

3.1.6.1.2 Lao exports of products under HS code 610822 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	2,482,552	100%
Canada	86,841	3.5%
Germany	237,213	9.6%
France	1,915,593	77.2%
Italy	110,940	4.5%
USA	63,552	2.6%
All other countries	68,413	2.8%

3.1.7 Lao exports of products under HS code 6109, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6109
6109	T-shirts, singlets and other vests; knitted or crocheted	12,571,954	100%
610910	T-shirts, singlets and other vests; of cotton, knitted or crocheted	10,017,134	79.7%
610990	T-shirts, singlets and other vests; of textile materials (other than cotton), knitted or crocheted	2,554,820	20.3%

3.1.7.1 Lao exports of products under HS code 6109 by country, 6-digit differentiation

3.1.7.1.1 Lao exports of products under HS code 610910 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	10,017,134	100%
Germany	5,214,013	52.1%
China, Hong Kong SAR	208,955	2.1%
Italy	3,375,802	33.7%
USA	999,229	10.0%
All other countries	219,135	2.2%

3.1.7.1.2 Lao exports of products under HS code 610990 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	2,554,820	100%
Canada	26,820	1.0%
Germany	384,832	15.1%
Japan	400,939	15.7%
Malaysia	81,015	3.2%
Netherlands	187,248	7.3%
United Kingdom	403,347	15.8%
USA	867,006	33.9%
Thailand	111,413	4.4%
All other countries	92,200	3.6%

3.1.8 Lao exports of products under HS code 6110, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6110
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles; knitted or crocheted	11,480,657	100%
611011	Jerseys, pullovers, cardigans, waistcoats and similar articles; knitted or crocheted, of wool or fine animal hair	5,223	0.0%
611020	Jerseys, pullovers, cardigans, waistcoats and similar articles; of cotton, knitted or crocheted	3,987,676	34.7%
611030	Jerseys, pullovers, cardigans, waistcoats and similar articles; of man-made fibres, knitted or crocheted	6,284,238	54.7%
611090	Jerseys, pullovers, cardigans, waistcoats and similar articles; of textile materials (other than wool or fine animal hair, cotton or man-made fibres), knitted or crocheted	1,203,520	10.5%

3.1.8.1 Lao exports of most important products under HS code 6110 by import country, 6-digit differentiation

3.1.8.1.1 Lao exports of products under HS code 611020 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	3,987,676	100%
France	679,952	17.1%
Germany	2,064,225	51.8%
Italy	863,459	21.7%
Netherlands	241,069	6.0%
United Kingdom	75,131	1.9%
All other countries	63,840	1.6%

3.1.8.1.2 Lao exports of products under HS code 611030 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	6,284,238	100%
France	138,921	2.2%
Denmark	298,622	4.8%
Germany	4,391,616	69.9%
Italy	480,319	7.6%
Japan	205,327	3.3%
Netherlands	318,862	5.1%
United Kingdom	189,023	3.0%
USA	181,814	2.9%
All other countries	79,734	1.3%

3.1.8.1.3 Lao exports of products under HS code 611090 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,203,520	100%
Germany	956,671	79.5%
Italy	30,991	2.6%
United Kingdom	209,455	17.4%
All other countries	6,403	0.5%

4. Lao exports of products under HS code 62, 4-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 62
62	Apparel and clothing accessories; not knitted or crocheted	144,617,355	100
6201	Overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, men's or boys', other than those of heading no. 6203 (not knitted or crocheted)	4,669,817	3.2%
6202	Coats; women's or girls' overcoats, carcoats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204 (not knitted or crocheted)	2,017,059	1.4%
6203	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear); men's or boys' (not knitted or crocheted)	88,070,934	60.9%
6204	Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear); women's or girls' (not knitted or crocheted)	13,822,127	9.6%
6205	Shirts; men's or boys' (not knitted or crocheted)	17,494,349	12.1%
6206	Blouses, shirts and shirt-blouses; women's or girls' (not knitted or crocheted)	3,892,557	2.7%
6208	Singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles; women's or girls' (not knitted or crocheted)	3,372	0.0%
6209	Garments and clothing accessories; babies' (not knitted or crocheted)	145,875	0.1%
6210	Garments made up of fabrics of heading no. 5602, 5603, 5903, 5906 or 5907 (not knitted or crocheted)	224,278	0.2%
6211	Track suits, swimwear and other garments (not knitted or crocheted)	11,380,053	7.9%
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof; whether or not knitted or crocheted	2,649,686	1.8%
6214	Shawls, scarves, mufflers, mantillas, veils and the like (not knitted or crocheted)	8,642	0.0%
6215	Ties, bow ties and cravats (not knitted or crocheted)	472	0.0%
6216	Gloves, mittens and mitts (not knitted or crocheted)	112,312	0.1%
6217	Clothing accessories n.e.c.; parts of garments or accessories other than those of heading no. 6212 (not knitted or crocheted)	125,822	0.1%

