



The **Reference** Guidebook for ASEAN SME **Exporters**

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Abbreviation

ACDD	ASEAN Customs Declaration Document
AEC	ASEAN Economic Community
AHTN	ASEAN Harmonized Tariff Nomenclature
AMS	ASEAN Member State
ASEAN	the Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
ATIGA	ASEAN Trade in Goods Agreement
AWB	Airway Bill
B2B	Business-to-Business
B2C	Business-to-Consumer
B2-newC	Business-to-[new types of] Consumer
BL	Bill of Lading
BPO	Business Process Outsourcing
CC	Change of Chapter
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CEPT	Common Effective Preferential Tariff Scheme
CFR	Cost and Freight
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO	Certificate of Origin
CPT	Carriage Paid To
CSSH	Change of Split Sub-Heading
CTC	Change of Tariff Classification
CTH	Change of Tariff Heading
CTSH	Change of Tariff Sub-Heading
D/C	Documentary Collection
DAF	Delivered at Frontier
DDP	Delivered Duty Paid
DDU	Delivered Duty Unpaid
DEQ	Delivered Ex-Quay
DES	Delivered Ex-Ship
E2M	Electronic-to-Mobile Customs Administration Internet System (of the Philippines)
EMC	export management companies
EPA	Economic Partnership Agreements
EXW	Ex-Works



FAS	Free Alongside Ship
FCA	Free Carrier
FOB	Free on Board
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GST	Goods and Service Tax
GVC	Global value chain
GVCs	Global value chains
HS	Harmonized System
ICT	Information Communication Technology
INCOTERMS	International Commerce Terms
INSP	pre-shipment inspection
IPR	Intellectual Property Rights
L/C	Letter of Credit
Lao PDR	Lao People's Democratic Republic
MITI	the Ministry of International Trade and Industry (of Malaysia)
NTB	non-tariff barrier
NTM	non-tariff measure
PCO	Preferential Certificate of Origin
PTA	Preferential Trade Area
ROO	Rule of Origin
RTA	Regional Trade Agreement
RVC	regional value content
SAD	Single Administrative Document
SMEs	small and medium enterprises
SPS	sanitary and phytosanitary
STCCED	Singapore Trade Classification, Customs and Excise Duties
TBT	technical barriers to trade
TPP	Trans-Pacific Partnership
VAT	value added tax
WTO	World Trade Organization

Introduction

Who should use the Reference Guidebook

The Reference Guidebook for ASEAN SME Exporters is written for the benefit of small and medium enterprises (SMEs), including micro enterprises and self-employed entrepreneurs in the ASEAN Member States. All parties engaging in export activity, however, will hopefully find the content useful.

The Reference Guidebook provides the basic knowledge about goods and service export from ASEAN of goods and services, the official export process and provides additional considerations for a successful export business.

The goal of the Guidebook is threefold:

1. To provide a clear step-by-step guide for new and established ASEAN SME exporters,
2. To reduce confusions about the complexity of exporting, and
3. To open the world of exporting to the private sector.



Part 1. Export Goods and Services Internationally

Let's imagine a situation like this.

Daw Suu (Ms. Suu) keeps a small jewelry shop at the local market in the Nyaungshwe Township of Taunggyi District of Shan State, Myanmar. The peaceful township is becoming more crowded with tons of foreign tourists coming for its worldwide famous Inle Lake and fishermen who drive their little fishing boats with one leg.

One day an Asian woman came to her shop and bought a few bracelets and ear rings handmade of local gemstones. She drew a necklace design and persuaded Daw Suu to make it for her on the spot. Daw Suu ran out of gemstones and broke a few ready-made jewelry pieces to get the raw materials for the new necklace. The woman picked up her masterpiece in a rush to the airport and quickly wrote down Daw Suu's phone number.

Two months later Daw Suu received a call from abroad. The woman contacted her and checked if she could ship a few dozen of necklaces with local designs to Hoi An, Viet Nam. The woman, Ms. Mai Huong, was a fashion designer and she was looking for new accessories for the next fall-winter collection. Daw Suu made a few samples and got her son to email the pictures over to Mai Huong. She was highly impressed and asked to pay in advance for a quick shipment. She also wanted to cooperate with Daw Suu to create an accessories collection inspired by Myanmar traditions.

Daw Suu is now very excited. She is feeling a bit nervous at the same time. The order is \$4,000 and she is offered a fee for her new accessories designs. It will be her first international business.

Welcome to the World of Trade!

What is goods export

- Goods export refers to sale of a physical, tangible product from a resident from one country to people or companies from another country.
- Goods export results in a transfer of ownership from the seller to the buyer at the time the goods is sold.
- Goods export in the world is generally covered by the General Agreement on Tariffs and Trade (GATT) of the World Trade Organization (WTO). Amongst ASEAN Member States (AMSs) goods export, or trade in goods, is covered by the ASEAN Trade in Goods Agreement (ATIGA).
- There are two (2) methods of goods exporting and each method includes a few channels of distribution.
 - Indirect exporting, which take place through
 - Commission agents;
 - Export management companies;
 - Export trading companies;
 - Export agents, merchants, or re-marketers; and
 - Piggyback marketing¹.
 - Direct exporting, which is done through
 - Sales representatives;
 - Agents;
 - Distributors;
 - Foreign retailers; and
 - Direct sales to end users.

What is service export

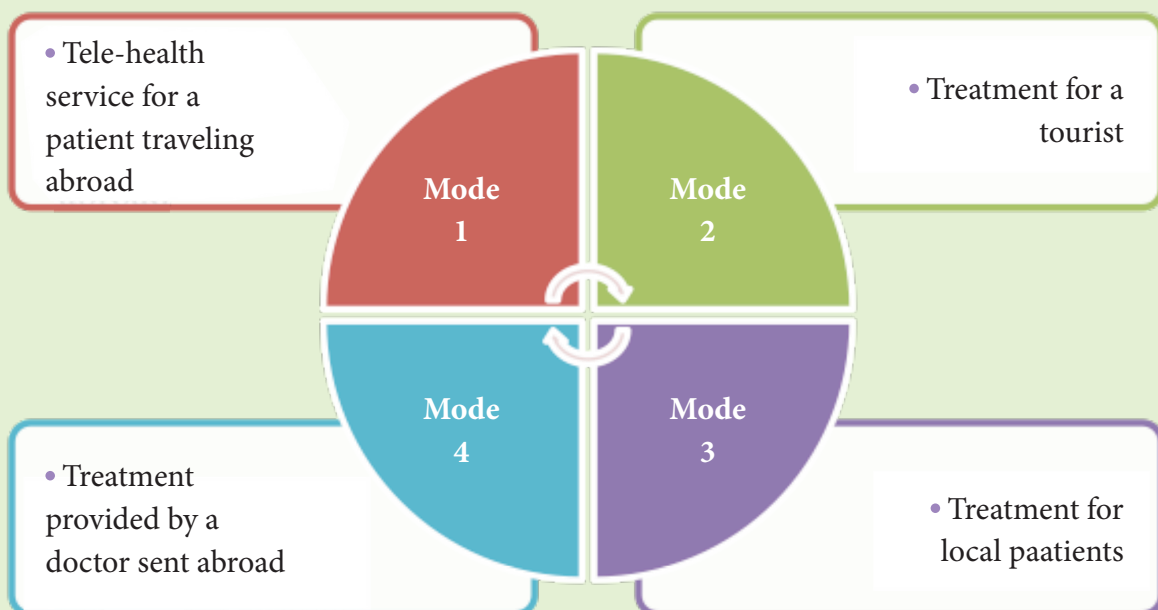
- Service export refers to provision of an intangible product by a resident in one country to people or companies from another country.
- Some examples of services are design, accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation.
- No transfer of possession or ownership takes place when services are sold. As they are intangible, they

⁽¹⁾ Piggyback marketing is an arrangement in which one manufacturer or service firm distributes a second firm's product or service. The most common piggybacking situation is when a domestic firm has a contract with an overseas buyer to provide a wide range of products or services. The first firm does not often produce all the products traded under contract, so it turns to the second firm for the remaining products. The second firm thus piggybacks its products to the international market, often without incurring the marketing and distribution costs associated with the export. Successful arrangements usually require that the product lines be complementary and appeal to the same customers.

- cannot be stored or transported;
 - are instantly perishable; and
 - come into existence at the time they are bought and consumed.
- Service export in the world is generally covered by the General Agreement on Trade in Services (GATS) of the WTO. There has not been any free trade agreement amongst all the ten ASEAN Member States to cover service export, or trade in service.
 - There are four (4) modes of supply in service export
 - **Cross border trade (Mode 1):** delivery of a service from the territory of one country into the territory of other country
 - **Consumption abroad (Mode 2):** supply of a service of one country to the service consumer of any other country
 - **Commercial presence (Mode 3):** services provided by a service supplier of one country in the territory of any other country
 - **Presence of natural persons (Mode 4):** services provided by a service supplier of one country through the presence of natural persons in the territory of any other country
 - A service provider can generate service export sales in all the four modes of delivery, as illustrated in the figure below.

Figure 1. The four mode of supply in service export

A classic example: Japanese Eye Hospital in Hanoi, Viet Nam



Interrelation between goods export and service export

Sometimes services are difficult to identify because they are closely associated with a good; such as the combination of a diagnosis, which is a service, with the administration of a medicine, which is a goods. Both are exports if realized in a Japanese hospital in Viet Nam.

- Services can be crucial in stimulating goods exports and are critical in maintaining such transactions. Many goods exports would not take place if they were not supported by service activities such as banking, insurance, logistics, and transportation.
- Since service exports may be delivered in support of goods exports, a sensible approach for some beginning exporters is to follow the path of complementary goods exports. For years, many law, accounting and banking firms have exported by following their major international clients abroad and continuing to assist them in their international activities.
- Also, an ASEAN service SME may seek affiliation with a foreign firm in which service opportunities exist. An agent, representative, or joint venture relationship could prove beneficial to you. As an indigenous service company, you already have knowledge of the various aspects of business in your country; i.e., regulations, restrictions, as well as the primary players, e.g., potential clients, competitors, etc. The indigenous SME will also have market research, exposure, and contacts that can be used to the advantage of the large potential customers.
- SME service exporters who cooperate closely with manufacturing firms can also identify whether these firms are operating internationally and aim to provide service support for these manufacturers abroad. For example, when Honda established its manufacturing premises in Viet Nam, a dozen of Japanese SMEs came to set up their joint-ventures with Vietnamese companies, providing everything from spare parts to logistics services.
- For service SMEs, whose services are independent from goods export, many opportunities derive from understanding the process and stage of development of relevant trade activities. For example, when new cold chain services are opened up by foreign retail brands in your country, an expert in the area of containerization or air-conditioning may offer services to improve the efficiency of the new system.
- Demand for certain services can also derive from international projects and disaster relief campaigns sponsored by organizations such as the World Bank, the Asian Development Bank, the United Nations and its agencies, and international non-governmental organizations (INGOs). Such projects and organizations are very often in need of service support, for example, construction, monitoring and evaluation (M&E), operation and maintenance (O&M) of small-scaled infrastructure, transportation and logistics, training and technical assistance for staff and local people, accounting and auditing and so on. It is often their policy to source products and services as much as possible from the local market and to encourage the participation of local micro, small and medium enterprises.



The difference between service export and goods export

Services are less tangible than products. This key difference leads to specific challenges for SME service exporters in terms of market penetration, production, marketing and financing. Services provide that can be seen by the potential foreign buyer. Consequently, communicating a service offer is much more difficult than communicating a product offer. Therefore, brochures or catalogs explaining services must often show a proxy for the service. A construction company, for example, can show a picture of a construction site, but a picture of the finished building communicates the actual performance of the service more effectively. Much more attention must be paid to translating the intangibility of a service into a tangible and salable offer.

Services are often more time dependent than products. Quite frequently, a service can be offered only at a specific time, and as time passes, the service perishes if it is not used. For example, to offer data transmission through special telephone lines may require providing an open telephone line. If this line is not heavily used, the cost of maintaining it may not be covered.

Selling services is also more personal than selling products, because it quite often requires direct involvement with the customer. This involvement demands greater cultural sensitivity when services are being provided, since a buffer of indirect communication and interaction does not exist.

Services are much more difficult to standardize than products. Service activities must frequently be tailored to the specific needs of the buyer. This need for adaptation often necessitates the service client's direct participation and cooperation in the service delivery.

The intangibility of service export also makes financing more difficult. Frequently, even financial institutions with international experience are less willing to provide financial support for service exports than for goods exports, because the value of services is more difficult to monitor. Customer complaints and difficulties in receiving payments can also appear more troublesome to assess.

Note to SMEs: Key challenges to service export compared to goods export

- Government intervention is much higher in service export than in goods export.
- Service export faces complex barriers to entry, not just at the border but also behind the border
- Market structure is an important factor for service export.
- Communicating a service offer is much more difficult.
- Service export is often more time dependent.
- Service export is more personal than goods export as selling services quite often requires direct involvement with the customer.
- Services are much more difficult to standardize than products.
- Interpersonal skills and cultural sensitivity is crucial.
- Intangibility may make export financing more difficult.

Strategies for goods and service export

As an SME in ASEAN, you can follow one of the following three strategies to export:

- B2C or business-to-consumer;
- B2B or business-to-business; and
- B2-newC or business-to-[new types of] consumer

B2C (Business-to-Consumer)

- The B2C strategy involves direct sale of existing products and services to the final consumers in another country. Basically, US, European Union and Japan are the largest traditional markets for ASEAN. These markets, unfortunately, are growing slowly. Another issue that insufficient investment into the retail chain in these markets made it hard for ASEAN producers to reach consumers in such markets.
- In this context *ASEAN SMEs may pursuit a strategy to sell existing products and services directly to final consumers in other ASEAN countries enlarge and more developed Asian economies.* This is a fast growing regional market with an expanding customer base, characterized by increasing disposable incomes and rising consumer expenditures. The markets are supported by a demographic shift in a number of countries to a younger, better educated, and increasingly urbanized population, many of them are in the millennial age. Therefore, the region presents expanding opportunities for SMEs to export existing products and services to growing regional markets, including new types of consumers.

B2B (Business-to-Business)

- This strategy involves selling parts, components, and tradable services to other enterprises who use them as inputs in their production and business systems for export. In this strategy, an ASEAN SME choose to become a supplier in the regional production networks within the framework of the global value chain (GVC).
- *SMEs can participate in the global value chain (GVC) as suppliers in the regional production networks.* It basically involve selling intermediate.

goods to other firms within ASEAN, who are, in turn, supplying regional and global markets. The buyers of ASEAN SMEs are generally multinational enterprises that may or may not originate in ASEAN, and are international in their operations within the framework of GVCs, e.g., electronics and information technology (IT), garments, footwear and automotive.

- This has been a key driver of growth in the region through expanding parts and components trade for developed markets outside Asia, with China in a key intermediating role. Even with their slowing growth, developed economies are expected to continue to be the key final markets for



ASEAN exports. At the same time, regional production networks are likely to put more focus on growing numbers of local consumers. Serving these markets as suppliers within the framework of GVCs will require SMEs to start at lower tiers, and to upgrade over time. You should build the production capabilities to become a “heavy duty” supplier within such networks.

B2-newC

- The B2-newC strategy requires continuous innovation for new types of markets and retail customers. Their characteristics differ significantly from the developed economies the traditional markets for the region’s firms.
- *SMEs innovating for Asian emerging markets:* The expanding regional market and consumers will have different characteristics from richer consumers in developed economies, the traditional final markets for the region’s exporting firms.
- Customers in the ASEAN emerging market for final products will therefore require first an understanding of the needs and constraints of these consumers; then the capacity to competitively provide goods and services that respond to such needs and constraints. This, in turn, requires increased capabilities of the SMEs for product market innovation that accommodates both rising aspirations and existing constraints, often referred to as ‘frugal innovation’. Furthermore, the development of innovative products for regional markets may provide SMEs opportunities to also serve global market niches, or ‘reverse innovation.’

Methods of export and channels of distribution

The most common methods of export are indirect exporting and direct exporting. In indirect exporting, an export intermediary normally assumes responsibility for finding overseas buyers, shipping products, and getting paid. In direct exporting, the SME exporter directly deals with a foreign buyer.

To determine whether to export indirectly or directly an SME should first consider the level of resources it is willing to devote to its international marketing effort. Other factors to consider when deciding whether to export indirectly or directly include:

- The size of the firm’s operation;
- The nature of its products;
- Previous export experience and expertise; and
- Business conditions in the selected overseas markets.

Indirect exporting

The major advantage of indirect exporting for an SME is that it provides a way to penetrate foreign markets without the complexities and risks of direct involvement in export transactions. There are several kinds of intermediary firms that provide a range of export services. Each type of firm offers distinct advantages for the SME.

Commission agents

Commission or buying agents are finders for foreign companies that want to source domestic products. They seek to obtain the desired items at the lowest possible price and are paid a commission by their foreign clients. In some cases, they may be foreign government agencies or quasi-governmental firms empowered to locate and purchase desired goods. Commission agents can be located in your country or in another country in the region, or regularly travel from the buying countries. They are usually specialized either in product or in sourcing market or both. For example, the U.S. homes furnishing wholesalers and retail chains often use travelling commission agents to purchase handmade products from Indonesia, the Philippines, Thailand, Vietnam and other countries in the Asia-Pacific region. The agents in some cases can be the product designers at the same time. An SME from an ASEAN Member State can look for and try to do business with such agents who work in their industry or geographical region.

Export management companies

An export management companies (EMC) acts as the export department for one or several producers of goods or services. It solicits and transacts business in the names of the producers it represents or in its own name for a commission, salary, or retainer plus commission. Some EMCs provide immediate payment for the producer's products by either arranging financing or directly purchasing products for resale. Typically, only larger EMCs can afford to purchase or finance exports.

EMCs are usually specialized either in product or in foreign market or both. Because of their specialization, the best EMCs know their products and the markets they serve very well and usually have well-established networks of foreign distributors already in place. This immediate access to foreign markets is one of the principal reasons for using an EMC, since establishing a productive relationship with a foreign representative may be a costly and lengthy process.

One disadvantage in using an EMC is that a manufacturer may lose control over foreign sales. Most manufacturers are properly concerned that their product and company image be well maintained in foreign markets. An important way for a company to retain sufficient control in such an arrangement is to carefully select an EMC that can meet the company's needs and maintain close communication with it. For example, a company may ask for regular reports on efforts to market its products and may require approval of certain types of efforts, such as advertising programs or service arrangements. If a company wants to maintain this type of relationship with an EMC, it should negotiate points of



concern before entering an agreement, since not all EMCs are willing to comply with the company's concerns.

Export trading companies

An export trading company (ETC) facilitates the export of domestic goods and services. Like an export management company, an ETC can either act as the export department for producers or take title to the product and export on its own account. Therefore, the terms ETC and EMC are often used interchangeably. A special kind of ETC is a group organized and operated by producers. These ETCs can be organized along multiple- or single-industry lines and can represent producers of competing products.

Export agents, merchants, or re-marketers

Export agents, merchants, or re-marketers purchase products directly from the manufacturer, and pack and mark the products according to their own specifications. They then sell overseas through their contacts in their own names and assume all risks for accounts.

The key disadvantage in transactions with export agents, merchants, or re-marketers is that an SME relinquishes control over the marketing and promotion of its product, which could have an adverse effect on future sales efforts abroad. For example, the product could be under-priced or incorrectly positioned in the market, or after-sales service could be neglected. On the other hand, the effort required by the manufacturer to market the product overseas is very small and may lead to sales that otherwise would take a great deal of effort to obtain. This is the major advantage.

Piggyback marketing

Piggyback marketing is an arrangement in which one manufacturer or service firm distributes a second firm's product or service. The most common piggybacking situation is when a domestic company has a contract with an overseas buyer to provide a wide range of products or services. Often, this first company does not produce all of the products it is under contract to provide, and it turns to other companies to provide the remaining products. The second company thus piggybacks its products to the international market, generally without incurring the marketing and distribution costs associated with exporting. This type of arrangement is highly applicable to SMEs, allowing a number of small and medium-sized companies cooperate and meet large orders. In this export arrangement, an ASEAN small enterprise can be in the position of the second company, supplying a part of the international order via indirect exporting, or act as the first company, consolidating the order from various producers' supplies and exporting directly. An SME can also cooperate with a larger firm in the first position and take the role of an outsourcing producer. In all cases, successful arrangements require that the product lines be complementary and appeal to the same customers.