4.1 Lao exports of most important products under HS code 62, 6-digit differentiation

4.1.1 Lao exports of products under HS code 6201, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6201
6201	Overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, men's or boys', other than those of heading no. 6203 (not knitted or crocheted)	4,669,816	100%
620112	Coats; men's or boys', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of cotton, other than those of heading no. 6203 (not knitted or crocheted)	3,400	0.1%
620113	Coats; men's or boys', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted)	101,938	2.2%
620119	Coats; men's or boys', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of textile materials (other than wool or fine animal hair, cotton or man-made fibres), other than those of heading no. 6203 (not knitted or crocheted)	2,337,020	50.0%
620193	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted)	2,227,458	47.7%

4.1.1.1 Lao exports of most important products under HS code 6201 by import country, 6-digit differentiation

4.1.1.1.1 Lao exports of products under HS code 620119 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	2,337,020	100%
China	6,000	0.3%
Germany	2,331,020	99.7%

4.1.1.1.2 Lao exports of products under HS code 620193 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	2,227,458	100%
Japan	20,412	0.9%
Sweden	2,207,046	99.1%

4.1.2 Lao exports of products under HS code 6202, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6201
6202	Coats; women's or girls' overcoats, carcoats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204 (not knitted or crocheted)	2,017,057	100%
620213	Coats; women's or girls', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of man-made fibres, other than those of heading no. 6204 (not knitted or crocheted)	526,556	26.1%
620219	Coats; women's or girls', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of textile materials (other than wool or fine animal hair, cotton or man-made fibres), other than those of heading no. 6204 (not knitted or crocheted)	81,050	4.0%
620292	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of cotton, other than those of heading no. 6204 (not knitted or crocheted)	392,326	19.5%
620293	Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made fibres, other than those of heading no. 6204 (not knitted or crocheted)	1,017,125	50.4%

4.1.2.1 Lao exports of most important products under HS code 6202 by import country, 6-digit differentiation

4.1.2.1.1 Lao exports of products under HS code 620293 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,017,124	100%
Denmark	1,002,861	98.6%
Japan	14,263	1.4%

4.1.3 Lao exports of products under HS code 6203, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6203
6203	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear); men's or boys' (not knitted or crocheted)	88,070,931	100%
620311	Suits; men's or boys', of wool or fine animal hair (not knitted or crocheted)	1,788,749	2.0%
620312	Suits; men's or boys', of synthetic fibres (not knitted or crocheted)	3,420,604	3.9%
620322	Ensembles; men's or boys', of cotton (not knitted or crocheted)	9,522	0.0%
620323	Ensembles; men's or boys', of synthetic fibres (not knitted or crocheted)	19,535	0.0%
620332	Jackets and blazers; men's or boys', of cotton (not knitted or crocheted)	348,495	0.4%
620333	Jackets and blazers; men's or boys', of synthetic fibres (not knitted or crocheted)	5,816,611	6.6%
620339	Jackets and blazers; men's or boys', of textile materials n.e.c. in item no. 6203.3 (not knitted or crocheted)	1,204,514	1.4%
620342	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted)	12,373,395	14.0%
620343	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted)	24,721,994	28.1%
620349	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of textile materials (other than wool, fine animal hair, cotton or synthetic fibres), (not knitted or crocheted)	38,367,512	43.6%

4.1.3.1 Lao exports of most important products under HS code 6201 by import country, 6-digit differentiation

4.1.3.1.1 Lao exports of products under HS code 620342 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	12,373,395	100%
Australia	96,063	0.8%
Canada	214,412	1.7%
Denmark	330,932	2.7%
Germany	268,128	2.2%
Greece	115,098	0.9%
China, Hong Kong SAR	171,035	1.4%
Ireland	245,301	2.0%
Italy	254,556	2.1%
Japan	286,607	2.3%
Netherlands	322,374	2.6%
Sweden	6,310,700	51.0%
Thailand	381,851	3.1%
United Kingdom	2,741,861	22.2%
USA	335,911	2.7%
All other countries	298,566	2.4%

4.1.3.1.2 Lao exports of products under HS code 620343 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	24,721,994	100%
Canada	570,590	2.3%
Czechia	331,997	1.3%
Denmark	4,247,417	17.2%
Germany	2,567,763	10.4%
Japan	2,088,188	8.4%
Poland	811,717	3.3%
Portugal	2,399,521	9.7%
Sweden	8,803,693	35.6%
United Kingdom	2,333,125	9.4%
All other countries	567,983	2.3%

4.1.3.1.3 Lao exports of products under HS code 620343 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	38,367,512	100%
Germany	38,331,568	99.9%
USA	35,944	0.1%

4.1.4 Lao exports of products under HS code 6204, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6204
6204	Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear); men's or boys' (not knitted or crocheted)	13,822,121	100%
620413	Suits; women's or girls', of synthetic fibres (not knitted or crocheted)	645,595	4.7%
620432	Jackets and blazers; women's or girls', of cotton (not knitted or crocheted)	99,016	0.7%
620433	Jackets and blazers; women's or girls', of synthetic fibres (not knitted or crocheted)	1,465,753	10.6%
620439	Jackets and blazers; women's or girls', of textile materials n.e.c. in item no. 6204.3 (not knitted or crocheted)	53,180	0.4%
620442	Dresses; women's or girls', of cotton (not knitted or crocheted)	166,434	1.2%
620443	Dresses; women's or girls', of synthetic fibres (not knitted or crocheted)	399,151	2.9%
620452	Skirts and divided skirts; women's or girls', of cotton (not knitted or crocheted)	39,128	0.3%
620453	Skirts and divided skirts; women's or girls', of synthetic fibres (not knitted or crocheted)	364,681	2.6%
620459	Skirts and divided skirts; women's or girls', of textile materials n.e.c. in item no. 6204.5 (not knitted or crocheted)	419,758	3.0%
620462	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of cotton (not knitted or crocheted)	1,959,504	14.2%
620463	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of synthetic fibres (not knitted or crocheted)	4,833,183	35.0%
620469	Trousers, bib and brace overalls, breeches and shorts; women's or girls', of textile materials (other than wool, fine animal hair, cotton or synthetic fibres), (not knitted or crocheted)	3,376,738	24.4%

4.1.4.1 Lao exports of most important products under HS code 6201 by import country, 6-digit differentiation

4.1.4.1.1 Lao exports of products under HS code 620433 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,465,753	100%
Belgium	38,168	2.6%
Germany	69,834	4.8%
Japan	479,701	32.7%
Netherlands	30,211	2.1%
Portugal	192,381	13.1%
United Arab Emirates	288,802	19.7%
United Kingdom	365,548	24.9%
All other countries	1,108	0.1%

4.1.4.1.2 Lao exports of products under HS code 620462 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,959,504	100%
Denmark	774,167	39.5%
Germany	446,215	22.8%
Greece	36,968	1.9%
China, Hong Kong SAR	35,145	1.8%
Italy	92,339	4.7%
Japan	58,982	3.0%
Malaysia	95,955	4.9%
Russian Federation	23,038	1.2%
Sweden	166,737	8.5%
United Kingdom	187,758	9.6%
All other countries	42,200	2.2%

4.1.4.1.3 Lao exports of products under HS code 620463 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	4,833,183	100%
Denmark	42,835	0.9%
Germany	188,472	3.9%
France	70,838	1.5%
Japan	1,817,203	37.6%
Netherlands	36,153	0.7%
Portugal	1,383,142	28.6%
Sweden	805,008	16.7%
United Kingdom	419,222	8.7%
All other countries	70,310	1.5%

4.1.4.1.4 Lao exports of products under HS code 620469 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	4,833,183	100%
Denmark	2,114	0.1%
Germany	2,977,093	88.2%
USA	397,531	11.8%

4.1.5 Lao exports of products under HS code 6205, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6205
6205	Shirts; men's or boys' (not knitted or crocheted)	17,494,348	100%
620520	Shirts; men's or boys', of cotton (not knitted or crocheted)	15,685,353	89.7%
620530	Shirts; men's or boys', of man-made fibres (not knitted or crocheted)	1,339,067	7.7%
620590	Shirts; men's or boys', of textile materials n.e.c. in heading no. 6205 (not knitted or crocheted)	469,928	2.7%