Remember that even when exporting indirectly the SME has to meet all the specifications and

standards of the international order, and sometimes packs and marks the finished product according to the requirements of the final importer. You can only avoid the costs and risks associated with the export transaction.

Direct exporting

The advantages of direct exporting for a company include more control over the export process, potentially higher profits, and a closer relationship to the overseas buyer and marketplace. These advantages do not come easily, however, since the company needs to devote more time, personnel, and corporate resources than are needed with indirect exporting.

When a company chooses to export directly to foreign markets, it usually makes internal organizational changes to support more complex functions. A direct exporter normally selects the markets it wishes to penetrate, chooses the best channels of distribution for each market, and then makes specific foreign business connections in order to sell its product.

Organizing for export

A new exporter often treats its export sales no differently from domestic sales, using existing personnel and organizational structures. Later on it may separate the management of its exports from that of its domestic sales as international sales and inquiries increase.

The advantages of separating international from domestic business include the centralization of specialized skills needed to deal with international markets and the benefits of a focused marketing effort that is more likely to lead to increased export sales. A possible disadvantage of such a separation is the less efficient use of corporate resources due to segmentation.

When a company separates international from domestic business, it may do so at different levels in the organization. For example, when a company first begins to export, it may create an export department with a full or part-time manager who reports to the head of domestic sales and marketing. At later stages a company may choose to increase the autonomy of the export department to the point of creating an international division that reports directly to the president.

However, an SME's initial needs may be satisfied by a single export manager who has responsibility for the full range of international activities. Regardless of how a company organizes for exporting, it should ensure that the organization facilitates the marketer's job. Good marketing skills can help the firm overcome the handicap of operating in an unfamiliar market. Experience has shown that a company's success in foreign markets depends less on the unique attributes of its products than on its marketing methods.



Selection of a distribution channel

Once an SME has been organized to handle exporting, the proper channel of distribution needs to be selected in each market. These channels include sales representatives, agents, distributors, retailers, and end users.

Sales representatives

The representative uses the company's product literature and samples to present the product to potential buyers. A representative usually handles many complementary lines that do not compete. The sales representative usually works on a commission basis, assumes no risk or responsibility, and is under contract for a definite period of time (renewable by mutual agreement). The contract defines territory, terms of sale, method of compensation, reasons and procedures for terminating the agreement, and other details. The sales representative may operate on either an exclusive or a nonexclusive basis.

Agents

This is a widely misunderstood term. An agent is a representative who normally has authority, perhaps even power of attorney, to make commitments on behalf of the firm he or she represents. Firms in the developed countries have stopped using the term and instead rely on the term representative, since agent can imply more than intended. Any contract should state whether the representative or agent does or does not have legal authority to obligate the firm.

Distributors

A foreign distributor is a merchant who purchases merchandise from an exporter (often at substantial discount) and resells it at a profit. The foreign distributor generally provides support and service for the product, relieving the exporting company of these responsibilities. The distributor usually carries an inventory of products, a sufficient volume of spare parts and maintains adequate facilities and personnel for regular service operations. The distributor typically carries a range of non-competitive but complementary products. End-users do not usually buy from a distributor; they buy from retailers or dealers.

The payment terms and length of partnership between the SME exporter and its foreign distributor are established with a contract. Some exporting companies prefer to begin with a relatively short trial period and then extend the contract if the relationship proves satisfactory to both parties.

Foreign retailers

A company may also sell directly to a foreign retailer, although in such transactions, products are generally limited to consumer lines. The growth of major retail chains in markets such as Europe and Japan has created new opportunities for this type of direct sale. The method relies mainly on traveling sales representatives who directly contact foreign retailers, although results may be accomplished by mailing catalogs, brochures, or other literature. The direct mail approach has the benefits of eliminating commissions, reducing traveling expenses, and reaching a broader audience.

For best results, however, a firm that uses direct mail to reach foreign retailers should support it with other marketing activities.

Manufacturers with ties to major domestic retailers may also be able to use them to sell abroad. Many large retailers maintain overseas buying offices and use these offices to sell abroad when practicable.

Direct sales to end users

A business may sell its products or services directly to end users in foreign countries. These buyers can be foreign governments; institutions such as hospitals, banks, and schools; or businesses. Buyers can be identified at trade shows, through international publications, or through government contact. The company should be aware that if a product is sold in such a direct fashion, the exporter is responsible for shipping, payment collection, and product servicing unless other arrangements are made. Unless the cost of providing these services is built into the export price, a company could end up making far less than originally intended.

Locating and evaluating foreign representatives and buyers

An SME exporter that chooses to use foreign representatives may meet them during overseas business trips or at domestic or international trade shows. There are other effective channels that can also be employed without leaving the country. The SME can save time by first doing homework in its country. Use banks, service organizations, and publications to identify and check the credit and capacity of the potential sales representative and distributors. Then the SME exporter should write directly to each. The prospective representative may want to learn about the SME exporter, too, and the firm should give more information than it normally provides to a casual buyer. Therefore, it should prepare full information on its history, resources, personnel, the product line, previous export activity, and all other pertinent matters. The firm may wish to include one or two pictures of its facility and products or possibly product samples when practical. However, the SME exporter should be careful about sending product samples that could be easily copied.

Below are some factors to consider when evaluating potential representatives or distributors. The SME exporter should make sure the evaluation complete before entering into an agreement with the sales representative or distributor:

- Current status and history, including background on principal officers;
- Product lines that the foreign firm represents;
- Personnel and other resources (salespeople, warehouse and service facilities, etc.);
- Sales territory covered;
- Current sales volume;



- Typical customer profiles;
- Methods of introducing new products into the sales territory;
- Names and addresses of firms currently represented;
- Trade and bank references;
- Data on whether the SME exporter's special requirements can be met;
- View of the in-country market potential for the SME exporter's products.

This information is not only useful in gauging how much the representative knows about the SME exporter's industry, it is also valuable market research on its own.

The SME exporter should not hesitate to ask potential representatives or distributors detailed and specific questions. Well-qualified representatives will be glad to answer questions that help distinguish them from less-qualified competitors.

In addition, the SME exporter may wish to obtain at least two supporting business and credit reports to ensure that the distributor or representative is reliable. Use a second credit report from another source, for example from a credit reporting service or a bank in your country. They can provide information directly or from their correspondent banks or branches overseas. Directories of international companies may also provide credit information on foreign firms.

Once the SME exporter has the necessary information, it may wish to contact a few of the foreign firm's domestic clients to obtain an evaluation of their representative's character, reliability, efficiency, past performance and other product lines that the foreign firm represents.

When the SME exporter has qualified some foreign representatives, it is now time to travel abroad to observe the size, condition, and location of offices, warehouses and service facilities. In addition, the company should meet the sales force and try to assess its strength in the marketplace. If traveling to each distributor or representative is difficult, the SME exporter may decide to meet with them at local and worldwide trade shows.

Negotiating an agreement with a foreign representative

When the company has found a prospective representative that meets its requirements, the next step is to negotiate a foreign sales agreement.

Terms and conditions of the agreement with a foreign representative

The potential representative is interested in the SME exporter's pricing structure and profit

potential. They are also concerned about the terms of payment, product standards and regulations, competitors and their market shares, the amount of support provided by the exporting firm (sales aids, promotional material, advertising, etc.), training for sales and service staff, and the SME exporter's ability to deliver on schedule.

On the other hand, the agreement may contain provisions that the foreign representative or distributor

- does not have business dealings with competitive firms;
- does not reveal any confidential information in a way that would prove injurious, detrimental, or competitive to the exporting firm;
- does not enter into agreements binding to the exporting firm; and
- refers all inquiries received from outside the designated sales territory to the exporting firm for action.

To ensure a conscientious sales effort from the foreign representative, the agreement should include a requirement that the foreign representative apply the utmost skill and ability to the sale of the product for the compensation named in the contract. It may be appropriate to include performance requirements such as a minimum sales volume and an expected rate of increase.

In the drafting of the agreement, special attention must be paid to safeguarding the SME exporter's interests in case the representative proves less than satisfactory. It is vital to include a termination clause in the agreement, allowing the SME exporter to end the relationship safely if the representative does not work out. Some contracts specify that either party may terminate the agreement with written notice 30, 60, or 90 days in advance. The contract may also spell out exactly what constitutes just cause for ending the agreement (e.g., failure to meet specified performance levels). Other contracts specify a certain term for the agreement (usually one year) but arrange for automatic annual renewal unless either party gives notice in writing of its intention not to renew.

In all cases, termination clauses and other provisions to safeguard the SME exporter may be limited by the laws of the representative's country. For this reason, the SME exporting firm should learn as much as it can about the legal requirements of the representative's country and obtain qualified legal counsel in preparing the contract. Below are some of the legal questions to consider:

- How far in advance must the representative be notified of the exporter's intention to terminate the agreement? Three (3) months satisfy the requirements of most countries, but a verifiable means of conveyance (e.g., registered mail) may be needed to establish when the notice was served.
- What is the cause for terminating a representative contract? Specifying causes for termination in



the written contract usually strengthens the exporter's position.

- Which country's laws or international conventions govern a contract dispute? Laws in the representative's country may forbid the representative from waiving its nation's legal jurisdiction.
- What compensation is due to the representative on dismissal? Depending on the length of the relationship, the added value of the market the representative has created for the exporter, and whether termination is for just cause as defined by the foreign country, the exporter may be required to compensate the representative for losses.
- What must the representative give up if dismissed? The contract should specify the return of patents, trademarks, name registrations, customer records, and so on.
- Should the representative be referred to as an agent? In some countries, the word agent implies power of attorney. The contract may need to specify that the representative is not a legal agent with power of attorney.
- In what language should the contract be drafted? An English-language text should be the official language of the contract in most cases.

Key considerations about distribution in goods exporting

- Which channels of distribution should the firm use to market the products abroad?
- Where should the firm produce its products and how should it distribute them in the foreign market?
- What types of representatives, brokers, wholesalers, dealers, distributors, retailers, and so on should the firm use?
- What are the characteristics and capabilities of the available intermediaries?

Part 2. Preparation for Export

Export is a big decision for an SME. Although Ms. Suu from Shan State, Myanmar, has a good chance to make a good profit with her first international business, for long-term success she must consider some factors, such as the following:

- Does she have more exportable products?
- What does she want to gain from exporting?
- Is exporting consistent with her business goals?
- What key resources does she need for regular exports – management, personnel, production capacity, and finance -and how will she address the needs?
- Are the expected benefits worth the costs, or would her resources be better used for developing new domestic business?

Prepare for export carefully if you want to start a profitable business that grows over years. Think about the following and make a good plan.

Preparing an export business plan

Many SMEs begin export activities haphazardly, without carefully screening markets or options for market entry. While they may still have a measure of success, they may overlook better export opportunities. In the event that early export efforts are unsuccessful because of poor planning, the company may even be misled into abandoning exporting altogether.

From the first time an export business plan is developed, it should be in the written form. The document should be kept simple within a few pages long and address the following ten questions:

1. What goods and services (products) are selected for export? What modifications, if any, must be made to adapt them for overseas markets?
2. What countries are targeted for export development?
3. In each country, what is the basic customer profile? What marketing and distribution channels should be used to reach customers?
4. What special challenges pertain to each market (competition, cultural differences, import controls, etc.), and what strategy will be used to address them?



5. How will the export price be determined?
6. What specific operational steps must be taken and when?
7. What will be the time frame for implementing each element of the plan?
8. What persons and resources will be dedicated to exporting?
9. What will be the cost in time and money for each element?
10. How will results be evaluated and used to modify the plan?

It is important that the SME uses the business plan to review the actual export performance against the expected targets to measure the success and revise the plan as needed, at least once a year. You will be surprised how much easier it is to develop a business plan after the first time. Plus, you will know more about your international business market opportunities to export. A simple export business plan template is provided in Appendix 3.

A clearly written export business plan offers the following immediate benefits:

- It displays your firm's strengths and weaknesses more readily, and thus it is of great help in formulating an effective export strategy.
- It is not as easily forgotten, overlooked, or ignored, so you are more likely to follow it closely and detect any deviations for correction or adaptation of your strategies.
- It is easier to communicate to your staff and business partners and less likely to be misunderstood,
- A written plan allocates responsibilities and provides for an evaluation of results.
- A written plan can be helpful in seeking financing. It indicates to lenders a serious approach to the export venture.
- A written plan gives management a clear understanding of what will be required and thus help to ensure a commitment to exporting. In fact, it signals that the decision to export has already been made.

The last two advantages are especially noteworthy. Building an international business usually takes months, sometimes even years, before an SME earns a return on its investment of time and money. By committing to the specifics of a written plan, an SME can make sure that he or she will finish what has been started and that the expectations that prompted its export efforts will be fulfilled.

Export research

To be successful, an SME who is interested in export should assess their export markets through research. Export research helps explore their opportunities and constraints within individual foreign markets and find prospective buyers and customers. Results of this research inform the SME exporter of

- the largest markets for its product;
- the fastest growing markets;
- market trends and outlook;
- market conditions and practices; and
- competitive firms and products.

An SME may begin to export without conducting any export market research if it receives unsolicited orders from abroad. Although this type of selling is valuable, the SME may discover even more promising markets by conducting a systematic search. A firm that opts to export indirectly by using an intermediary may wish to select markets to enter before selecting the intermediary, since many intermediaries have strengths in some markets but not in others.

Methods of export research

An SME may research a market by using either primary and/ or secondary data resources. In conducting primary market research, it collects data directly from the foreign marketplace through interviews, surveys, and other direct contact with representatives and potential buyers. This method has the advantage of being tailored to the SME's needs and provides answers to specific questions. The disadvantage, however, is that the collection of such data is time-consuming and expensive.

When conducting secondary market research, an SME collects data from compiled sources, such as trade statistics for a country or a product. Working with secondary sources is less expensive and helps the company focus its marketing efforts. However, secondary data sources have limitations. The most recent statistics for some countries may be more than two years old. Product breakdowns may be too broad to be of much value to an SME. Statistics on services are often unavailable. Finally, statistics may be distorted by incomplete data-collecting techniques. Yet, even with these limitations, secondary research is a valuable, cost-effective and relatively easy first step for an SME to take. It may be the only step needed if the company decides to export indirectly through an intermediary.



Secondary market research is conducted in three basic ways:

- By keeping abreast of world events that influence the international marketplace, watching for announcements of specific projects, or simply visiting likely markets. For example, a thawing of political hostilities often leads to the opening of economic channels between countries.
- By analyzing trade and economic statistics. Trade statistics are generally compiled by product category and by country. These statistics provide the SME exporter with information concerning shipments of products over specified periods of time. Demographic and general economic statistics such as population size and makeup, income per capita, and production levels by industry can be important indicators of the market potential for an SME's products.
- By obtaining the advice of experts. There are several ways of obtaining expert advice:
 - Contacting experts at government agencies;
 - Attending seminars, workshops, and international trade shows;
 - Hiring an international trade and marketing consultant;
 - Talking with successful exporters of similar products; and
 - Contacting trade and industry association staff.

Steps in export research

An ASEAN SME may find the following step-by-step approach useful for conducting an export research

Table 1. Steps in export research

SCREEN POTENTIAL MARKETS	<ul style="list-style-type: none"> ▪ Step 1. Obtain export statistics that indicate product exports to various countries. ▪ Step 2. Identify 5 to 10 large and fast-growing markets for the firm's product. Look at them over the past three to five years. Has market growth been consistent year to year? Did import growth occur even during periods of economic recession? If not, did growth resume with economic recovery? ▪ Step 3. Identify some smaller but fast-emerging markets that may provide ground-floor opportunities. If the market is just beginning to open up, there may be fewer competitors than in established markets. Growth rates should be substantially higher in these countries to qualify as up-and-coming markets, given the lower starting point. ▪ Step 4. Target three to five of the most statistically promising markets for further assessment. Consult with business associates, freight forwarders, and others to help refine targeted markets.
ASSESS TARGETED MARKETS	<ul style="list-style-type: none"> ▪ Step 5. Examine trends for company products as well as related products that could influence demand. Calculate overall consumption of the product and the amount accounted for by imports. Demographic information (population, age, etc.) can be obtained from World Population (Census) and Statistical Yearbook (United Nations). ▪ Step 6. Ascertain the sources of competition, including the extent of domestic industry production and the major foreign countries the firm is competing against in each targeted market. ▪ Step 7. Analyze factors affecting marketing and use of the product in each market, such as end user sectors, channels of distribution, cultural idiosyncrasies, and business practices. ▪ Step 8. Identify any foreign barriers (tariff or non tariff) for the product being imported into the country ▪ Step 9. Identify any domestic or foreign government incentives to promote exporting of the product or service.
DRAW CONCLUSIONS	<ul style="list-style-type: none"> ▪ Step 10. Conclude which country(s) to export most effectively <p>After analyzing the data, the company may conclude that its marketing resources would be applied more effectively to a few countries. In general, efforts should be directed to fewer than 10 markets if the company is new to exporting; one or two countries may be enough to start with. The company's internal resources should help determine its level of effort.</p>



Preparing products for export

This task requires not only product knowledge but also knowledge of the unique characteristics of each market being targeted. The market research conducted and the contacts made with foreign sales representatives should give the SME exporter an idea of what products can be sold where.

If the SME manufactures more than one product or offers many models of a single product, it should choose to start with one or two products that best fit the market without major design or engineering modifications. Doing so is possible when the SME deals with international customers with the same demographic characteristics or the same product specifications, supplies parts for domestic goods that are exported to foreign countries without modifications, produces a unique product that is sold on the basis of its status or foreign appeal, or produces a product that has few or no distinguishing features and that is sold almost exclusively on a commodity or price basis.

When preparing your products for export, consider the following:

- What foreign needs does the product satisfy?
- Should the firm modify its current products for export? Should it develop a new product for the foreign market?
- What product should the firm offer abroad?
- What specific features - design, color, size, packaging, brand, warranty, and so on - should the product have?
- What specific services are necessary at the before and after-sale stages?
- Are the firm's services and repair facilities adequate?

Product modification

In many cases the SME exporter may need to modify a particular product before the sales can occur. The purpose of doing this may be to satisfy buyer tastes or needs or standard of living, to conform to government regulations, geographic and climatic conditions, to facilitate shipment or to compensate for possible differences in engineering or design standards. SMEs have to decide how much they want to modify the products for export. Some exporters believe the domestic product can be exported without significant changes. Others seek to consciously develop uniform products that are acceptable in all export markets.

Foreign government product regulations are common in international trade and are expected to expand in the future. These regulations can take the form of high tariffs or of non-tariff measures

(NTMs), such as regulations or product specifications. Governments impose these regulations for many reasons, including but not limited to:

- to protect domestic industries from foreign competition;
- to protect the health of their citizens;
- to force importers to comply with environmental controls;
- to ensure that importers meet local requirements for electrical or measurement systems;
- to restrict the flow of goods originating in or having components from certain countries; and
- to protect their citizens from cultural influences deemed inappropriate.

It is often necessary for an SME exporter to adapt its product to account for geographic and climatic conditions as well as for availability of resources. Factors such as topography, humidity, and energy costs can affect the performance of a product or even define its use. The cost of petroleum products along with a country's infrastructure, for example, may indicate the demand for an SME's energy-consuming equipment.

Buyer preferences in a foreign market may also lead an SME exporter to modify its product. Local customs, such as religion or the use of leisure time, often determine whether a product will sell. The sensory impact of a product, such as taste or visual impact, may also be a critical factor. The Japanese desire for beautiful packaging, for example, has led many companies to redesign cartons and packages specifically for this market. Some SMEs even turn to design and produce beautiful packing materials and accessories for export instead of selling consumer products abroad.

The standard of living of the import country can also determine whether an SME exporter needs to modify a product. The level of income, the level of education, and the availability of energy are all factors that help predict the acceptance of a product in a foreign market. If the import country's standard of living is lower than that of the exporter's, it may find a market for less sophisticated product models that is not popular in the domestic market. Certain high-technology products are inappropriate in some countries not only because of their cost, but also because of their function. For example, a computerized industrial washing machine might replace workers in a country where employment is a high priority. In addition, these products may need a level of servicing that is unavailable in some countries.

Market potential must be large enough to justify the direct and indirect costs involved in product adaptation. SME exporters should assess the costs to be incurred and the increased revenues expected from adaptation. The decision to adapt a product is based in part on the degree of commitment to the specific foreign market; two firms, one with short-term goals and the other with long-term goals, may make different decisions.



Engineering and re-design

In addition to adaptations related to cultural and consumer preference, the SME exporter should be aware that even fundamental aspects of its products may require changing. For example, electrical standards in many foreign countries differ from the exporters' country. It is not unusual to find phases, cycles, or voltages (both in home and commercial use) that would damage or impair the operating efficiency of equipment designed for use in the domestic market. These electrical standards sometimes vary even in the same country. Knowing this requirement, the manufacturer can determine whether a special motor must be substituted or arrange for a different drive ratio to achieve the desired operating revolutions per minute.

Similarly, many kinds of equipment must be re-engineered in another measurement or voltage system for integration with other pieces of equipment or for compliance with the standards of a given country. For example, electrical sockets in the United States usually supply electricity at between 110 and 120 volts AC, while in Thailand it is 220 volts AC. If a Thai SME manufacturer of beauty care equipment want to export a face washing machine to the United States, it has to re-engineer the product to adapt to the import market's standards.

Since freight charges are usually assessed by weight or volume², the SME should give some consideration to shipping an item unassembled to reduce delivery costs. Shipping unassembled also facilitates movement on narrow roads or through doorways and elevators.

Branding, labeling and packaging

Consumers are concerned with both the product itself and the product's supplementary features, such as packaging, warranties, and service. Branding and labeling of products in foreign markets raise new considerations for the SME exporter:

- Are international brand names important to promote and distinguish a product? Conversely, should local brands or private labels be employed to heighten local interest?
- Are the colors used on labels and packages offensive or attractive to the foreign buyer? In some countries, certain colors are associated with death, bad luck, national flags, or other cultural factors.
- Can labels be produced in official or customary languages if required by law or practice?
- Does information on product content and country of origin have to be provided?
- Are weights and measures stated in the local unit?

⁽²⁾whichever provides the greater revenue for the carrier

- Must each item be labeled individually?
- Are local tastes and knowledge considered? A dry cereal box picturing a local athlete may not be as attractive to overseas consumers as the picture of their country's cartoon character.

An SME may find that building international recognition for a brand is expensive. Protection for brand names varies from country to country. In some developing countries, barriers to the use of foreign brands or trademarks may exist. In other countries, piracy of the SME's brand names and counterfeiting of its products are widespread. To protect its products and brand names, the firm must comply with local laws on patents, copyrights, and trademarks. The SME may also find it useful to obtain the advice of local lawyers and consultants where appropriate.

Installation

Another element of product preparation that an SME should consider is the costs and the level of ease to install the product overseas. If technicians or engineers are needed overseas to assist in installation, the SME should optimize their time in the field if possible. To do so, the company may wish to preassemble or pretest the product before shipping.

Disassembling the product for shipment and reassembling abroad may be considered by the SME. This method can save the firm shipping costs, but it may add to delay in payment if the sale is contingent on an assembled product. Even if the SME do not have to send trained personnel, the company should be careful to provide all product information, such as training manuals, installation instructions, and parts lists, in the local language.

Arranging customer service

Customer service should be an integral part of an SME's export strategy from the very beginning. Properly handled, it can be a foundation for growth. Ignored or left to chance, it can cause an export effort to fail. When preparing for export, the SME may consider some factors concerning customer service as follows:

- Prompt delivery and/ or installation of the product;
- Courteous salespersons;
- Localized user manual or service manuals;
- A convenient return policy;
- A service facility with ready access;



- Knowledgeable, cost-effective maintenance, repair, or replacement;
- A good warranty policy;
- Convenient locations/ distribution channels for buyers and consumers; and
- Dealer support for customers.

You can see that some customer service activities take place before and during the export transactions. They can add to the positive experience of the buyer and reinforce sales and service encounter. However, the most important part is the service the exporter provides after sales. An SME may decide that it does not provide after-sales service and its export objective is the single or multiple opportunistic entry into the foreign markets. Although this approach may work in the short term, subsequent product offers will be less successful. As buyers often expect a level of service, failure to do so may result in one-time sales. Instead of saving costs by cutting back on service, the SME will see discontinuation of multiple sales to developed buyers and lower profits because overhead costs are not spread over longer time period and repeated successful transactions.

Service varies by the product type, quality, price, distribution channel employed and the particular foreign markets an SME is penetrating.

- For export of goods that require no service, such as food products, some consumer goods, and commercial disposables, the issue is resolved once distribution channels, quality criteria, and return policies have been identified.
- For consumer durables, some consumables and industrial goods it is demanded by the consumers and the foreign buyers that service be available. SME exporters should, therefore, plan carefully in advance.
- Each foreign market is sophisticated about own service expectations. ASEAN SME exporters and distributors must therefore ensure that their service performance is comparable to that of the predominant competitors in the market.

Service delivery options

SME exporters have many options for the delivery of service to foreign buyers.

- Return the goods to the manufacturing or distribution facility in the exporters' country for service or repair. This is the most inconvenient for the foreign retail, wholesale, commercial, or industrial buyer and the high-cost option for both the importer and the exporter. The importer incurs a high cost and loses the use of the product for an extended period, while the exporter must incur the export cost of the same product a second time to return it.

- Use repair, maintenance, and warranty services of the SME exporter's partner in the import markets. This is a viable option if the selected export distribution channel is a joint venture or other partnership arrangement and the overseas partner have a local service capability in the destination markets. The SME exporter should negotiate and include in the agreement with its partner explicit provisions for customer services and the cost of providing this service.
- Identify, train and use local service facilities. This is the preferred service delivery option for goods sold at retail outlets. Using this option requires front-end expenses for the SME exporter to identify and train local service providers, but such costs would be more than recovered in the long run as export sales grows.
- Assess and use the distributors' service capacity in the destination markets. This is a useful approach when an SME sells to foreign commercial and industrial markets. For many exporters that sell through distributors, selection of a representative to serve a region, a country, or a market should be based not only on the distributing company's ability to sell effectively, but also on its capacity and willingness to provide service for the product.

Assessing the service capacity requires that the SME exporter raises questions about the service facilities; about the types, models, and age of existing service equipment; about training practices for service personnel; and about the potential distributor's experience in servicing similar products. Once the agreement has been concluded and export transactions take place, the SME has to take steps to ensure an adequate level of service. They include at least training, periodically checking service quality, and monitoring inventories of spare parts.

- Establish own branch or subsidiary in the foreign market. This option is expensive to the SME exporter at the beginning, but when export sales and the associated service requirements have grown after some time it can become more cost-effective. Depending on the market demand and the SME's strategy, the branch or subsidiary may be a one or few-person operation. The SME exporter can send its persons or employ local people in the foreign market. This option applies to both consumer and industrial goods and it enables the SME exporter to ensure sales and service quality and serve multiple markets in a single region, provided that personnel are trained in sales, products, and service on an ongoing basis.

An excellent example is about a Malaysian manufacturer of aluminum foil insulators exporting to the Vietnamese market. The firm uses Vietnamese distributor and sales representatives to generate purchases by industrial customers and building material retailers across the country. The products are purchased at the distributor by manufacturing premises, construction companies and large farms, and at retail by small construction service providers and individual consumers who are having their houses built. The Malaysian SME contracted with local construction companies in Ha Noi, Da Nang and Ho Chi Minh City, the leading cities in the long S-shaped territory of Vietnam, to train individual customers on design and installation on houses and small buildings, and to provide service or replacement for its product line. The Vietnamese distributor is responsible for servicing



industrial customers under the contract with the Malaysian exporter.

There are obviously administrative, training, and supervisory overhead costs associated with such service delivery programs. The huge benefit, however, is that the Malaysian firm is now perceived to be a local company that competes on equal footing with domestic suppliers. ASEAN SME exporters should keep this example in mind when entering foreign markets.

The nature of the goods may require delivery of on-site service to the buyer within very specific time parameters. Such on-site service may be available from service facilities in the buyer's country; or the SME exporter may have to send its persons to the site. The sales contract should anticipate a reasonable level of on-site service and include the associated costs. SMEs should get information from the buyers, business partners and industry associations to estimate service and warranty requirements on exported goods, and sales can be costed accordingly. This practice is accepted among small and large exporters alike.

Manufacturers of similar or related products may find it cost-effective to consolidate service, training, and support in each export market. Service can be delivered by locally-based personnel, a contracted foreign facility, or a jointly owned locally-based service facility. Despite its cost benefits, this option raises a number of issues. Such joint activity may be interpreted as being in restraint of trade or otherwise market controlling or monopolistic. Exporters that are considering it should therefore obtain competent legal counsel when developing this joint operating arrangement.

Legal considerations in customer service

Service is a very important part of many representative or distribution agreements.

- The quality of service in a country or region affects the SME manufacturer and exporter's reputation there.
- The quality of service also affects the intellectual property rights of the SME manufacturer. A trademark is a mark of source, with associated quality and performance. If quality control is not maintained, the SME can lose its rights to the product, because one can argue that, within that foreign market, the manufacturer has abandoned the trademark to the distributor.
- The representative agreements should be specific about the form of the repair or service facility, the number of staff, inspection provisions, training programs, and payment of costs associated with maintaining an adequate level of quality. The scope of a warranty in the sales contract should be tied to the service facility which the SME exporter has contracted in each market. The exporter should make sure they promise only what can be delivered.
- The representative agreement should give details on the training the SME exporter has to provide to its foreign representative or distributor. These details can include how often the training takes

place, who must be trained, where the training is provided, how often the quality supervision is carried out and which party absorbs travel and per diem costs.

New sales opportunities and improved customers relations from customer service

Foreign buyers of the goods exports typically have limited contact with the SME exporter. In fact, the overseas service facility is the major contact points between the exporter and the buyer. It can bring excellent sales opportunities if the service personnel are trained properly to take advantage of the situation.

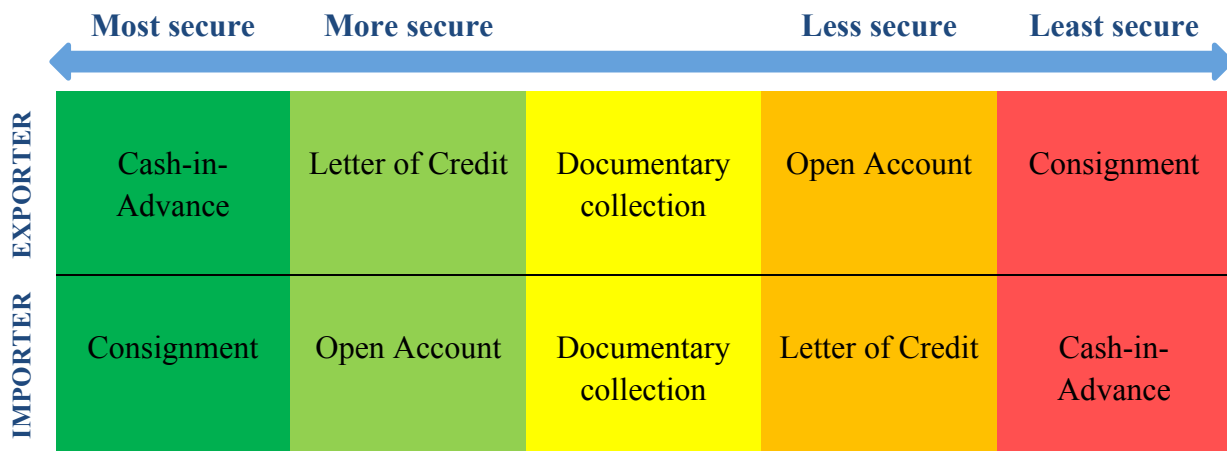
- The service staff can help the customer decide how long the product should be used for efficient operation, how to update it for more and longer cost-effective operation, and when to replace it as the task expands or changes. Each service contact is an opportunity to educate the customer and expand the exporter's sales opportunities.
- Service is an important aspect of selling solutions and benefits rather than product features. It is appealing to market a product as a "tool to do the job" rather than as a "cutting machine" or "software." Training service managers and personnel in this type of thinking vitalizes service facilities and generates new sales opportunities.

An SME exporter should plan to regularly travel to important foreign markets to meet with its service facilities, sales representatives, distributors, customers, and anyone who are important to its success in that market. The benefits of such travel are twofold. First, the SME exporter learns more about the foreign marketplace and the firm's capabilities. Second, the sales representative appreciates the attention and understands the importance of the foreign market in the exporter's long-term plans. As a result, such visits help build a strong, productive relationship and identify new sales opportunities and potential customers.

Methods of payment in export

Because getting paid in full and on time is the ultimate goal for each export sale, an SME exporter must choose an appropriate payment method carefully to minimize the payment risk while also accommodating the needs of the importer. As shown in Figure 2, there are five primary methods of payment for export with varying levels of risk for the exporter and the importer. Before and during contract negotiations, the SME should consider which method is mutually desirable for the customer and itself.

Figure 2. Payment risk diagram



Cash-in-advance

With cash-in-advance payment terms, the SME exporter can avoid credit risk because payment is received before the ownership of the goods is transferred. For international sales, wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. With the advancement of the internet, escrow services³ are becoming another cash-in-advance option for small export transactions. However, requiring payment in advance is the least attractive option for the buyer, because it creates unfavorable cash flow. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, SME exporters who insist on this payment method as their sole manner of doing business may lose the export business to competitors who offer more attractive payment terms.

Letter of credit

Letters of credit (L/Cs) is one of the most secure payment instruments available to international traders. An L/C is a commitment by a bank on behalf of the importer that payment will be made to the exporter, provided that the terms and conditions stated in the L/C have been met, as verified through the presentation of all required documents. The importer establishes credit and pays his or her bank to render this service. An L/C is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the importer's foreign bank (issuing bank). An L/C also protects the buyer since no payment obligation arises until the goods have been shipped as promised.

³⁾ An escrow is a financial arrangement where a third party holds and regulates payment of the funds required for two parties involved in a given transaction. It helps make transactions more secure by keeping the payment in a secure escrow account which is only released when all of the terms of an agreement are met as overseen by the escrow company (escrow.com).

Documentary collections

A documentary collection (D/C) is a transaction whereby the exporter entrusts the collection of the payment for a sale to its bank (remitting bank). The exporter's remitting bank sends the documents that its importer needs to the importer's bank (collecting bank), with instructions to release the documents to the importer for payment. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment) or on a specified date (document against acceptance). The collection letter gives instructions that specify the documents required for the transfer of title to the goods. Although banks do act as facilitators for their clients, D/Cs offer no verification process and limited recourse in the event of non-payment. The advantage is D/Cs are generally less expensive than L/Cs.

Open account

An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days. Obviously, this is one of the most advantageous options to the importer in terms of cash flow and cost, but it consequently represents one of the highest risks for the SME exporter. Because of intense competition in export markets, foreign buyers often challenge exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. The SME exporter can offer competitive open account terms while substantially mitigating the risk of non-payment by using one or more of the appropriate trade finance techniques afore-mentioned in this Guidebook.

Consignment

Consignment in export is a variation of open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Clearly, exporting on consignment is very risky for an SME exporter since it is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent. Consignment helps SME exporters become more competitive on the basis of better availability and faster delivery of goods. Exporting on consignment can also help SME exporters reduce the direct costs of storing and managing inventory. The key to success in exporting on consignment is to partner with a reputable and trustworthy foreign distributor or a third-party logistics provider. Appropriate insurance should be in place to cover consigned goods in transit or in possession of a foreign distributor as well as to mitigate the risk of non-payment.



Other considerations on methods of payment

Counter-trade and barter

International counter-trade is a trade practice whereby a supplier commits contractually, as a condition of sale, to undertake specified initiatives that compensate and benefit the other party. The resulting linked trade fulfills financial (e.g., lack of foreign exchange), marketing, or public policy objectives of the trading parties. Many SME exporters consider counter-trade a necessary cost of doing business in markets where exports would otherwise not occur.

Simple barter is the direct exchange of goods or services between two parties; no money changes hands. However, pure barter arrangements in international trade are rare, because the parties' needs for the goods of the other seldom coincide and valuation of the goods may be a problem. The most common form of counter-trade practiced today involves contractually linked, parallel trade transactions each of which involves a separate financial settlement. For example, a counter-trade contract may provide that the exporter will be paid in a convertible currency as long as he or she (or another entity designated by the exporter) agrees to export a related quantity of goods from the importing country.

SME exporters can take advantage of counter-trade opportunities by trading through an intermediary with counter-trade expertise, such as an international broker, an international bank, or an export management company. Some export management companies offer specialized counter-trade services. SME exporters should bear in mind that counter-trade often involves higher transaction costs and greater risks than simple export transactions.

Decreasing payment risks through credit checks

In export, risk is a major consideration as many factors make exporting riskier than domestic sales. In international trade, it is better and more easily to prevent problems involving bad debts than to rectify them after they occur. Credit checks can limit the risks involved.

Generally, it is a good idea to check a buyer's credit even if export credit insurance or relatively safe payment methods are employed. When defaults arise in export, getting payment can be both more difficult and more expensive than in the domestic market. Even when the exporter has insurance to cover commercial credit risks, a default by a buyer still requires time, effort, and cost. The exporter must exhaust all reasonable means to get payment before an insurance claim is honored. There is often a significant delay before the insurance payment is made, too.

For checking a buyer's credit, an ASEAN SME exporter may think about the following sources of information:

- Banks are often able to provide credit reports on foreign companies, either through their own foreign branches or through a correspondent bank.

- Private credit reporting services are also available, especially in the developed countries. SME exporters may look for and use a good service provider from key export markets.
- In your country, there can be several services that compile financial information on foreign firms (particularly larger firms) and make it available to subscribers.

Collection problems

Despite of whatever credit checks or methods of payment that have been employed, the SME seller occasionally encounter problems with buyers who default on payments, in the domestic business or international trade alike. The simplest and least costly solution to a payment problem is to contact and negotiate with the customer. With patience, understanding, and flexibility, an SME exporter can often resolve conflicts to the satisfaction of both sides. This is especially true when there is a simple misunderstanding or technical problem and there is no question of bad faith is involved. Even though the SME exporter may be required to compromise on certain terms and conditions, or even on the price of the exported goods, the firm may retain a valuable customer and profit in the long run.

If, however, negotiations fail and the amount involved is large enough to warrant the effort, the SME exporter should resort to the assistance and advice of its bank, legal counsel, arbitrators and other qualified experts. If the exporter and the importer can agree to take their dispute to an arbitrator agency, this step is preferable for both parties to legal action, since arbitration is often faster and less expensive. The International Chamber of Commerce handles the majority of international arbitrations and is usually acceptable to foreign companies because it is not affiliated with any single country. The two parties may have also agreed in the sales contract on another arbitrator agency in case of dispute settlement.

Foreign currency

A buyer and a seller from different countries rarely use the same currency. Payment is usually made in either the buyer's or the seller's currency or in a mutually agreed-on currency that is foreign to both parties. For example, trade with the European Union member states usually involve European Euro (EUR), and export to Britain and Japan are likely to be paid with British Pound (GBP) and Japanese Yen (JPY) respectively. The U.S. dollar (USD) is commonly used as the currency of payment in international transactions among countries, not only with the United States.

One of the uncertainties of foreign trade is the uncertainty of the future exchange rates between currencies. The relative value between the local currency and the importer's currency or the agreed currency of payment may change between the time the deal is made and the time the payment is received. If an SME exporter is not properly protected, a devaluation in the foreign currency could cause him or her to lose money in the transaction.



One of the simplest ways for an SME exporter to avoid this type of risk is to quote prices and require payment in the national currency. Then the burden and risk are placed on the buyer to make the currency exchange. The SME exporter should also be aware of problems of currency convertibility; not all foreign currencies are freely or quickly convertible into the local currency. This option, however, is not always acceptable for the prospective buyer, especially those from a developed economy. The importer have quite similar concerns about exchange rates and currency convertibility as you do.