4.1.5.1 Lao exports of most important products under HS code 6205 by import country, 6-digit differentiation

4.1.5.1.1 Lao exports of products under HS code 620520 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	15,685,353	100%
Australia	93,308	0.6%
Canada	1,559,946	9.9%
China	135,464	0.9%
Denmark	2,800,953	17.9%
Germany	639,992	4.1%
France	997,627	6.4%
Japan	3,129,479	20.0%
Malaysia	94,200	0.6%
Netherlands	4,017,920	25.6%
Panama	103,591	0.7%
Spain	446,978	2.8%
Sweden	576,856	3.7%
United Kingdom	88,190	0.6%
USA	692,578	4.4%
All other countries	308,271	2.0%

4.1.5.1.2 Lao exports of products under HS code 620530 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,339,067	100%
Japan	489,186	36.5%
Portugal	782,395	58.4%
Sweden	16,913	1.3%
Thailand	21,774	1.6%
All other countries	28,799	2.2%

4.1.6 Lao exports of products under HS code 6206, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6206
6206	Blouses, shirts and shirt-blouses; women's or girls' (not knitted or crocheted)	3,892,556	100%
620620	Blouses, shirts and shirt-blouses; women's or girls', of wool or fine animal hair (not knitted or crocheted)	219,254	5.6%
620630	Blouses, shirts and shirt-blouses; women's or girls', of cotton (not knitted or crocheted)	1,073,901	27.6%
620640	Blouses, shirts and shirt-blouses; women's or girls', of man-made fibres (not knitted or crocheted)	2,599,401	66.8%

4.1.6.1 Lao exports of most important products under HS code 6206 by import country, 6-digit differentiation

4.1.6.1.1 Lao exports of products under HS code 620630 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,073,901	100%
Canada	402,902	37.5%
Denmark	112,967	10.5%
Germany	292,348	27.2%
Portugal	218,398	20.3%
Sweden	28,170	2.6%
All other countries	19,116	1.8%

4.1.6.1.2 Lao exports of products under HS code 620640 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	2,599,401	100%
Japan	2,319,123	89.2%
Portugal	255,264	9.8%
All other countries	25,014	1.0%

4.1.7 Lao exports of products under HS code 6211, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6211
6211	Track suits, swimwear and other garments (not knitted or crocheted)	11,380,051	100%
621111	Swimwear; men's or boys', (not knitted or crocheted)	26,724	0.2%
621132	Track suits and other garments n.e.c.; men's or boys', of cotton (not knitted or crocheted)	28,117	0.2%
621133	Track suits and other garments n.e.c.; men's or boys', of man-made fibres (not knitted or crocheted)	5,103,433	44.8%
621139	Track suits and other garments n.e.c.; men's or boys', of textile materials n.e.c. in item no. 6211.3 (not knitted or crocheted)	717,581	6.3%
621142	Track suits and other garments n.e.c.; women's or girls', of cotton (not knitted or crocheted)	289,264	2.5%
621143	Track suits and other garments n.e.c.; women's or girls', of man-made fibres (not knitted or crocheted)	5,214,403	45.8%
621149	Track suits and other garments n.e.c.; women's or girls', of textile materials n.e.c. in item no. 6211.4 (not knitted or crocheted)	529	0.0%

4.1.7.1 Lao exports of most important products under HS code 6211 by import country, 6-digit differentiation

4.1.7.1.1 Lao exports of products under HS code 621133 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	5,103,433	100%
Belgium	73,626	1.4%
Czechia	372,079	7.3%
Denmark	173,020	3.4%
Germany	206,717	4.1%
Japan	727,867	14.3%
Portugal	1,257,022	24.6%
Sweden	201,646	4.0%
Thailand	123,812	2.4%
United Kingdom	1,929,429	37.8%
All other countries	38,215	0.7%

4.1.7.1.2 Lao exports of products under HS code 621143 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	5,214,403	100%
Czechia	57,824	1.1%
Denmark	198,856	3.8%
Germany	91,019	1.7%
Japan	356,107	6.8%
Portugal	3,529,478	67.7%
United Kingdom	954,860	18.3%
All other countries	26,259	0.5%