If the buyer asks to make payment in a foreign currency, the SME exporter should consult a bank before negotiating the sales contract. A national bank with good experience about international payment or an international bank is a good source of advice in this matter. Banks can offer advice on the foreign exchange risks that exist. Further, some large banks can help the SME exporter hedge against such a risk if necessary, by agreeing to purchase the foreign currency at a fixed price regardless of the its exchange rate when the importer pays. The bank charges a fee or discount on the transaction. If this mechanism is used, the fee should be included in the price quotation.

Advice for SME exporters: Payment methods and related issues

- The amount of trust in the buyer's ability and willingness to pay is the major consideration when an SME exporter determines the method of payment for export.
- It is always a good idea to check a foreign buyer's credit before you get into an export business with him or her.
- Use of export credit insurance can help mitigate the payment risk for the SME exporter.
- Consult a bank with international payment experience about the foreign currency of payment before concluding the sales contract.

Financing export transactions

Contract negotiation and closure are important in exporting, but ultimately, SME exporters must get paid. Because of the intense competition for export markets, making a sale often depends on the exporter's ability to offer attractive payment terms. Before making financing decisions, the SME exporter should consider:

- The need for financing to make the sale;
- The length of time the product is being financed;
- The cost of different methods of financing;
- The risks associated with financing the transaction.

The need for pre-shipment financing and for post-shipment working capital

Obtaining cash immediately is usually a high priority with SME exporters. Methods for doing this include converting receivables to cash at a discount with a bank; expanding working capital resources; arranging for third-party financing; and engaging in countertrade, or accepting goods, services, or other instruments in trade for whole or partial payment. Overall, there is a wide variety of sources for financing exports.

Commercial banks

A logical first step if you're seeking to finance short-term export sales is to approach the local commercial bank your company already uses. The bank will be familiar with your financial standing, credit need, repayment record, and ability to perform. It may also have a section dedicated to international business. Alternatively, you may wish to approach a commercial bank with an international department. An intermediate approach is to retain a relationship with your bank but seek a referral to a correspondent bank that has an international department.

The responsibility for repaying a working capital loan ordinarily rests with the SME exporter, even if the foreign buyer fails to pay. In some cases, especially when you export capital goods, you may want the commercial bank to make medium-term loans directly to the foreign buyer to finance the sale. In any case, you can work with your bank to deal with the risks of exporting in several ways, including by seeking loan backing and/or guarantees, or by using various arrangements or instruments such as discounting and banker's acceptances.

Banker's acceptances. A time draft under an irrevocable L/C confirmed by a prime bank presents relatively little risk of default. Also, some banks or other lenders may be willing to buy time drafts



that a credit-worthy foreign buyer has accepted or agreed to pay at a specified future date. In some cases, banks agree to accept the obligations of paying a draft, usually of a customer, for a fee. This is called a banker's acceptance.

However, to convert these instruments to cash immediately, an exporter must obtain a loan using the draft as collateral or sell the draft to an investor or a bank for a fee. When the draft is sold to an investor or bank, it is sold at a discount. The SME exporter receives an smaller amount than the face value of the draft so that when the draft is paid at its face value at the specified future date, the investor or bank receives more than it paid to the exporter. The difference between the amount paid to the exporter and the face amount paid at maturity is called a discount and represents the fees or interest (or both) the investor or bank receives for holding the draft until maturity. Some drafts are discounted by the investor or bank without recourse to the exporter in case the party that is obligated to pay the draft defaults; others may be discounted with recourse to the exporter, in which case the exporter must reimburse the investor or bank if the party obligated to pay the draft defaults. The SME exporter should be certain of the terms and conditions of any financing arrangement of this nature.

Export intermediaries

In addition to acting as export representatives, many export intermediaries, such as export trading companies and export management companies, can help finance export sales. They may provide short-term financing, or they may simply purchase the goods to be exported directly from the manufacturer, thus eliminating both the risks to the manufacturer that are associated with the export transaction and the need for financing.

State and local export finance programs

Several cities and states have funded and operate export financing programs, including pre-shipment and post-shipment working capital loans and guarantees, accounts receivable financing, and export insurance. To be eligible for these programs, an export sale must generally be made under a L/C or with credit insurance coverage. A certain percentage of state or local content may also be required.

Buyers and suppliers as sources of financing

Foreign buyers may make down payments that reduce the need for financing from other sources. In addition, buyers may make progress payments as the goods are completed, which also reduce other financing requirements. L/C that allow for progress payments upon inspection by the buyer's agent or receipt of a statement of the SME exporter that a certain percentage of the product has been completed are not uncommon.

In addition, suppliers may be willing to offer terms to the SME exporter if they are comfortable that they will receive payment. Suppliers may be willing to accept assignment of a part of the proceeds of an L/C or a partial transfer of a transferable L/T. However, some banks allow only a single transfer

or assignment of an L/C. Therefore, the SME exporter should investigate the policy of the bank that will be advising or confirming the letter of credit.

Factoring, forfaiting, and confirming

Factoring is the discounting of a foreign account receivable that does not involve a draft. The SME exporter transfers title to its foreign accounts receivable to a factoring house (an organization that specializes in the financing of accounts receivable) for cash at a discount from the face value. Although factoring is often done without recourse to the exporter, the specific arrangements should be verified by the exporter. Factoring of foreign accounts receivable is less common than factoring of domestic receivables.

Forfaiting is the selling, at a discount, of longer term accounts receivable or promissory notes of the foreign buyer. These instruments may also carry the guarantee of the foreign government. Both U.S. and European forfaiting houses, which purchase the instruments at a discount from the exporter, are active in the market. Because forfaiting may be done either with or without recourse to the exporter, the specific arrangements should be verified by the exporter.

Confirming is a financial service in which an independent company confirms an export order in the seller's country and makes payment for the goods in the currency of that country. Among the items eligible for confirmation (and thereby eligible for credit terms) are the goods themselves; inland, air, and ocean transportation costs; forwarding fees; custom brokerage fees; and duties. For the exporter, confirming means that the entire export transaction from plant to end user can be fully coordinated and paid for over time.

Getting export advice and information

For SMEs making initial plans to export or to penetrate new areas, considerable export advice, export tips and assistance are available at little or no cost. ASEAN SME exporters can have various sources of advice as follows.

The government bodies in charge of export

In general, one of the best places to start is the government institutions that deal with export and trade. They can not only provide export counseling in their own right but also direct companies toward other government and private sector export services.

In the ten (10) ASEAN Member States, the ministries in charge of export and commerce are:

- The Ministry of Foreign Affairs and Trade in Brunei Darussalam
(www.mofat.gov.bn)



- The Ministry of Commerce in Cambodia
(www.moc.gov.kh)
- The Ministry of Trade in Indonesia
(www.kemendag.go.id)
- The Ministry of Industry and Commerce in Lao PDR
(www.facebook.com/pages/Ministry-of-Industry-and-Commerce-Lao-PDR/732403160106924)
- The Ministry of International Trade and Industry in Malaysia
(www.miti.gov.my)
- The Ministry of Commerce in Myanmar
(www.commerce.gov.mm)
- The Department of Trade and Industry in the Philippines
(www.dti.gov.ph)
- The Ministry of Trade and Industry in Singapore
(www.mti.gov.sg)
- The Ministry of Commerce in Thailand
(www.moc.go.th)
- The Ministry of Industry and Trade in Vietnam
(www.moit.gov.vn)

Check their websites and contact them directly. It is amazing how much useful information is available free of charge to ASEAN SMEs who are interested in export. The ministries can update and advise SME exporters on key trade statistics, major export market information, import-export procedures, tax and tariff, non-tariff measures, standards and special requirements, legal documents, bilateral and multi-lateral trade agreements that each AMS is involved, and so on. Such information is of practical usefulness not only for national SME exporters, but also to SME importers who want to start doing business with an ASEAN national market. The ministries can also refer an SME exporter to the trade service abroad in the export markets that the firm wants to penetrate.

Commercial banks

A good source of export advice and tips for ASEAN SME exporters is banks. Many banks have international banking departments or foreign exchange departments with specialists familiar with specific foreign countries and various types of goods and transactions. Larger banks also maintain correspondent relationships with banks in most foreign countries or operate their own overseas

branches, providing a direct channel to foreign customers. International banking specialists are generally well-informed about export issues, even in areas that fall beyond banking services. If they are unable to provide direct guidance or assistance, they may be able to refer the SME exporters to other specialists who can. Banks frequently provide consultation and guidance free of charge to their clients, since they derive income primarily from loans to the exporter and from fees for international payment and special services. Many banks also have publications available to help SME exporters. These materials often cover particular countries and their business practices and can be a valuable tool for initial familiarization with foreign industry. Finally, large banks frequently conduct seminars and workshops on letters of credit, documentary collections, and other banking subjects of concern to SME exporters.

Among numerous services a commercial bank may perform for its SME clients are the following:

- Exchange of currencies;
- Assistance in financing exports;
- Collection of foreign invoices, drafts, letters of credit, and other foreign receivables;
- Transfer of funds to other countries;
- Letters of introduction and letters of credit for travelers;
- Credit information on potential representatives or buyers overseas;
- Credit assistance to the exporter's foreign buyers.

Export intermediaries

Export intermediaries provide a multitude of services, such as performing market research, appointing overseas distributors or commission representatives, exhibiting a client's products at international trade shows, advertising, shipping, and arranging documentation. They may work simultaneously for a number of exporters on the basis of commissions, salary, or retainer plus commission. Some take title to the goods they handle, buying and selling in their own right. The advantage of using an intermediary is that it can immediately make available marketing resources that an SME exporter would need years to develop on its own. Many export intermediaries also finance sales and extend credit, facilitating prompt payment to the exporter.

World trade centers and international trade clubs

Local or regional world trade centers and international trade clubs are composed of area business people who represent firms engaged in international trade and shipping, banks, forwarders, customs



brokers, government agencies, and other service organizations involved in the world trade. These organizations offer educational programs on international business and organize promotional events to raise interest. Some 80 world trade centers or affiliated associations are located in major trading cities throughout the world.

By participating in a local association, an SME can receive valuable and timely advice on international markets and opportunities from business people who are already knowledgeable on virtually any facet of international business. Another key advantage of joining a local world trade club is the availability of benefits - such as services, discounts, and contacts - in affiliated clubs from foreign countries.

Chambers of commerce and business associations in your country

Many local chambers of commerce and major business associations provide sophisticated and extensive services for members interested in exporting. Among these services are the following:

- Conducting export seminars, workshops, and round-tables;
- Providing certificates of origin;
- Developing trade promotion programs, including overseas missions, mailings, and event planning;
- Organizing pavilions in foreign trade shows;
- Providing contacts with foreign companies and distributors;
- Relaying export sales leads and other opportunities to members;
- Organizing transportation routings and shipment consolidations;
- Hosting visiting trade missions from other countries;
- Conducting international activities at domestic trade shows.

In addition, some chamber of commerce and business associations can give detailed information on market demand for products in selected countries or refer members to export management companies. Most business associations play an active role in lobbying for trade policies beneficial to their industries. Business associations typically collect and maintain files on international trade news and trends affecting local SME manufacturers. Often they publish articles and newsletters that include government research.

Chambers of commerce abroad

A valuable and reliable source of market information in any foreign country is the local chamber of commerce. These organizations are knowledgeable about local trade opportunities, actual and potential competition, periods of maximum trade activity, and similar considerations. Our chambers of commerce abroad usually handle inquiries from any domestic business. Detailed service, however, is ordinarily provided free of charge only for members of affiliated organizations. Some chambers have a set schedule of charges for services rendered to non-members.

International business consultants

International business consultants can advise and assist an SME exporter on all aspects of export and foreign marketing. They can advise product adaptation to a foreign market, research domestic and foreign regulations, and also assess commercial and political risk. They conduct foreign market research and establish contacts with foreign government agencies and other necessary resources, such as advertising companies, product service facilities, and local attorneys.

These consultants can locate and qualify foreign joint venture partners as well as conduct feasibility studies for the sale of manufacturing rights, the location and construction of manufacturing facilities, and the establishment of foreign branches. After sales agreements are concluded, business consultants can also ensure that follow-up is smooth and that any arising problems are fixed effectively. Business consultants usually specialize by subject matter and by region or country. For example, a consulting firm may specialize in high-technology exports to the Far East. Their consultants can advise on which distributors and representatives are likely to be successful, what kinds of promotion are needed, who the competitors are, and how to deal with them. SME exporters can also find information about foreign government regulations, contract laws, and taxation.

Many large accounting firms, law firms, and specialized marketing firms provide international trade consulting services. To select an appropriate firm, advice should be sought from other exporters, the chamber of commerce in the export markets, government trade ministries, etc.

Consultants are of greatest value to a firm that knows exactly what it wants. The disadvantage is that they are expensive.



Part 3. Export Transactions

There are many steps in the typical goods export transaction. An ASEAN SME exporter should always give consideration to the documents required and matters related to:

1. Signing the sales contract
2. Manufacturing or procuring goods
3. Packaging and labeling your goods
4. Appointing your freight forwarder or customs broker
5. Sending goods to port of shipment
6. Preparing your shipping documents
7. Dealing with port formalities and customs clearance
8. Obtaining the certificate of origin
9. Dispatch of shipment advice to the importer
10. Submission of documents to bank

Step 1. Signing the sales contract

When negotiating an international sales contract, the terms of sale can be just as important as the sales price. From origin to destination, the goods you are shipping will likely involve several different parties and several modes of transportation. The buyer and seller therefore need to be clear at each stage regarding who takes responsibility and risk and who pays any associated charges and fees while the merchandise is in transit.

At a minimum, the terms and conditions of your sales contract should specify:

- Who is involved?
(The parties to the contract)
- License and permit requirements
(Who is responsible for obtaining import or export licenses and permits)

- What is being exported
(Purchase price of the goods and terms of payment)
- Ownership/Responsibility
(Where transfer of title to the goods takes place)
- Contract details
(The contract's validity conditions)
- Cancellation terms
(What to do if the buyer defaults or cancels)
- Payment instructions and terms
(Details of the goods being provided)
- Warranty and guarantees
(Warranty and/or maintenance terms and conditions)
- Insurance and taxes
(Who is responsible for paying insurance and taxes)
- Timing
(The contract completion date)

The sales contracts should be as clear, precise and comprehensive as possible. Read the draft carefully and consider the following issues:

- When does the transfer of ownership/title take place?
- What am I liable for?
- Who pays for charges or taxes that arise during transit?
- What if the shipment is lost or damaged?

To help address these types of questions, exporters and importers around the world use standard international shipping terms, known as INCOTERMS.

Using INCOTERMS

International Commerce Terms (INCOTERMS) are basic terms for international sales contracts. They describes

- i. certain obligations to the parties in a contract of sale; and
- ii. mainly the tasks, costs, and risks involved in the delivery of goods from seller to buyer.

INCOTERMS also clearly define when responsibility and risk transfers from the seller to the buyer and who pays charges and when. They make international trade easier, ensure that sellers and buyers in different countries understand one another and can minimize potential misunderstandings.

Table 2. INCOTERMS - Definitions⁴

EXW - Ex-Works

One of the simplest and most basic shipment arrangements places the minimum responsibility on the seller with greater responsibility on the buyer. In an EX-Works transaction, goods are basically made available for pickup at the shipper/seller's factory or warehouse and "delivery" is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with their forwarder for insurance, exports clearance and handling all other paperwork.

FCA - Free Carrier

In this type of transaction, the seller is responsible for arranging transportation, but he is acting at the risk and the expense of the buyer. Where in FOB the freight forwarder or carrier is the choice of the buyer, in FCA the seller chooses and works with the freight forwarder or the carrier. "Delivery" is accomplished at the predetermined port or destination point and the buyer is responsible for insurance.

FAS - Free Alongside Ship *

In these transactions, the buyer bears all the transportation costs and the risk of loss of goods. FAS requires the shipper/seller to clear goods for export, which is a reversal from past practices. Companies selling on these terms will ordinarily use their freight forwarder to clear the goods for export. "Delivery" is accomplished when the goods are turned over to the Buyers Forwarder for insurance and transportation.

FOB - Free On Board

One of the most commonly used and misused terms, FOB means that the shipper/seller uses his freight forwarder to move the merchandise to the port or designated point of origin. Though frequently used to describe inland movement of cargo, FOB specifically refers to ocean or inland waterway transportation of goods. "Delivery" is accomplished when the shipper/seller releases the goods to the buyer's forwarder. The buyer's responsibility for insurance and transportation begins at the same moment.

⁽⁴⁾ Note: CIP, CPT, DAF, DDP, DDU, EXW and FCA are commonly used for any mode of transportation. CFR, CIF, DEQ, DES, FAS and FOB are often used for sea and inland waterways.

CFR - Cost and Freight

This term formerly known as CNF (C&F) defines two distinct and separate responsibilities. One is dealing with the actual cost of merchandise (C) and the other (F) refers to the freight charges to a predetermined destination point. It is the shipper/seller's responsibility to get goods from their door to the port of destination. "Delivery" is accomplished at this time. It is the buyer's responsibility to cover insurance from the port of origin or port of shipment to buyer's door. Given that the shipper is responsible for transportation, the shipper also chooses the forwarder.

CIF - Cost, Insurance, Freight

This arrangement is similar to CFR, but instead of buyer insuring the goods for the maritime phase of the voyage, the shipper/seller will insure the merchandise. In this arrangement, the seller usually chooses the forwarder. "Delivery" is above, is accomplished at the port of destination.

CPT - Carriage Paid To

In CPT transactions the shipper/seller has the same obligations found with CIF, with the addition that the seller has to buy cargo insurance, naming the buyer as the insured while the goods are in transit.

CIP - Carriage and Insurance Paid To

This term is primarily used for multimodal transport. Because it relies on the carrier's insurance, the shipper/seller is only required to purchase minimum coverage. When this particular agreement is in force, freight forwarders often act in effect, as carriers. The buyer's insurance is effective when the goods are turned over to the forwarder.



DAF - Delivered At Frontier

Here the seller's responsibility is to hire a forwarder to take goods to a named frontier, which is usually a border crossing point, and clear them for export. "Delivery occurs at this time. The buyer's responsibility is to arrange with their forwarder for the pickup of the goods after they are cleared for export, carry them across the border, clear them for importation and effect delivery. In most cases the buyer's forwarder handles the task of accepting the goods at the border across the foreign soil.

DES - Delivered Ex Ship

In this type of transaction, it is the seller's responsibility to get the goods to the port of destination or to engage the forwarder to move the cargo to the port of destination unclear. "Delivery" occurs at this time. Any destination charges that occur after the ship is docked are the buyer's responsibility.

*DEQ - Delivered Ex Quay **

In this arrangement, the buyer/consignee is responsible for duties and charges and the seller is responsible for deliver the goods to the quay, wharf of port of destination. In a reversal of previous practice, the buyer must also arrange for customs clearance.

DDU - Delivered Duty Unpaid

This arrangement is basically the same as with DDP, except for the fact that the buyer is responsible for the duty, fees and taxes.

DDP - Delivered Duty Paid

DDP terms tend to be used in intermodal or courier-type shipments. Whereby the shipper/seller is responsible for dealing with all the tasks involved in moving goods from the manufacturing plant to the buyer/consignee's door. It is the shipper/seller's responsibility to insure the goods and absorb all costs and risks including the payment of the duty and fees.

Table 3. Incoterms - Buyer / Seller Responsibilities

Service	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Arrival Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Duty and Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller
Delivery To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Determining the appropriate methods of payment

Another important issue to consider before you sign the sales contract is how you can get payment. There are several methods of payment commonly used international trade. The selection of a method of payment involves a trade-off between credit risk exposure for the seller versus issues of cost and convenience for the buyer. The five (5) principal methods of payment are.

- Cash in Advance: This method of payment imposes the greatest burden on the buyer but poses the least risk to the exporter.
- Letter of Credit: In this method the buyer has to shoulder the expense of opening a letter of credit (L/C) with a bank, however the exporter is assured of payment upon accurate presentation of the requisite documents to the guarantor bank. This is the most common method of payment used in international trade. It provides a reasonable balance between the expenses and risks for both parties.



- Documentary Collection or Draft: This is where the buyer provides a cash payment or a written promise to pay at a specified future date when the requisite documents are presented. The risk to the exporter increased, however the buyer does not have to incur the expenses associated with a L/C.
- Open Account: This method poses the greatest risk to the exporter and therefore should be offered only to regular customers who have demonstrated a good payment record, unless credit insurance or factoring is utilized.
- Alternative Payment Mechanisms: You may consider other options, including countertrade and consignment sales.

Step 2. Manufacturing or procuring goods

As soon as you have signed the sales contract, you can start to manufacture or procure the goods for shipment overseas.

Step 3. Packaging and labeling your goods

When packaging and labeling goods for export, you will want to consider:

- The type of goods;
- How they will be shipped; and
- Dangers that the shipment may encounter while in transit.

It is in your best interest to pack the shipment securely. Insufficient or unsuitable packing can result in damaged goods that the buyer will not accept. Additionally, the buyer may not purchase from you again and your insurance may not provide coverage for the loss/ damage.

Advice for SME exporters:

In order for goods to arrive at your customer's door on time and without problem:

Packaging

- Assume that the package will have repeated loading and unloading
- Package to survive poor roads and rough cargo handling
- Plan for extreme weather conditions that might be endured during transit, handling and storage.

Labeling

- Remember that proper packaging can reduce the risk of theft during transit.
- Labels should be large, clear and waterproof.
- Shipping information should appear on at least three (3) sides of the package and state:
 - Port of destination
 - Name, address and phone number of consigned
 - Any necessary cautionary labels (e.g. "Fragile")
- Include transit instructions and package dimensions and weight.

Step 4. Appointing your freight forwarder or customs broker

If you are completely new to exporting, consider using a customs broker or freight forwarder for your first few shipments. It can save time and money and help you become familiar and confident with the export process. It should also alert you to any unofficial processes and payments that might be involved. You can always skip this step whenever you feel comfortable to fulfill all the formalities and paperwork related to your shipment. Many exporters keep using this service even when they become fluent in export formalities. The decision to use a customs broker or freight forwarder will largely depend on whether you think it is worthwhile spending your expertise and time to carry out the process on your own.

Freight forwarders are service companies that handle all aspects of export shipping for a fee. They act as the agent of the SME exporter, and can improve delivery time and customer service. Additional advantages of using a freight forwarder include:

- Providing customized services for physical transportation of goods
- Advising on rates and routing
- Offering assistance with packing and documentation
- Arranging consolidations or full container movements
- Offering Customs clearance services
- Providing quotes on insurance and freight



SMEs can also become freight forwarders and provide an essential auxiliary service for export. Freight forwarders often do not own their own trucks but hire transport and contract with local brokers as needed. In general, these companies provide quality services at competitive prices.

Customs brokers prepare customs documentation and clear goods through customs. SMEs can also become freight forwarders, too. As there is little regulation or public authority oversight of the sector and quality of service, professionalism can vary considerably.

Advice for SME exporters: Choosing a freight forwarder or customs broker

While the main function of freight forwarders is to pick up, transport, and deliver cargo and the main function of customs brokers is to clear cargo through customs, there is often significant overlap in the services the two provide. Both tend to be facilitators – a customs broker may provide a freight forwarding service and a freight forwarder may offer customs brokering services. Check the service offer carefully and make sure you will be paying just for the things you need.

If you decide to use a freight forwarder or a customs broker, you should:

- Understand the essentials of the document preparation needed.
- Review the prepared documents.
- Talk with other exporters and learn about their experiences.
- Compare service offered and pricing of several candidates.
- Find out about all fees that you might have to pay.
- Ask the freight forwarder/broker if they have experience with handling your type of export.

Step 5. Sending goods to port of shipment

Now you take steps to reserve space on the ship through which goods are to be sent to the importer. The shipping space can be reserved through the forwarder who works on behalf of the shipping company or directly from the shipping company. Once the space is reserved, the shipping company issues a booking confirmation. You also rent a container. If you sell on FOB, you do not have to book a shipping space but you still rent a container. Load your goods in the container and send it through a trucker to the port of shipment, or the border gate agreed in the sales contract.

Step 6. Preparing your shipping documents

Exporters should become familiar with the shipping documents required for an export sales transaction. These documents are essential for moving goods through the channels of distribution, transferring possession and responsibility, clearing product through customs and facilitating payment. Incomplete, missing or incorrectly filled out paperwork delays the export process and adds costs to the exporter.

The following is an overview and description of shipping documents typically used in the export process.

Table 4. Shipping documents prepared by the exporter or the freight forwarder

Airway Bill	An Airway Bill (AWB) is issued by an airline when goods are received for transport. The bill travels with the cargo.
Authorization Letter	An Authorization Letter allows a freight forwarder or authorized agent to export goods on the seller’s behalf.
Bill of Lading	A Bill of Lading (BL) is a contract between the seller and the carrier, typically prepared by the carrier or forwarder. The buyer usually needs an original copy as proof of ownership to take possession of the goods.
Commercial Invoice	A Commercial Invoice is essentially a bill for goods from the seller to the buyer. The document is prepared by the exporter or freight forwarder and provides information about the transaction including description of goods, address of shipper and seller and delivery and payment terms. It is also used as a basic document in determining the customs duty.
Insurance Certificate	An Insurance Certificate is a document prepared by the exporter or freight forwarder that provides evidence that insurance will cover the loss of or damage to the goods during transit.
Packing List	A Packing List is an itemized list describing the quantity and type of merchandise in a shipment. It includes the type of package, such as a box, crate, pallet, drum, carton or container and the dimensions and weight. Customs officials will use this list to check the cargo and buyers will use it to inventory merchandise received.

Obtaining licenses, permits and certificates

Besides the documents you can prepare yourself, you must provide additional documentation for items that the government of your country and that of the destination country require and monitor for trade purposes. The types of documents vary by goods and country. Below are examples of the most common licenses, permits and certificates:

- Export license
- Export permit
- Customs and excise permit
- Certificate of Origin
- Certificate of Inspection
- Sanitary and Phytosanitary (SPS) Certificate
- Certificate of Health
- CITES⁵ Certificate

Table 5. Export documentation issued by customs and competent authorities

Export License	An Export License is a goods management license for export for reasons of health, safety, security or the environment.
Export Permit	An Export Permit is a legal document that is necessary for the export of goods controlled by relevant Government authorities.
Certificate of Origin	A Certificate of Origin certifies that the products being exported are produced or manufactured in the country of origin as stated on the CO. This is an important document to the buyer and seller and the Customs authorities as it affects tariffs and quotas applied between countries for specific product.
Customs Declaration	A Customs Declaration is the declaration that is used for import and export procedures as stated in the law.

⁽⁵⁾ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

Advice for SME exporters: To make sure you have proper shipping documents

Be aware of the licenses, permits and certificates in advance of packing your goods.

- Check your sales contract.
- Check the regulations of your country.
- Check the regulations of your buyer's country.
- Check the organizations and authorities where they can be obtained.

Before sending out your goods,

- Consider faxing all documents to your customer to give them an opportunity to review. You will then have sufficient time to manage modifications if changes are needed.
- Make sure that at least one complete set of documents is left behind and is accessible in the unlikely event that the originals are lost.
- Make sure your documents are correct and complete before you submit them the first time. Incomplete or incorrect documents may cause shipping delays.

Step 7. Dealing with port formalities and customs clearance

Customs clearance

Prior to export of any type of goods, you fill in the customs declaration form and submit the shipping documents to the customs for obtaining customs clearance and permission. In many AMSs you can do it online. That will save a lot of your time. You often have to submit the following documents:

- Sales contract
- Bill of Lading
- L/C, if applicable
- Commercial invoice
- Packing list, if necessary
- There can be some other licenses, permits and certificates as described earlier.

If you hire a freight forwarder or customs broker, they can take this step for you.



Export tax

You often pay the export tax, if applicable, to the customs at the port of shipment. The governments of AMSs do not always impose export taxes because they want to promote exports and keep them competitive in the international markets. However, they may choose to do so to prevent over-exploitation of the natural resources, especially the minerals and wildlife resources, and to ensure intermediate inputs to higher-value finished good in order to promote certain industries within the country.

Therefore, the categories of goods subject to export taxes and the tax rates are widely varied amongst countries. Cambodia, for example, imposes from 5 percent to 10 percent of export tax on only five products (sand, unprocessed rubber, uncut precious stones, processed wood, aquatic products), while Myanmar collects up to three types of taxes upon exportation, including 2 percent advance income tax on every exported goods, a specific goods tax on manufactured goods, and another 5-50 percent of commercial taxes on seven products (raw gems, finished gems, electricity, gas, crude oil, teak and conversions, and timber and conversions).

As export tax adds to the costs of your export, it is advisable to find out in advance what categories of export are levied with tax and what rates apply. Bear in mind that if you are a foreign investor you may be eligible for a tax exemption in some countries. Get very well-aware of the taxation regulations on your exported goods.

Advice for SME exporters: Export tax

Be well-aware of the taxes and taxation regulations on your exports.

Step 8. Obtaining the Certificate of Origin

After the goods are customs cleared and loaded on board the vessel, you can get the Bill of Lading from the shipping company. Now you can apply for a Certificate of Origin (CO) with the CO issuing organization in your country.

What is a CO

- A certificate of origin is a trade document that certifies the country of growth, production or manufacture of export goods.
- A CO is often required by the customs in the importing country as documentary evidence that the goods originated in the country stated in the certificate, commercial invoice, or packing list.

- A certificate of origin may also be required by the buyer in the documentary requirements stated within a letter of credit. The letter of credit may specify additional certifications or language that must be noted.

Types of CO

- Preferential CO (PCO), which allows your buyer to pay lower or no customs duty when you export your goods under a Free Trade Agreement (FTA) or Scheme of Preferences. The FTA or the Preferential Scheme often defines the form of PCO to be used to obtain its benefits; and
- Non-preferential CO, or ordinary CO, which purely establish evidence on origin of goods imported into a country.

Who can issue the CO

- By the manufacturer/ exporter

Some countries and FTAs accept self-certification of origin by the qualified trusted exporters, for example the ASEAN Trade in Goods Agreement (ATIGA)⁶.

- By chambers of commerce

Chamber of commerce is often authorized to issue the non-preferential COs. They have a historical background as an issuing agency, which dates back to the first CO issuance by the Marseille Province Chamber of Commerce in the 19th century and the formalization by the 1923 Geneva Convention.

- By the authorized CO issuing agencies

Different organizations can be authorized by the government to issue non-preferential and preferential COs in different countries. For example, PCOs are issued by Singapore Customs in Singapore, and by the Federation of Malaysian Manufacturers in Malaysia.

Advice for SME exporters: Find out who issues PCOs in your country

For exports under different FTA, specified agencies are authorized to issue the preferential certificates of origin in every ASEAN Member State. They shall also provide services relating to issue of CO, including details regarding rules of origin, list of items covered by an agreement, extent of tariff preference, verification and certification of eligibility.

⁶The exporter is supposed to do it in the invoice declaration, billing statement, delivery order or packing list, instead of issuing Form D.



Step 9. Dispatch of shipment advice to the importer

At last, you send a Shipment Advice to the importer intimating the date of shipment of the consignment by a named vessel and its expected time of arrival at the destination port of the importer. You also send the importer the following documents:

- Bill of Lading (non-negotiable copy)
- Commercial Invoice
- Packing List
- Customs Invoice

Step 10. Submitting documents to bank to get payment

Now you present the following documents to the L/C opening bank to get paid:

- Commercial Invoice'
- Certificate of Origin
- Packing List
- Letter of Credit
- Marine Insurance Policy
- Bill of Lading
- Bill of Exchange
- Bank Certification
- Commercial Invoice
- ... and any documents required in the L/C to get payment

A typical letter of credit transaction

Here is what typically happens when payment is made by an irrevocable letter of credit confirmed by a local bank:

1. After the exporter and importer agree on the terms and condition of a sales contract, the importer arranges for its bank to open a L/C.
2. The importer's bank, called the issuing bank, prepares an irrevocable L/C, including all instructions to the exporter concerning the shipment.
3. The importer's bank sends the irrevocable L/C to a local bank, requesting confirmation. The SME exporter may request that a particular bank be the confirming bank, or the foreign bank selects one of its local correspondent banks.
4. The exporter's confirming bank prepares a letter of confirmation and forwards to the SME exporter along with the irrevocable L/C.
5. The SME exporter reviews all conditions in the L/C carefully. The freight forwarder should be contacted to make sure that the shipping date can be met. If the SME exporter cannot comply with one or more of the conditions, he/ she should be alerted.
6. The SME exporter arranges with the freight forwarder to deliver the goods to the appropriate port or airport.
7. When the goods are loaded, the forwarder completes the necessary shipping documents.
8. The SME exporter (or the forwarder) presents to the local confirming bank the documents indicating full compliance.
9. The bank reviews the documents. If they are in order, the full set of documents are airmailed to the L/C issuing bank for review and forwarded to the importer.
10. The importer gets the documents that may be needed to claim the goods from the shipping company or the airline.



Advice for SME exporters: Tips on using a letter of credit

- When preparing quotations for prospective customers, the SME exporter should keep in mind that banks pay only the amount specified in the L/C, even if higher charges for shipping, insurance, or other factors are documented.
- Upon receiving an L/C, the SME exporter should carefully compare the L/C's terms with the terms of its pro forma quotation. This is extremely important, since the terms must be precisely met. Otherwise, the L/C may be invalid and the SME may not be paid. If meeting the L/C's terms is impossible or any of the information is incorrect or misspelled, the exporter should get in touch with the importer without delay ask for an L/C amendment to correct the problem.
- The SME exporter must present to the bank documentation showing that the goods were shipped by the date specified in the L/C. Exporters should check with their freight forwarders to make sure that no unusual conditions may arise that would delay shipment. Similarly, documents must be presented by the date specified for L/C to be paid. Exporters should verify with their international bankers that sufficient time will be available for timely presentation.
- SMEs exporters should always request that the L/C specify that partial shipments and transshipment will be allowed. Doing so prevents unforeseen problems at the last minute.

NOTE TO SMES

This Part presents a generalized export process. The import and export procedures may vary from country to country. ASEAN SMEs should check what applies for both his/ her own country and the import country. Appendix 4 gives useful links for both exporters and importers from the ten (10) ASEAN Member States. They can help you find out about procedures, requirements, tariff and taxes, non-tariff measures, contact agencies and persons, etc. related to export and import in each country. Appendix 5 summarizes the export processes and requirements per ASEAN Member State. They are useful for ASEAN SMEs that want to export to another ASEAN market.

Get well-prepared!

Part 4. Innovation for Export

Now following the key export strategies you know that there are two (2) types of export markets for ASEAN SMEs.

- Developed economies

Despite of the slow growth, developed economies, in particular the US and the EU will continue to play a key role over the medium term and beyond, especially for global value chains (GVCs) and related production networks involving the intra-regional trade of parts and components aimed at producing final goods for these external markets.

- ASEAN itself and ASEAN Plus as a market

Fortunately this region is covered by a few FTAs amongst AMSs and ASEAN with the key trading partners, including Japan, Korea, China, Australia and New Zealand. In short, let's call it the ASEAN Plus region. The expanding regional market presents significant growth opportunities for ASEAN firms, including SMEs. However, the ASEAN and ASEAN Plus markets and consumers will continue to have very different characteristics than those in developed economies, requiring innovations in products, production processes, and business models.

We suggest three (3) directions to innovate for export:

- Exploring new manufacturing products
- Finding new markets
- Inventing new services

Exploring new manufacturing products

The failure rate for new products and services can be as high as 90% in some sectors. It can even be higher when you create a new product for a foreign market. Do it in a structured way to optimize your product's chance in the international market.

Identify an opportunity and generate a new idea to fill it

Talk to your current and potential customers about

- their needs;
- their levels of satisfaction with the current products available to them on the market, not just your products;



- what are their needs but not yet satisfied;
- their consumption habits and the technical possibilities for improving existing products.

Measure the opportunity

- Analyze the segment or segments that the product is geared toward;
- Predict the future buying habits as much as possible.

Develop the concept

In this phase, the new product idea should be refined to best serve the needs of potential clients and stand out from the competition.

- You can do it by asking the leading users who may foresee future needs in the market.
- You can also rely on a team with expertise in various areas: designer, production people for the technical requirements, marketing experts for reaching customers, and finance and management departments for determining what funds are available. You do not have all those people in a small enterprises but you can surely have friends and work relationships to do it.

The three golden aims in this phase are to satisfy the **client**, stand out from the **competition**, and show the greatest potential for turning a **profit**.

Testing

Now you create your prototype and assess how well it performs. Ask yourself whether your product:

- Offers a series of features that satisfy customer needs?
- Arrives on the market at an opportune time?
- Performs efficiently with regards to development and manufacturing costs?
- Maintains a healthy balance between the launch cost and the product's capacity to make a profit?

It is also good to keep in mind that early investment in cost reduction can increase profitability. Cutting product prices can increase market share, which in turn trims distribution costs and discourages the competition. Repeat this step over and over until you are fully confident to put the prototype into production.

Position and launch

- You should decide on its strategic positioning: How do you want potential customers to perceive the product? Take into account economic, functional and emotional factors.
- Traditionally, functional innovations were emphasized in new products. But this approach has become less sustainable in the current business environment, as technology advances allow competitors to respond and new innovations to enter the market quickly. When price and features of rival products are similar, differentiation is largely due to emotional factor. This is at the heart of the relevance of brand image, communication and the so-called intangible attributes of a service or product.

Good luck with your new product!

Finding new markets

Follow some simple steps to identify and analyze new markets for your goods and service export.

Finding good sources of information

To succeed in exporting, you must first identify the most profitable international markets for your products or services. Without proper guidance and assistance, however, this process can be time consuming and costly, particularly for an SME. Begin with finding the reliable information sources at a reasonable cost for you. The practical source of information to check include your country's commercial Attaché and commercial service abroad, business associations, chamber of commerce.

Determining the most penetrable markets

You should identify the most profitable foreign markets for your products or services. After classifying your goods and services, you will need to:

- Find countries with the largest and fastest growing markets for your product
At this stage of your research, you should consider where your domestic competitors are exporting. Trade associations can often provide data on where companies in a particular industry sector are exporting their products. Also check with the customs data. Then you define and narrow a few prospective foreign markets for your current product portfolio.
- Determine which foreign markets will be the most penetrable

Examine the prospective foreign markets in details. You should ask the following questions:



- How does the quality of your product or service compare with that of goods already available in your target foreign markets?
- Is your price competitive in the markets you are considering?
- Who are your major customers?

Other important issues about the target foreign markets you should explore are:

- Overall country economic profile;
- Political risks;
- The culture and local ethnicity;
- Whether any product modifications, such as packaging or labelling, will make the product more "exportable"; and
- market barriers, such as tariffs, technical specifications, and other non-tariff barriers exist for your product.

Many resources are available to help you select which foreign markets are most conducive to selling your product. Do a little homework online and check with the consular and commercial service sources.

Defining which markets to pursue

Finally you have almost all the information available, do the following:

- Define and narrow those export markets you intend to pursue;
- Talk to your national customers doing business internationally;
- Research export efforts of your competitors;
- Choose a new market for your business.

Inventing new services

The world's service market is growing much faster than the world's merchandise market. For a single country, the international service market is growing much faster than the domestic market. Some of the ASEAN Member States are the world leaders in some specific services, e.g. the Philippines in the Business Process Outsourcing (BPO).

Unlike goods export, services frequently must be tailored to the specific needs of the client. Such adaptation often necessitates the client's direct participation and cooperation. This is a great area for innovation and business opportunities for SMEs just like you. However, involving the client requires the service provider to possess interpersonal skills and cultural sensitivity. Nowadays, updating with technological development and improving your skills in Information Communication Technology

(ICT) is important for SMEs to innovate in service export.

For inventing new services, think out of the box and work your imagination over the following areas.

1. Business and professional services

- Business services: accounting, advertising, computer, legal, and management consulting
- Professional services: architectural and engineering, mechanical and electrical Monitoring and Evaluation (M&E), dental services, veterinary services, and the services provided by nurses, midwives etc.

- The trend: There has been a fast growing demand for personalization in these services. Combine it with the latest technological advances, especially in ICT, and there will be great market opportunities for ASEAN SMEs.