4.1.8 Lao exports of products under HS code 6212, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6212
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof; whether or not knitted or crocheted	2,649,685	100%
621210	Brassieres; whether or not knitted or crocheted	1,723,973	65.1%
621220	Girdles and panty-girdles; whether or not knitted or crocheted	844,928	31.9%
621290	Braces, suspenders, garters and similar articles; whether or not knitted or crocheted, n.e.c. in heading no. 6212	80,784	3.0%

4.1.8.1 Lao exports of most important products under HS code 6212 by import country, 6-digit differentiation

4.1.8.1.1 Lao exports of products under HS code 621133 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	1,723,971	100%
Germany	1,131,063	65.6%
Italy	172,439	10.0%
Thailand	62,625	3.6%
United Kingdom	357,844	20.8%

5. Lao exports of products under HS code 64, 4-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 64
64	Footwear; gaiters and the like; parts of such articles	73,142,454	100%
6402	Footwear; with outer soles and uppers of rubber or plastics (excluding waterproof footwear)	1,330,978	1.8%
6403	Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of leather	49,558,721	67.8%
6404	Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	1,580,798	2.2%
6405	Footwear; other footwear n.e.c. in chapter 64	2,046,331	2.8%
6406	Footwear; parts of footwear; removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	18,625,625	25.5%

5.1. Lao exports of most important products under HS code 64, 6-digit differentiation

5.1.1. Lao exports of products under HS code 6403, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6403
6403	Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of leather	49,558,721	67.8%
640319	Sports footwear (other than ski-boots, snowboard boots, cross-country ski footwear), with outer soles of rubber, plastics, leather or composition leather & uppers of leather	19,034	0.0%
640340	Footwear; with metal toe-cap, outer soles of rubber, plastics, leather or composition leather, uppers of leather	12,577,382	25.4%
640351	Footwear; n.e.c. in heading no. 6403, with outer soles and uppers of leather, covering the ankle	9,812	0.0%
640359	Footwear; n.e.c. in heading no. 6403, (not covering the ankle), outer soles and uppers of leather	33,165	0.1%
640391	Footwear; n.e.c. in heading no. 6403, covering the ankle, outer soles of rubber, plastics or composition leather, uppers of leather	22,462,057	45.3%
640399	Footwear; n.e.c. in heading no. 6403, (not covering the ankle), outer soles of rubber, plastics or composition leather, uppers of leather	14,457,270	29.2%

5.1.1.1. *Lao exports of most important products under HS code 6403 by import country, 6-digit differentiation*

5.1.1.1.1. Lao exports of products under HS code 640340 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	12,577,382	100.0%
Japan	11,682,888	92.9%
Viet Nam	230,357	1.8%
Thailand	664,137	5.3%

5.1.1.1.2. Lao exports of products under HS code 640391 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	22,462,057	100.0%
Australia	773,502	3.4%
Canada	1,019,529	4.5%
Germany	579,964	2.6%
Italy	910,170	4.1%
Japan	899,749	4.0%
Netherlands	6,366,134	28.3%
Poland	1,060,482	4.7%
Sweden	251,577	1.1%
United Kingdom	6,197,451	27.6%
USA	3,430,672	15.3%
All other countries	972,827	4.3%

5.1.1.1.3. Lao exports of products under HS code 640399 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	14,457,270	100.0%
Canada	180,537	1.2%
Germany	2,670,875	18.5%
Japan	7,697,023	53.2%
Rep. of Korea	151,864	1.1%
Netherlands	830,163	5.7%
United Kingdom	1,417,915	9.8%
USA	773,068	5.3%
Uruguay	175,159	1.2%
All other countries	560,666	3.9%

5.1.2. Lao exports of products under HS code 6406, 6-digit differentiation

Commodity code	Commodity	Trade value in USD	% of total of commodity code 6406
6406	Footwear; parts of footwear; removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	18,625,625	100%
640610	Footwear; parts, uppers and parts thereof, other than stiffeners	18,575,838	99.7%
640620	Footwear; parts, outer soles and heels, of rubber or plastics	49,786	0.3%

5.1.2.1. *Lao exports of most important products under HS code 6406 by import country, 6-digit differentiation*

5.1.2.1.1. Lao exports of products under HS code 640610 by import country

Importer	Trade value in USD	% of total of 6-digit commodity code
World	18,575,838	100.0%
Japan	6,508,675	35.0%
Thailand	12,027,338	64.7%
All other countries	39,825	0.2%