2. Distribution services

- commission agents' services, wholesale trade services, retailing services and franchising, e-commerce

- The trend: In all countries, distribution represents a large share of domestic production and employment. The industry is highly dynamic and changing rapidly. There is a trend towards greater concentration and the rapid development of new forms of competition - for example, through e-commerce. E-commerce can be service or product oriented and is expected to grow dramatically as the existing 400 million Internet users worldwide represents only about 7 percent of the world's population.

3. Communication services

- Communication services: postal and courier, express mail services, telecommunications
- Information services: e-mail, funds transfer and data interchange, data processing and transmission, online services and network services, software and computer game development, computer operations, computer consulting, and systems integration

- The trend: The United States leads the world in marketing new ICT technologies. There are great opportunities for young and fast growing SMEs and workforce from ASEAN and East Asia in computer operations, data processing and transmission, online services, computer consulting, systems integration, software and computer game development.

4. Educational services

- primary, secondary, post-secondary and adult education services, as well as specialized training such as for sports, language, management, agricultural and fishery extension, technical training

- The trend: The export market for education and training is almost limitless, encompassing most industry sectors for products and services. There is a growing demand in ASEAN and East Asia for tutorial services, extra curricula activities, and going abroad for secondary and graduate education.

5. Construction services

- construction work for buildings and civil engineering, installation and assembly work, building completion and finishing work
- The trend: The construction industry accounts for around one-tenth of the world's GDP and 7 per cent of employment. Three key trading partners of ASEAN are the largest national markets: The US market still dominates the global scene as the largest national construction market, representing 25 per cent of the world total. Japan is second, followed by China.

6. Environmental services

- sewage services, refuse disposal, sanitation and similar services, reducing vehicle emissions, noise abatement services, nature and landscape protection services and “other” environmental services.
- The trend: The industry has evolved in response to growing concern about the risks and costs of pollution and to the enactment of pollution control legislation around the world. The fast growth is expected around the world in reusable and degradable packaging, electronic waste management and water disinfection, and in developing countries in waste/ and waste treatment services, driven by accelerating industrialization.

7. Financial services

- Insurance and insurance related services, banking, financial trading, asset management, brokerages, settlement and clearing services, provision financial information and advisory services, securities trading and exchanges, account management, credit card operations, and collection management
- The trend: The key trends are adaptation and adjustment of banking and financial services towards emergence of fintech firms, use of open applications, Cybersecurity investment, adapted public cloud services, robotic process automation, biometric authentication tools and augmented reality for enhanced customer experience.

8. Health and social services

- Hospital services (i.e. health services delivered under the supervision of doctors), ambulance services and residential health facilities, preventive health, regular health care, social services and related services⁷.
- The trend: There is a trend towards personalized services and a growing demand for client's

⁷ dental services, veterinary services and the services provided by nurses, midwives etc., which are grouped separately under “professional services”.

direct participation in health care and medical test, including self-test.

9. Tourism and travel-related services

- Hotels and restaurants (including catering), travel agencies and tour operator services, tourist guide services and other related services.

- The trend: International tourism entails the cross-border movement of consumers. This permits even unskilled workers in remote areas to become services exporters, for instance, by selling craft items, performing in cultural shows, or working in a tourism lodge. The key trends include millennials⁸, active and adventure trips, female solo travel, food tourism, responsible tourism, mobile photography, and business and leisure travel.

10. Recreational, cultural and sporting services

- Audiovisual, performing arts, arts training, entertainment, museum and preservation services, sports, sport training and recreational sports services, and other amusement and recreational services.

- The trend: There is a trend towards application of new digital technologies, online entertainment and satellite downloads of movies, songs, videos, virtual and mixed reality, edutainment⁹, and multi-channel experience. Faster, smarter and more powerful multimedia communications devices and more on-demand interactive content and programming will be required. They represent large opportunities for dynamic ASEAN SME service providers.

11. Transport services

- Passenger and cargo transport through aviation, ocean shipping, inland waterways, railroads, trucking, pipelines, and intermodal services, as well as ancillary and support services such as cargo-handling services, storage and warehouse services, freight transport agency services, container rental, etc. in ports, airports, rail yards, and truck terminals

- It is the indispensable service for goods export as well as transporting business and leisure travelers around the world.

- The trend: The key trends in cargo transport and logistics industry includes increasing focus on regulatory oversight and, outsourcing of freight data and payment management and combination of mobile computing, analytics, and cloud services fix problems in logistics. For personal and passenger transport, the growing demand is for collaborative consumption, especially among millennials, electric drive-train, autonomous vehicles, connected vehicles, efficient multimodal network, and new materials for light-weighting.

12. Energy services

- Energy-related activities which are not exclusive to the energy industry, but also covered

⁸) people reaching young adulthood in the early 21st century

⁹) the merger of entertainment and education



by other services sectors, such as transport, distribution, construction, consulting, and engineering.

- The trend: The demand for innovative energy solutions, energy efficiency and green energy is growing. As energy service company or energy savings company (ESCO), SMEs can provide a broad range of energy services including designs and implementation of energy savings projects, retrofitting, energy conservation, energy infrastructure outsourcing, small-scaled power generation and energy supply, and risk management.

Advice for SME exporters: Service innovation

- Clients are not necessarily foreigners.
- Look for goods exporters.
- Learn rules and regulations of the import market.
- Prepare your strategy and business plan well in advance.
- Diversify your modes of supply.
- Learn about people, language, culture, invest in them.
- Examine your country's support for service exports.

Part 5. Reaping Benefits from FTAs

What is an FTA

FTA stands for Free Trade Agreement. There are many FTA definitions. Some of them are:

- An FTA is an arrangement between two or more countries under which they agree to reduce/eliminate tariffs and non-tariff barriers on substantial trade in goods among themselves. The agreement may also cover Services, Investment, economic cooperation etc. (Trade Issues)
- An FTA is an agreement under which the countries that have signed it provide each other with exclusive trade benefits by abolishing or reducing tariffs and other barriers to trade in goods and services between the countries. (Korea Customs Service)
- An FTA is a treaty between two or more countries to establish a free trade area where commerce in goods and services can be conducted across their common borders, without tariffs or hindrances. (Business Dictionary)

Key features of an FTA

Although the definitions may read different, they have some common features as follows:

- An FTA is designed to reduce and eliminate the barriers to trade among the Parties.
 - The barriers to trade come in the form of (i) tariffs; and (ii) non-tariff measures/barriers. They are often put in place by the governments to help protect local markets and industries.
 - Nowadays, more and more trade measures come in the form of non-tariff measures, e.g. import license, technical barrier to trade (TBT), pre-shipment inspections (INSP) and so on (for more information about non-tariff measures see Appendix 5).
- An FTA generally covers three (3) key areas, including:
 - Trade in Goods;
 - Trade in Services; and
 - Investment.

It may also cover other areas such as intellectual property rights (IPR), competition, government procurement, SMEs, e-commerce and so on.

- The exact nature and scope of the preferential treatment (i.e. more favorable terms and conditions for trade and economic cooperation) differ across the FTAs.

Different terms related to FTAs

When studying international trade, you may come across a jungle of terms like FTA, PTA, RTA, CECA, CEPA, EPA, Customs Union, Common Market and so on. What are these and how they are related to Free Trade Agreements? Here are simple explanations.

1. PTA (Preferential Trade Agreement): A PTA is an agreement in which two or more Parties agree to reduce tariffs on a limited number of tariff lines. The list of products on which the Parties agree to reduce or eliminate duties is called the positive list. Laos-Thailand PTA is an example. A PTA offers unilateral trade preferences, such as the preferential tariffs and other non-reciprocal preferential schemes that one party grant to the other.

- The key difference between an FTA and a PTA

A PTA serves to reduce tariffs but not completely eliminate them. An FTA often has a roadmap for reducing tariffs and eventually eliminating tariffs completely. Thus, compared to PTAs, FTAs generally are more ambitious in coverage of tariff lines (products) on which tariff is to be reduced.

A PTA mainly deals with trade in goods while an FTA covers trade in goods, trade in services, investment and even some other areas. So FTAs cover more areas of business and cooperation among economies.

2. RTA (Regional Trade Agreement): An RTA is a reciprocal trade agreement between two or more countries. RTAs include free trade agreements and customs unions. The ASEAN Free Trade Area (AFTA) is an example.

3. CECA (Comprehensive Economic Cooperation Agreement), CEPA (Comprehensive Economic Partnership Agreement) and EPA (Economic Partnership Agreement): These terms are sometimes used interchangeably to describe agreements which consist of an integrated package on goods, services and investment along with other areas including IRP, competition, e-commerce, etc. By nature, they are different names for FTA. India-Singapore CECA, Malaysia-Pakistan CEPA and Japan-Viet Nam EPA are a few examples.

4. Custom Union: A Customs Union is a group of countries who agree to have free trade at zero duty amongst themselves and to maintain a common external tariff on imports from countries outside the zone. For example, the European Economic Community (EEC), which later became a part of the European Union, was a customs union. When the UK joined in 1974, the UK had free trade with other EEC members but had to impose tariffs on former Commonwealth countries outside the EEC like Australia and New Zealand.

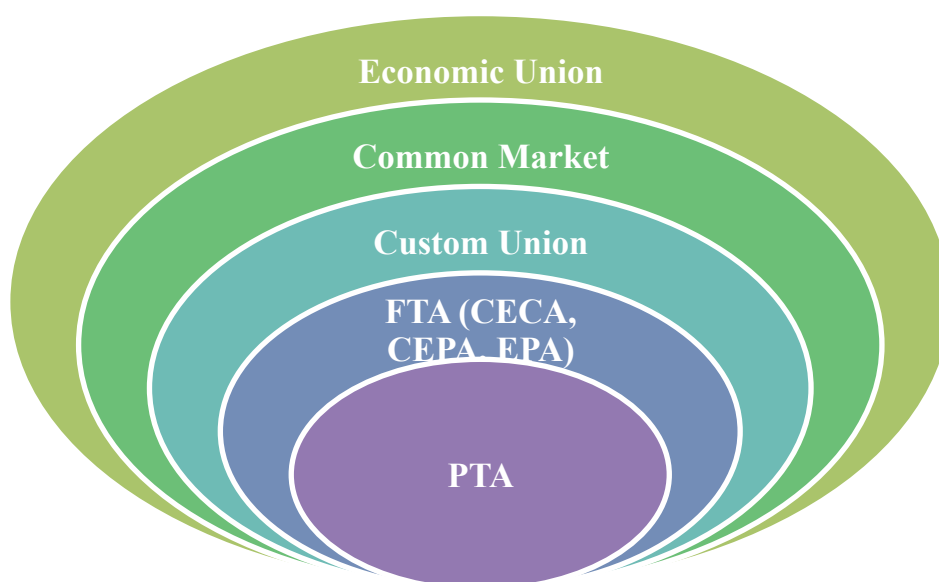
5. Common Market: A Common Market is a Customs Union with provisions to facilitate free

movements of labor and capital, harmonize technical standards across members, etc. Therefore, integration provided by a Common Market is one step deeper than that by a Customs Union. The ASEAN Economic Community (AEC) and the European Common Market are examples.

6. Economic Union: An Economic Union is a Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial and legislative institutions. The European Union is the most prominent economic union so far.

The coverage of these terms can be illustrated by the figure below.

Figure 3. Coverage of free trade-related terms



For the purpose of this Guidebook, the term FTA is used for all preferential trade agreements amongst ASEAN Member States, the ASEAN as a trade block and non-ASEAN trading partners.

Benefits of FTAs

For you as an SME from ASEAN Member States, FTAs can bring a lot of benefits, including:

1. Making your exports cheaper with reduced tariff and costs

In a typical pricing model, the import duty is added to the FOB value of the product, and then a sales/ value-added tax is imposed on top. FTAs can potentially reduce one of the cost components - import duties. The costs related to export-import documents and procedures, waiting time can also be dramatically cut down due to simplified requirements. This would make your exports more competitive, as compared to exporters from non-FTA partner countries.

2. Giving you easier entry into your export market(s)

FTAs allow for freer flow of goods, services and investment by giving the economies involved in the agreement preferred access to one another's markets. Beyond import duties, FTAs can also allow for other preferential treatments, such as increased export quotas and other NTB reductions. This exclusive treatment would thus give a greater advantage to exporters from the member countries, as compared to competitors from the non-member countries.

3. Ensuring business stability

Import duties and NTBs are largely dependent on individual countries' trade policies. Countries have the right to increase/reduce import duties when necessary. Such decisions can severely affect long-term exports into these markets. However, FTA preferential rates are legally binding and signatory countries have to abide by the concessions offered. This ensures stability for exporters in the long run.

Example: *Volatile import duties on Gold Dore Bars from Singapore into India*

	January 2013	June 2013	January 2015	ASEAN-India FTA
Import Duty	6%	8%	10%	0%
Export Value	\$100,000	\$100,000	\$100,000	\$100,000
Duties Payable	\$6,000	\$8,000	\$10,000	\$0

4. Making you more accessible to SME-specific capacity building and trade facilitation services

Many new-generation FTAs contain some articles or a chapter on micro, small and medium-sized enterprises. They often hold the countries accountable for assisting SMEs to take advantage of the emerging commercial opportunities under the FTAs. For example, the Singapore-Costa Rica Free Trade Agreement (SCRFTA) allows measures to assist SMEs to gain access to the government procurement market, and requires cooperation in promoting and facilitating the use of electronic commerce by SMEs, in increasing their export capacity, competitiveness and insertion in the international markets by, for example, designing and executing mechanisms to encourage partnerships and development of productive linkages, or exchanging of information between the two parties. Such provisions will benefit both SMEs who directly export and those who supply exporting firms.

For the purpose of this Guidebook, we will focus on the benefits for ASEAN SME exporters from preferential tariffs in FTAs.

Understanding ROO in FTA application

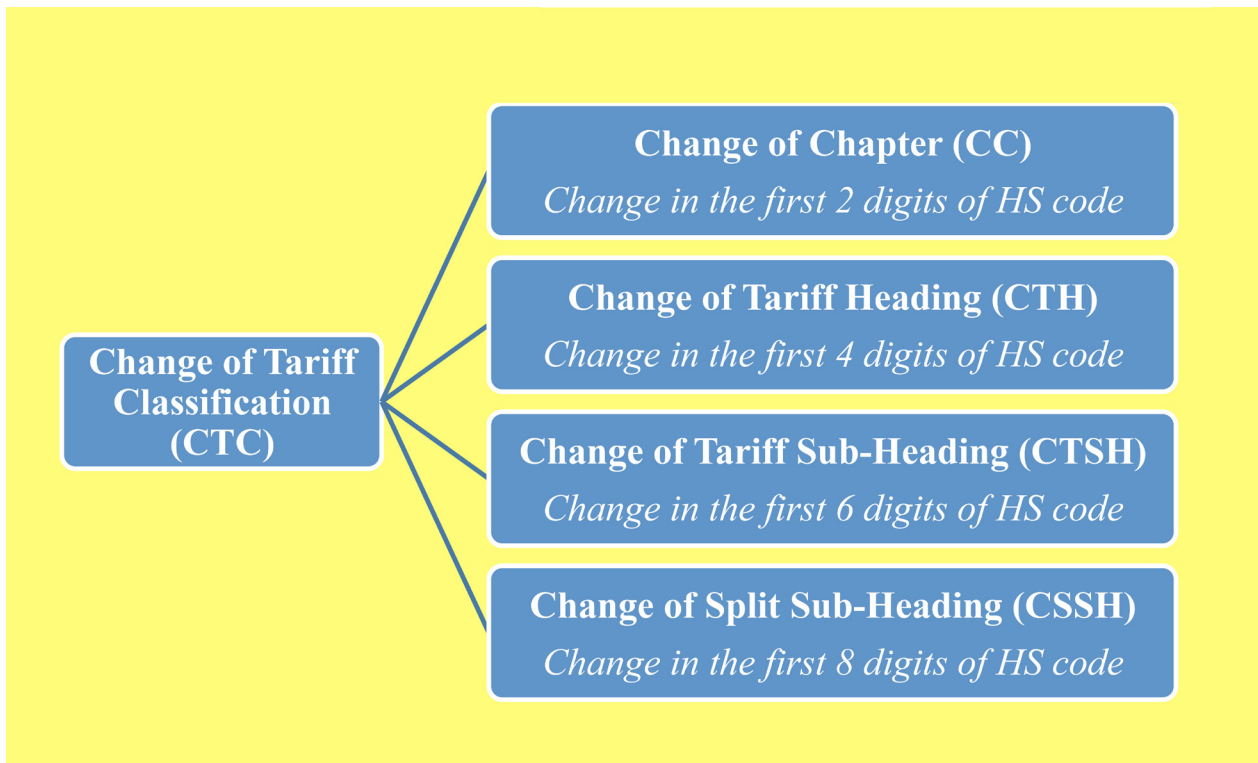
Rules of Origin (ROO) are the criteria needed to determine the national source of a product. ROO are used for many purposes, including trade statistics, government procurement, application of labeling and marking requirements, measures and instruments of commercial policy anti-dumping duties and safeguard measures. In the context of FTA application, ROO are very important since the import duties and restrictions in several cases depend upon the source of imports.

The preferential tariffs and/ or treatment under an FTA are normally provided on the following conditions:

- The good qualifies as an originating good, for which ROO have been satisfied; and
 - The correct form of Preferential Certificate of Origin (PCO) is used.
- In general there are three (3) types of rules related to ROO in FTAs:
- **Wholly Obtained Rule:** The good is an originating good if it is whole obtained or produced entirely in the Party, i.e. the country that has signed the FTA. There is an article in the FTA to define the Goods Wholly Obtained or Produced.
 - **Product-Specific Rules (PSR):** They are the rules of origin that are specific to certain products or product sectors. Different PSR are applied under different FTAs and they can be specified in different articles or annexes.
 - **General Rules:** If your good is not wholly obtained or in the PSR lists, it can still be eligible for preferential treatment under the general rules of an FTA. The general rules often require that:
 - The good has no less than a certain percentage of regional value content (RVC). There can be one or a few formulas to calculate the RVC specified in the FTA.
 - Non-originating materials have undergone a substantial transformation. Although there are a few methods of determining the substantial transformation¹⁰, the FTAs to which AMSs are signatories most often use a Change of Tariff Classification (CTC) of the Harmonized System (HS). Depending on each FTA, the required CTC can be a change to the first 2, 4, 6 or 8 digits of the HS code of the good.

⁽¹⁰⁾ The 1974 Kyoto Convention listed three methods of determining origin, namely Change of Tariff Classification, Ad Valorem percentage, and Manufacturing or Processing Operations.

Figure 4. Change of tariff classification applied in FTAs



These are the most commonly used general rule for ROO. In a specific FTA, it can be one, both or either of these two.

There is usually a form of PCO that must be used to obtain the preferential treatment under an FTA. So check the contents of each FTA carefully.

How to reap benefits from FTAs

For an SME exporter to get benefits from FTA preferential tariffs there are nine (9) simple steps to follow:

- Step 1. Check what FTAs are applicable to the market you are exporting to
- Step 2. Select the FTA you want to use
- Step 3. Determine the Harmonized System (HS) code for your product
- Step 4. Check if your product is offered tariff concession under the FTA
- Step 5. Check if your product satisfied the Rules of Origin of the FTA
- Step 6. Check what the preferential CO and where you should apply for if the ROO is satisfied.
- Step 7. Move to the next FTA and repeat Steps 4 to 6
- Step 8. Choose the FTA with the best tariff and requirements for your product
- Step 9. Comply with documentary requirements and apply for CO

An example of applying FTAs for a product

Let's look at an example to see how it works. You are an SME from Singapore and you want to export telephone answering machine to Japan. You process as follows.

Step 1:

You found out that there are two (2) FTAs applicable for exports from Singapore to Japan. They are (i) the Japan-Singapore Economic Agreement for a New-Age Partnership (JSEPA), in effect as of November 30th, 2002; and (ii) the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), in effect as of January 1st, 2010.

Step 2:

You think the more recent FTA may offer better preferential treatment and you choose the AJCEP to start with.

Step 3:

You look up the Harmonized System and find out that the HS code for telephone answering machine is HS 8519.50.

Step 4:

You use the tariff finder function on the ASEAN's website¹¹ and found out that the tariff for the HS code is zero percent¹².

Step 5:

You wonder if your telephone answering machine is eligible for the AJCEP preferential tariff. You found out that it has to satisfy the Rule of Origin (ROO) of the FTA to get this benefit. The AJCEP has a number of different types of ROO for determining if a good is an originating good. The first one is the wholly produced or obtained goods ROO - Article 25. Your product has been made of originating materials from Singapore and a telephone base station from China. So it does not satisfy the Wholly Obtained Rule. It is not produced entirely in Singapore exclusively from originating materials of AMS or Japan, so it is not an originating good under the Article 24 (c). Now, there are two (2) systems to determining the origin for manufactured goods under the AJCEP: the Product-Specific Rule (PSR) of Origin, and the General Rule. In the AJCEP, there are PSRs for certain industries only - Annex 2; and your product does not fall under that list. In this case, you have to comply with the General Rule for Goods not Whole Obtained - Article 26.

The general rule requires that

- 40% of the product's content must originate from the ASEAN-Japan region; or

⁽¹¹⁾ ASEAN's website is available at www.asean.org; AJCEP tariff finder at ajcep.asean.org.

⁽¹²⁾ For Singapore, tariff rates (customs duties) are at zero percent as from the entry into force of AJCEP (for all originating goods).



- non-originating raw materials must have undergone a Change in Tariff Classification (CTC) at the 4-digit level, i.e. a Change in Tariff Heading (CTH) of the HS code from the finished good

You realize that the HS code of the finished good (the telephone answering machine) is 8519.50 and that of the non-originating part (the telephone base station) is 8517.63. So there is a change in the first 4 digits of the HS code, i.e. a CTH. Therefore, your export product is eligible for the 0% preferential tariff under the AJCEP.

You do not have to calculate the regional value content (RVC) under Article 27 in this case. But if you came to do so, you would find out how fortunate you were. Using the formula

$$RVC = (FOB - VNM) \times 100\% / FOB$$

you would realize that the value of non-originating material (VNM) was \$6, and the finished product was to be sold for \$8 FOB, the RVC was 25% and below the RVC(40) requirement (i.e. 40% of the product's content must originate from one or more of the ASEAN Member States and Japan). The ROO satisfied for the telephone answering machine is CTH, not RVC(40) in this case.

Step 6:

You found out that you should use Form AJ to benefit from the 0% preferential tariff under AJCEP. You can download the form from the ASEAN's tariff finder website, too.

In Singapore, there are two (2) types of COs, namely ordinary COs and preferential COs. **Ordinary COs** are issued by Singapore Customs or any of the following authorized organizations:

- Singapore Chinese Chamber of Commerce and Industry
- Singapore Indian Chamber of Commerce and Industry
- Singapore International Chamber of Commerce
- Singapore Malay Chamber of Commerce and Industry
- Singapore Manufacturing Federation

These authorized organizations issue ordinary COs for locally manufactured or processed goods, and goods from other countries which are re-exported from Singapore. However, they do not issue ordinary COs for the export of Singapore-origin textiles and textile goods to the United States of America.

Preferential COs are issued only by Singapore Customs. Form AJ is a preferential CO that allows your Japanese buyer to pay no custom duty on the imported telephone answering machine. So you

should apply for a preferential CO with Singapore Customs.

Step 7:

Now you move to the Japan-Singapore Economic Agreement for a New-Age Partnership (JSEPA) and repeat Steps 4 to 6. You find out that you can also enjoy the 0% preferential tariff and apply for a preferential CO with Singapore Customs.

Step 8:

You choose to utilize AJCEP for the transaction.

Step 9: Comply with documentary requirements and apply for CO

In Singapore, you do the following to apply for the PCO.

1. Register your Manufacturing Premises

- Register using the manufacturer's application form.
- Singapore Customs will arrange to visit your factory to verify the production processes for the goods specified in your application to ensure that they meet the requirements. Financial and operation records may also be inspected as part of this visit.
- The manufacturer's registration will be valid for 2 years from the date of your successful registration.
- You may skip this step if you are already registered with Singapore Customs as a manufacturer for the specific goods.

2. Submit the Manufacturing Cost Statement

- After registration, submit the manufacturing cost statement to Singapore Customs for verification that the goods in question meet the origin criteria under the respective Free Trade Agreements and Schemes, specifically AJCEP in this case.
- The submission should be made under the respective formats. The cost statement will be valid for 1 year from the date of the manufacturing cost statement.
- You may skip this step if your submission is still valid.

3. Apply for Preferential Certificate of Origin (PCO)

- Apply for a PCO with export permit under the respective Free Trade Agreements or Schemes, specifically the AJCEP in this case.
- In Singapore you apply for a PCO via TradeNet¹³.

¹³ TradeNet is an electronic data interchange system that links traders, hauliers, shipping lines, freight forwarders, airlines and handling agents with government agencies like the Trade Development Board (TDB; now known as International Enterprise Singapore), Singapore Customs, and the air and sea port authorities.[2] TradeNet functions as an electronic clearing house for trading papers to be processed and approved by the relevant government agencies.

Read Handbook at https://www.customs.gov.sg/~/-/media/cus/files/business/exporting%20goods/cert%20of%20origin/handbook%20on%20the%20application%20procedures%20for%20a%20certificate%20of%20origin%20via%20tradenet%20%20and%20related%20administrative%20matters_dec2016.pdf?la=en

4. Collect the Preferential Certificate of Origin

- The CO must be collected within 1 month from its approval date. The exporter may authorise a person to collect the CO on their behalf.
- The authorised person is required to produce the Letter of Authorisation **issued by the exporter** for verification during collection. Check document requirement for collecting CO of different form under different FTAs before coming.
- Please ensure that the information on the CO is accurate and tick the relevant check boxes before signing on the CO and dispatching it to your overseas customer. Explanation on the check boxes are found on the overleaf notes of the CO.

FTAs of ASEAN Member States

SMEs from ASEAN Member States (AMS) can benefit from a large number of FTAs. They can be: (i) intra-ASEAN FTAs, (ii) ASEAN plus FTAs; and (iii) individual AMS's bilateral FTAs.

There is one **intra-ASEAN FTA** among the ten (10) ASEAN Member States:

- ASEAN Trade in Goods Agreement (ATIGA) in effect as of May 17th, 2010

The liberalization of tariffs for trade in goods within ASEAN is a process, starting from the establishment of the ASEAN Free Trade Area (AFTA) in 1992. It was initially implemented through the Common Effective Preferential Tariff (CEPT) Scheme. The CEPT Scheme was then superseded by the ASEAN Trade in Goods Agreement, which was signed in 2009 and came into force in 2010. The ATIGA enhances the AFTA Agreement by adding new initiatives such as:

- Comprehensive coverage in Trade in Goods;
- More liberalized tariff reduction schedules;
- Streamlined provisions on modification of concessions and trade remedies;
- Non-Tariff Measures;
- Trade facilitation and related chapters; and
- Trade repository.

SMEs enjoy all the benefits from the AFTA. Form D¹⁴ is required in order to avail of the preferential tariffs. Wholly Obtained Rules apply. ATIGA has PSR for textiles/ textile products and PSRs for some other products. Otherwise, to get the benefits of the preferential tariffs the product must satisfy the general rules, specifically:

- 40% of the product's content must originate from the ASEAN region; or
- non-originating raw materials must have undergone a change in the first 4 digits of the HS code from the finished good.

ASEAN plus FTAs include five (5) FTAs which have been in effect and two (2) FTAs which are

⁽¹⁴⁾ Accessible on <http://www.asean.org/wp-content/uploads/images/2013/economic/afta/annex%207%20co%20form%20d%20revised%20-%20box%209%20and%20overleaf%20notes.pdf>

being negotiated between ASEAN and key trading partners. The five (5) in effect are:

1. ASEAN-China Free Trade Area (ACFTA), in effect as of January 1st, 2005¹⁵

For SME exporters, it offers the following benefits:

- ACFTA eliminates tariffs on 90% of originating goods. The average tariff rate on Chinese goods sold in ASEAN countries decreased from 12.8% to 0.6% and the average tariff rate on ASEAN goods sold in China decreased from 9.8 to 0.1%.
- Allows for back-to-back shipment of goods within member countries.
- Allows for third-party invoicing of goods.
- Allows for ASEAN - China Cumulation.

To get the benefits of the preferential tariffs, Form E¹⁶ is required. There are Wholly Produced Rules and PSR. Otherwise the product must satisfy the general rules, specifically:

- 40% of the product's content must originate from the ASEAN-China region.

2. ASEAN-India Free Trade Area (AIFTA)¹⁷, in effect as of January 1st, 2010

Key benefits for SME exporters include:

- AIFTA covers approximately 90% of the tariff lines trade between ASEAN and India.
- Allows for back-to-back shipment of goods within member countries.
- Allows for third-party invoicing of goods.
- Allows for ASEAN - India Cumulation.

The AIFTA does not have PSR. To get the benefits of the preferential tariffs, Form AI¹⁸ is required and the product must satisfy the Rule of Origin, specifically:

- 35% of the product's content must originate from the ASEAN-India region; **and**
- non-originating raw materials must have undergone at least a change in the first 6 digits of the HS code from the finished good

3. ASEAN-Japan Comprehensive Economic Partnership (AJCEP), in effect as of December 1st, 2008

Key benefits for SME exporters include:

- AJCEP eliminates tariff for products in the member countries' Normal Track within 10 years for Japan, ASEAN-6 and Viet Nam, and 13 years for Cambodia, Lao and Myanmar (CLM). The thresholds for tariff elimination are 92% for Japan and 90% for ASEAN-6 and Viet Nam based on tariff lines and trade value; and 90% for CLM based on either tariff line or trade value.
- Allows for back-to-back shipment of goods within member countries.
- Allows for third-party invoicing of goods.
- Allows for ASEAN - Japan Cumulation.

¹⁵ Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China

¹⁶ Accessible on http://asean.org/?static_post=asean-china-free-trade-area-2

¹⁷ Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the Republic of India

¹⁸ Accessible on http://asean.org/?static_post=asean-india-free-trade-area-3

To get the benefits, Form AJ¹⁹ should be used for CO. There are Wholly Produced Rules and PSR. For general Rules of Origin:

- 40% of the product's content must originate from the ASEAN-Japan region; or
 - non-originating raw materials must have undergone a change in the first 4 digits of the HS code from the finished good
- PSR should be mentioned.

4. ASEAN-Korea Free Trade Area (AKFTA)²⁰, in effect as of June 2007

Key benefits for SME exporters include:

- AKFTA eliminates tariff for about 80% of all product lines.
- Allows for back-to-back shipment of goods within member countries.
- Allows for third-party invoicing of goods.
- Allows for ASEAN - Korea Cumulation.

To get the benefits of the preferential tariffs, Form AK²¹ is required. There are Wholly Produced Rules and PSR. Otherwise, the product must satisfy the general Rule of Origin, specifically:

- 40% of the product's content must originate from the ASEAN-Korea region; or
- non-originating raw materials must have undergone a change in the first 4 digits of the HS code from the finished good.

Should PSR be mentioned?

5. ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)²², in effect as of January 2010

Key benefits for SME exporters include:

- AANZFTA covers tariffs reduction progressively from entry into force of the Agreement, and eliminate 90% of the tariff lines.
- Allows for back-to-back shipment of goods within member countries.
- Allows for third-party invoicing of goods.
- Allows for ASEAN Cumulation.

Wholly Produced Rules apply. Specific rules apply for exports to Indonesia. In overall, to get the benefits of the preferential tariffs, Form AANZ²³ is required for CO. The general Rules of Origin are:

- 40% of the product's content must originate from the ASEAN- Australia-New Zealand region; or
- non-originating raw materials must have undergone a change in the first 4 digits of the HS code from the finished good.

⁽¹⁹⁾ Accessible on http://asean.org/?static_post=asean-japan-free-trade-area-2

⁽²⁰⁾ Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the Republic of Korea

⁽²¹⁾ Accessible on http://asean.org/?static_post=asean-republic-of-korea-free-trade-area-2

⁽²²⁾ Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area

⁽²³⁾ Accessible on http://aanzfta.asean.org/wp-content/uploads/2016/05/Revised_AANZFTA_CO_Form1.pdf

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Appendix 1. Barriers to SME Exporters

	BARRIER		FACTOR
Internal	Managerial mindset		<ul style="list-style-type: none"> Limited appreciation of potential benefits of and tangible opportunities for export
	Information		<ul style="list-style-type: none"> Limited information on markets, consumers/buyers Problems with using available data/information Limited understanding of market conditions, and customers/context (e.g., economic, socio-cultural) Difficulties identifying foreign business opportunities Constraints on contacting foreign customers Limited knowledge of related government initiatives Limited awareness of supporting regional initiatives (e.g., ASEAN, regional free trade areas/agreements)
	Finance		<ul style="list-style-type: none"> Shortage of working capital Limited access to trade and supply chain finance Constraints on creditworthiness Shortage of start-up/early-stage financing
	Functional		<ul style="list-style-type: none"> Lack of managerial skills for export Limited managerial time Insufficient trained personnel for foreign business Constraints on production capacity/scale Difficulty meeting product/process standards Constraints on product and process innovation for new markets and customers
	Logistics		<ul style="list-style-type: none"> Lack of logistical (e.g., shipping) capabilities Lack of warehousing facilities in foreign markets Excessive transportation/insurance costs
	Marketing	Price	<ul style="list-style-type: none"> Ability to offer competitive pricing to customers Constraints on providing credit to customers

		Distribution	<ul style="list-style-type: none"> • Limited knowledge of foreign distribution channels
			<ul style="list-style-type: none"> • Constraints on using foreign distribution and marketing channels
			<ul style="list-style-type: none"> • Problems identifying and arranging reliable foreign market representation
		Promotion	<ul style="list-style-type: none"> • Constraints on effective promotional activities (e.g., to retail customers, to GVC-related buyers)
External	Procedural		<ul style="list-style-type: none"> • Lack familiarity with foreign procedures, documentation
			<ul style="list-style-type: none"> • Difficulties communicating with foreign customers
			<ul style="list-style-type: none"> • Constraints on collecting payment (e.g., time)
	Government		<ul style="list-style-type: none"> • Limited effectiveness of support for key aspects of internationalization (e.g., financing, information)
			<ul style="list-style-type: none"> • Limited effectiveness of communications on existing support for internationalization
			<ul style="list-style-type: none"> • Differences in perspective on firm level needs
	Market		<ul style="list-style-type: none"> • Strong competition in foreign markets
			<ul style="list-style-type: none"> • Fragmented foreign (national) markets
			<ul style="list-style-type: none"> • Unfamiliar foreign business practices and language
			<ul style="list-style-type: none"> • Barriers, e.g., tariff, and especially non-tariff barriers
	Business Environment		<ul style="list-style-type: none"> • General domestic SME-related business environment, e.g., business registration, customs and tax refund, technology acquisition, support for innovation
			<ul style="list-style-type: none"> • State of domestic infrastructure and logistics to support international business
			<ul style="list-style-type: none"> • Limited effective support for enterprise clustering
			<ul style="list-style-type: none"> • Foreign currency exchange risk
			<ul style="list-style-type: none"> • Difficulties with procedures of firms supporting cross-border business, e.g., banks, insurance companies, shippers

Source: Adapted and expanded from Leonidou, 2004



Appendix 2. A Guide to Prepare an Export Business Plan for SMEs

The following table serves as a step-by-step guide to prepare an export business plan for your firm. Each section of the export business plan must be completed before you start the next section. Once the entire business plan is completed, an in-depth analysis of your readiness to export can be completed.

PRODUCTS/ SERVICES

STEP 1: Select the most exportable products to be offered internationally.

To identify products with export potential for distribution internationally, you need to consider products that are successfully distributed in the domestic market. The product needs to fill a targeted need for the purchaser in export markets according to price, value to customer/country and market demand.

What are the major products your business sells? What are contributions to sales? Why are they successful in the domestic market?

1. _____
2. _____
3. _____
4. _____
5. _____

What products do you feel have the best potential for export?

1. _____
2. _____
3. _____

STEP 2: Evaluate the products to be offered internationally.

What makes your products unique for an overseas market?

1. _____

2. _____

3. _____

Why will international buyers purchase the products from your company?

1. _____

2. _____

3. _____

How much inventory will be necessary to sell overseas?

1. _____

2. _____

3. _____

Products/services with export potential and reasons for export success

1. _____

2. _____

3. _____

Given the market potential for your product in international markets, how is your product unique?

1. What are the competitive product's advantages?

2. What are the competitive product's disadvantages?

What competitive products are sold abroad and to whom?



How complex is your product? What skills or special training are required to:

1. Install your product?
2. Use your product?
3. Maintain your product?
4. Service your product?

What options and accessories are available?

1. Has an after-market been developed for your product?
2. What other equipment does the buyer need to use your product?
3. What complementary goods does your product require?

If your product is an industrial good:

1. What firms are likely to use it?
2. What is the useful life of your product?
3. Is use or life affected by climate? If so, how?
4. Will geography affect product purchase, for example transportation problems?
5. Will the product be restricted abroad, for example tariffs, quotas or non-tariff barriers?

If the product is a consumer good:

1. Who will consume it? How frequently will the product be bought?
2. Is consumption affected by climate?
3. Is consumption affected by geography, for example transportation problems?
4. Will the product be restricted abroad by tariffs, quotas or non-tariff barriers, etc.?
5. Does your product conflict with traditions, habits or beliefs of customers abroad?

Decision Point: These products have the best export potential:

GOAL SETTING

STEP 1: Define long-term goals.

A) What are your long-term goals for your business in the next 5 years? Examples: increase sales by ___% annually; develop country cultural profiles.

B) How will the international market help you reach your long-term goals?

STEP 2: Define short-term goals.

A) What are your first year goals for your export? Examples: USD20,000 export sales

B) What are your two-year goals for your export?

STEP 3: Define actions to reach your short-term goals by using international trade.

Examples: attend export seminars, select a distributor.

INDUSTRY ANALYSIS

STEP 1: Determine your industry's growth for the next 3 years.

Talk to people in the same business or industry, research industry-specific magazines and data, attend trade fairs and seminars.

STEP 2: Find out how competitive your industry is in the international markets.

STEP 3: Find out your industry's future growth in the international market.

STEP 4: Search for market studies that have been conducted on your industry's potential international markets.

STEP 5: Find export data available on your industry.



YOUR COMPANY ANALYSIS

STEP 1: Why is your business successful in the domestic market? What is your growth rate?

STEP 2: What are the competitive advantages of your products or business over other domestic and international businesses?

PROS AND CONS OF MARKET EXPANSION

Brainstorm a list of pros and cons for expanding your market internationally. Based on your product and market knowledge, determine your probability of success in the international market.

Industry/Product:

Pros / Cons

1.

2.

3.

4.

5.

6.

Probability of Success

0% _____ 25% _____ 50% _____ 75% _____ 100% _____

MARKETING YOUR PRODUCT

STEP 1: Select the best countries to market your product.

Since the number of world markets to be considered by a company is very large, it is neither possible nor advisable to research them all. Thus, your firm's time and money are spent most efficiently by using a sequential screening process.

The first step in this sequential screening process for the company is to select the more attractive countries for your product. Preliminary screening involves defining the physical, political, economic and cultural environment. Rate the following market factors in each category.

- (1) Select 2 countries you think have the best market potential for your product;
- (2) Review the market factors for each country;
- (3) Research data/information for each country;
- (4) Rate each factor on a scale of 1-5 with 5 being the best; and
- (5) Select a target market country based on your ratings

MARKET FACTOR ASSESSMENT	Country A	Country B
Demographic/physical environment		
Population size, growth, density		
Urban and rural distribution		
Climate and weather variations		
Shipping distance		
Product-significant demographics		
Physical distribution and communication network		
Natural resources		

Political Environment:

- System of government
- Political stability and continuity
- Ideological orientation
- Government involvement in business



- Attitudes toward foreign business
(trade restrictions, tariffs, non-tariff barriers, bilateral trade agreements)
- National economic and developmental priorities

Economic Environment:

- Overall level of development

Economic growth:

- GNP, industrial sector
- Role of foreign trade in the economy
- Currency:
- inflation rate, availability, controls, stability of exchange rate
- Balance of payments
- Per capita income and distribution
- Disposable income and expenditure patterns

Social/Cultural Environment:

- Literacy rate, educational level
- Existence of middle class
- Similarities and differences in relation to home market
- Language and other cultural considerations
- Market Access, Limitations on trade:
- High tariff levels, quotas
- Documentation and import regulations
- Local standards, practices, and other non-tariff barriers

- Patents and trademark protection
- Preferential treaties
- Legal considerations for investment
- Taxation, repatriation, employment, code of laws

Product Potential:

- Customer needs and desires
- Local production, imports, consumption
- Exposure to and acceptance of product
- Availability of linking products
- Industry-specific key indicators of demand
- Attitudes toward products of foreign origin
- Competitive offerings

Local Distribution and Production:

- Availability of intermediaries
- Regional and local transportation facilities
- Availability of manpower
- Conditions for local manufacture

• Indicators of population, income levels and consumption patterns should be considered. In addition, statistics on local production trends, along with imports and exports of the product category, are helpful for assessing industry market potential. Often, an industry will have a few key indicators or measures that will help them determine the industry strength and demand within an international market. A manufacturer of medical equipment, for example, may use the number of hospital beds, the number of surgeries and public expenditures for health care as indicators to assess the potential for its products.



What are the projected growth rates for the two countries selected over the next 3-5 years?

STEP 2: Determine Projected Sales Levels

- What is your present domestic market percentage?
- What are the projected sales for similar products in your chosen international markets for the coming year?
- What sales volume will you project for your products in these international markets for the coming year?
- What is the projected growth in these international markets over the next five years?

STEP 3: Identify Customers Within Your Chosen Markets

- What companies, agents or distributors have purchased similar products?
- What companies, agents or distributors have made recent requests for information on similar products?
- What companies, agents or distributors would most likely be prospective customers for your export products?

STEP 4: Determine Method Of Exporting

- How do other domestic firms sell in the markets you have chosen?
- Will you sell direct to the customer?
- Who will represent your firm?
- Who will service the customers needs?

STEP 5: Building A Distributor or Agent Relationship

- Will you appoint an agent or distributor to handle your export market?
- What facilities does the agent or distributor need to service the market?
- What type of client should your agent or distributor be familiar with in order to sell your product?

- What territory should the agent or distributor cover?
- What financial strength should the agent or distributor have?
- What other competitive or non-competitive lines are acceptable or not acceptable for the agent or distributor to carry?
- How many sales representatives does the agent or distributor need and how often will they cover the territory?
- Will you use an export management company to do your marketing and distribution for you?
- If yes, have you developed an acceptable sales and marketing plan with realistic goals you can agree to?

STEP 5: Building A Distributor or Agent Relationship

- Will you appoint an agent or distributor to handle your export market?
- What facilities does the agent or distributor need to service the market?
- What type of client should your agent or distributor be familiar with in order to sell your product?
- What territory should the agent or distributor cover?
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- What other competitive or non-competitive lines are acceptable or not acceptable for the agent or distributor to carry?
- How many sales representatives does the agent or distributor need and how often will they cover the territory?
- Will you use an export management company to do your marketing and distribution for you?
- If yes, have you developed an acceptable sales and marketing plan with realistic goals you can agree to?

Comments:



SUPPORT FUNCTIONS

To achieve efficient sales offerings to buyers in the targeted markets, several concerns regarding products, literature and customer relations should be addressed.

STEP 1: Identify product concerns.

Can the potential buyer see a functioning model or sample of your product that is substantially the same as would be received from production?

Comments:

What product labeling requirements must be met? (Metric measurements, AC or DC electrical, voltage, etc.) Keep in mind that the European Community now requires 3 languages on all new packaging.

When and how can product conversion requirements be obtained?

Can product be delivered on time as ordered?

Comments:

STEP 2: Identify literature concerns.

- If required, will you have literature in language other than English?
- Do you need a product literature translator to handle the technical language?
- What special concerns should be addressed in sales literature to ensure quality and informative representation of your product?

STEP 3: Identify customer relations concerns.

- What is delivery time and method of shipment?
- What are payment terms?

- What are the warranty terms?
- Who will service the product when needed?
- How will you communicate with your customer? Through a local agent, fax or telephone line?
- Are you prepared to give the same order and delivery preference to your international customers that you give to your domestic customers?

MARKETING STRATEGY

In international sales, the chosen “terms of sale” are most important.

Where should you make the product available: at your plant, at the port of exit, landed at the port of importation or delivered free and clear to the customer’s door? The answer to this question involves determining what the market requires, and how much risk you are willing to take.

Pricing strategy depends on “terms of sale” and also considers value-added services of bringing the product to the international market.

STEP 1: Define International Pricing Strategy.

- How do you calculate the price for each product?
- What factors have you considered in setting prices?
- Which products' sales are very sensitive to price changes? How important is pricing in your overall marketing strategy? What are your discount policies?
- What terms of sales are best for your export product?

STEP 2: Define promotional strategy

- What advertising materials will you use?
- What trade shows or trade missions will you participate in, if any?
- What time of year and how often will foreign travel be made to customer markets?



STEP 3: Define customer services

- What special customer services do you offer?
- What types of payment options do you offer?
- How do you handle merchandise that customers return?

SALES FORECAST

Forecasting sales of your product is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Remember that sales forecasts show the expected time the sale is made. Actual cash flow will be impacted by delivery date and payment terms.

Step 1: Fill in the units-sold line for markets 1, 2, and 3 for each year on the following worksheet.

Step 2: Fill in the sales price per unit for products sold in markets 1, 2 and 3.

Step 3: Calculate the total sales for each of the different markets (units sold x sales price per unit).

Step 4: Calculate the sales (all markets) for each year - add down the columns.

Step 5: Calculate the five year total sales for each market - add across the rows.

SALES FORECASTS - FIRST FIVE YEARS

	1	2	3	4	5
Market 1					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Sales	_____	_____	_____	_____	_____

Market 2

Units Sold _____

Sale Price/Unit _____

Total Sales _____

Market 3

Units Sold _____

Sale Price/Unit _____

Total Sales _____

Total Sales _____

All Markets _____

COST OF GOODS SOLD

The cost of goods sold internationally is partially determined by pricing strategies and terms of sale. To ascertain the costs associated with the different terms of sale, it will be necessary to consult an international freight forwarder. For example, a typical term of sale offered by a domestic exporter is cost, insurance and freight (CIF) port of destination. Your price includes all the costs to move product to the port of destination.

A typical cost work sheet will include some of the following factors. These costs are in addition to the material and labor used in the manufacture of your product: export packing, forwarding, container loading, documentation, inland freight, consular legalization, truck/rail unloading, bank documentation, wharfage, dispatch, handling, bank collection fees, terminal charges, cargo insurance, ocean freight, other misc., bunker surcharge, courier mail.

To complete this worksheet, you will need to use data from the sales forecast. Certain costs related to your terms of sale may also have to be considered.

Step 1: Fill in the units-sold line for market 1, 2, and 3 for each year.



Step 2: Fill in the cost per unit for products sold in markets 1, 2, and 3.

Step 3: Calculate the total cost for each of the products - (units sold x cost per unit).

Step 4: Calculate the cost of goods sold - all products for each year - add down the columns.

Step 5: Calculate the five-year cost of goods for each market - add across the rows.

COST OF GOODS SOLD - FIRST FIVE YEARS

	1	2	3	4	5
Market 1					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
Market 2					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
Market 3					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
Cost of Goods Sold All Markets	_____	_____	_____	_____	_____

INTERNATIONAL OVERHEAD EXPENSES

To determine overhead costs for your export products, you should be certain to include costs that pertain only to international marketing efforts. For example, costs for domestic advertising of service that do not pertain to the international market should not be included. Examples of most typical expense categories for an export business are listed on the next page. Some of these expenses will be first year start-up expenses, and others will occur every year.

Step 1: Review the expenses listed on the next page. These are expenses that will be incurred because of your international business. There may be other expense categories not listed - list them under "other expenses."

Step 2: Estimate your cost for each expense category.

Step 3: Estimate any domestic marketing expense included that is not applicable to international sales.

Step 4: Calculate the total for your international overhead expenses.

EXPENSE COST

	Market 1	Market 2	Market 3	Total Yr 1
Legal Fees	_____	_____	_____	_____
Accounting Fees	_____	_____	_____	_____
Promotional Material	_____	_____	_____	_____
Travel	_____	_____	_____	_____
Communication	_____	_____	_____	_____
Equipment	_____	_____	_____	_____
Advertising Allowances	_____	_____	_____	_____
Promotional Expenses (e.g., trade shows, etc.)	_____	_____	_____	_____
Other Expenses	_____	_____	_____	_____



Total Expenses _____

Less Domestic Expenses _____
(Included Above, if any)

Total Intern' Start-up Expenses _____

PROJECTED INCOME STATEMENT - YEAR 1 to 5, ALL MARKETS

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each year.

Step 1: Fill in the sales for each year. You already estimated these figures; just recopy them on the work sheet.

Step 2: Fill in the cost of goods sold for each year. You already estimated these figures, just recopy on the work sheet.

Step 3: Calculate the Gross Margin for each year (Sales minus Cost of Goods Sold).

Step 4: Calculate the Total Operating Expenses for each year.

Step 5: Calculate the Net Profit or Net Loss (Before Income Taxes) for each year (Gross Margin minus Total Operating Expenses).

PROJECTED INCOME STATEMENT - YEAR 1 to 5, ALL MARKETS

	1	2	3	4	5
International Sales	_____	_____	_____	_____	_____
Cost of Goods Sold	_____	_____	_____	_____	_____
Gross Margin	_____	_____	_____	_____	_____
International Operating Expenses:					
Legal	_____	_____	_____	_____	_____

Accounting	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____
Travel	_____	_____	_____	_____	_____
Trade shows	_____	_____	_____	_____	_____
Promotional Material	_____	_____	_____	_____	_____
Supplies	_____	_____	_____	_____	_____
Communication Equipment	_____	_____	_____	_____	_____
Interest	_____	_____	_____	_____	_____
Insurance	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Total Intern' Operating Expenses	_____	_____	_____	_____	_____

TIMETABLE

This is a worksheet that you will need to work on periodically as you progress in the worksheet. The purpose is to ensure that key tasks are identified and completed to increase the success of your international business.

STEP 1: Identify key activities

By reviewing other portions of your business plan, compile a list of tasks that are vital to the successful operation of your business. Be sure to include travel to your chosen market as applicable.

Assign responsibility for each activity

For each identified activity, assign one person primary responsibility for the completion of that activity.



STEP 3: Determine scheduled start date

For each activity determine the date when work will begin. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.

STEP 4: Determine scheduled finish date

For each activity determine when the activity must be completed.

ACTION PLAN

STEP 1: Verify completion of previous pages.

You should have finished all the other sections in the worksheet before continuing any further.

STEP 2: Identify your business plan audience.

What type of person are you intending to satisfy with this business plan?

The summary should briefly address all the major issues that are important to this person. Keep in mind that this page will probably be the first read by this person. It is extremely important the summary be brief yet contain the information most important to the reader. This section should make the reader want to read the rest of your plan.

STEP 3: Write a one-page summary.

You will now need to write no more than a page summarizing all the previous work sheets you have completed.

Determine which sections are going to be most interesting to your reader. Write one to three sentences that summarize each of the important sections.

These sentences should appear in the order of the sections of your business plan. The sentences must fit together to form a summary and not appear to be a group of loosely related thoughts.

You may want to have several different summaries, depending on who will read the business plan.

EXPORT BUSINESS PLAN SUMMARY:

PREPARING AN EXPORT PRICE QUOTATION

Setting proper export prices is crucial to a successful international sales program; prices must be high enough to generate a reasonable profit, yet low enough to be competitive in overseas markets. Basic pricing criteria - costs, market demand, and competition - are the same for domestic and foreign sales. However, a thorough analysis of all cost factors going into a cost, insurance and freight (CIF) quotation may result in prices that are different from domestic ones.

"Marginal cost" pricing is the most realistic and frequently used pricing method. Based on a calculation of incremental costs, this method considers the direct out-of-pocket expenses of producing and selling products for export as a floor beneath which prices cannot be set without incurring a loss. There are important principles that should be followed when pricing a product for export, summarized below.

COST FACTORS

In calculating an export price, be sure to take into account all the cost factors for which you, the exporter, are liable.

1. Calculate direct materials and labor costs involved in producing the goods for export.
2. Calculate your factory overhead costs, prorating the amount of overhead chargeable to your proposed export order.
3. Deduct any charges not attributable to the export operation (i.e., domestic marketing costs, domestic legal expenses), especially if export sales represent only a small part of total sales.
4. Add in the other out-of-pocket expenses directly tied to the export sales, such as:

<ul style="list-style-type: none">• travel expenses• catalogs, slide shows, video presentations• promotional material• export advertising• commissions• transportation expenses• packing materials	<ul style="list-style-type: none">• legal expenses*• office supplies*• patent and trademark fees*• communications*• taxes*• rent*• insurance*	<ul style="list-style-type: none">• interest*• provision for bad debts• market research• credit checks• translation costs• product modification• consultant fees• freight forwarder fees
--	---	---



*These items will typically represent the cost of the total operation, so be sure to prorate these to reflect only the cost of producing the goods for export.

5. Allow yourself a realistic price margin for unforeseen costs, unavoidable risks, and simple mistakes that are common in any new undertaking.

6. Also allow yourself a realistic profit or mark-up.

OTHER FACTORS TO CONSIDER

Market Demand - As in the domestic market, product demand is the key to setting prices in a foreign market. What will the market bear for a specific product or service? What will the estimated consumer price for your product be in each foreign market? If your prices seem out of line, try some simple product modifications to reduce the selling price, such as simplification of technology or alteration of product size to conform to local market norms. Also keep in mind that currency valuations alter the affordability of goods. A good pricing strategy should accommodate fluctuations in currency.

Competition - As in the domestic market, few exporters are free to set prices without carefully evaluating their competitor's pricing policies. The situation is further complicated by the need to evaluate the competition's prices in each foreign market an exporter intends to enter. In a foreign market that is serviced by many competitors, an exporter may have little choice but to match the going price or even go below it to establish a market share. If, however, the exporter's product or service is new to a particular foreign market, it may be possible to set a higher price than normally charged domestically.

Appendix 3. Considerations when Choosing a Foreign Representative or Distributor for Export

The following checklist should be tailored by each SME to its own needs. Key factors vary significantly with the products and countries involved.

1. Size of sales force

- How many field sales personnel does the representative or distributor have?
- What are its short- and long-range expansion plans, if any?
- Would it need to expand to accommodate your account properly? If so, would it be willing to do so?

2. Sales record

- Has its sales growth been consistent? If not, why not? Try to determine sales volume for the past five years.
- What is its sales volume per outside salesperson?
- What are its sales objectives for next year? How were they determined?
- Territorial analysis
- What territory does it now cover?
- Is it consistent with the coverage you desire? If not, is it able and willing to expand?
- Does it have any branch offices in the territory to be covered?
- If so, are they located where your sales prospects are greatest?
- Does it have any plans to open additional offices?

3. Product mix

- How many product lines does it represent?
- Are these product lines compatible with yours?



- Would there be any conflict of interest?
- Does it represent any other domestic firms? If so, which ones?
- If necessary, would it be willing to alter its present product mix to accommodate yours?
- What would be the minimum sales volume needed to justify its handling your lines? Do its sales projections reflect this minimum figure? From what you know of the territory and the prospective representative or distributor, is its projection realistic?

4. Facilities and equipment

- Does it have adequate warehouse facilities?
- What is its method of stock control?
- Does it use computers? Are they compatible with yours?
- What communications facilities does it have (fax, modem, telex, etc.)?
- If your product requires servicing, is it equipped and qualified to do so? If not, is it willing to acquire the needed equipment and arrange for necessary training? To what extent will you have to share the training cost?
- If necessary and customary, is it willing to inventory repair parts and replacement items?

5. Marketing policies

- How is its sales staff compensated?
- Does it have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific product lines?
- How does it monitor sales performance?
- How does it train its sales staff?
- Would it share expenses for sales personnel to attend factory-sponsored seminars?

6. Customer profile

- What kinds of customers is it currently contacting?
- Are its interests compatible with your product line?
- Who are its key accounts?
- What percentage of its total gross receipts do these key accounts represent?

7. Principals represented

- How many principals is it currently representing?
- Would you be its primary supplier?
- If not, what percentage of its total business would you represent? How does this percentage compare with other suppliers?

8. Promotional thrust

- Can it help you compile market research information to be used in making forecasts?
- What media does it use, if any, to promote sales?
- How much of its budget is allocated to advertising? How is it distributed among various principals?
- Will you be expected to contribute funds for promotional purposes? How will the amount be determined?
- If it uses direct mail, how many prospects are on its mailing list?
- What type of brochure does it use to describe its company and the products that it represents?
- If necessary, can it translate your advertising copy?

Appendix 4. Links for import-export from and to ASEAN Member States

Brunei Darussalam	www.mofat.gov.bn tradingacrossborders.gov.bn
Cambodia	www.moc.gov.kh http://www.moc.gov.kh/en-us/di-trade-services
Indonesia	www.kemendag.go.id djpen.kemendag.go.id/app_frontend/links/7-export-guide
Lao PDR	https://www.facebook.com/pages/Ministry-of-Industry-and-Commerce-Lao-PDR/732403160106924 laotradeportal.gov.la/index.php
Malaysia	www.miti.gov.my www.matrade.gov.my
Myanmar	www.commerce.gov.mm myanmartradeportal.gov.mm
Philippines	www.pntr.gov.ph www.dti.gov.ph
Singapore	www.mti.gov.sg www.tradexchange.gov.sg
Thailand	www.moc.go.th www.thaitrade.com
Vietnam	www.moit.gov.vn www.vietnamtradeportal.gov.vn

Appendix 5. Common Types of Non-Tariff Measures

1. Quantity restrictions, quotas and licensing procedures

The maximum quantity of different categories of goods which would be allowed to be imported over a period of time from various countries is fixed in advance. Quotas are very often combined with licensing system, in which a license or a permit has to be obtained from the Government to import the goods mentioning the quantity and the country from which to import. The purpose is to regulate the flow of imports over the quota period as also to allocate them between various importers and supplying countries.

2. Foreign exchange restrictions

The importer must obtain a clearance from the exchange control authorities of the country before concluding the contract with the supplier to ensure that adequate foreign exchange would be made available for the imports of goods. It is supposed to get an amount of foreign exchange tied up to discourage the parties from trading.

3. Technical and administrative regulations

The imposition of technical production, technical specifications, etc. to which an importing commodity must conform. Such type of technical restrictions is imposed on pharmaceutical products and the likes. Besides technical restrictions, administrative restrictions such as adherence to certain documentary procedure are adopted to regulate imports. These measures impede the free flow of trade to a large extent.

4. Consular formalities

A large number of countries demand that shipping documents must accompany the consular documents such as:

- Certificate of origin;
- Certified invoices;
- Import certificates, etc.

Sometimes, it is requested that such documents should be drawn in the language of the importing countries, otherwise heavy penalties or fees will be imposed on the shipments. The measures/barriers slow down the flow of trade and add up to the costs.



5. State trading

In socialistic countries import and export transactions are handled by certain state agencies. These agencies carry international trade in strict compliance with the government policies. In India some articles decided by the government is imported only through the State Trading Corporation (STC). Export of raw materials such as iron ore, mica are handled by MMTC (Minerals and Metals Trading Corporation).

6. Preferential Arrangement

The member countries of the group negotiate and arrive at a settlement of preferential tariff rate to carry on trade amongst themselves. These rates are much lower than the ordinary tariff rates and applicable only to the member nations of the small group.

Source: Adapted from EconomicsDiscussion.net, 2016

Appendix 6. Export and Import Process and Requirements of AMSs

BRUNEI DARUSSALAM

Process

For both importation into and exportation out of Brunei Darussalam²⁵

Step 1. Register with the Royal Customs and Excise Department

Step 2. Apply Permit for Restricted and Controlled Goods

Step 3. Online Customs Import/ Export Declaration

Step 4. Payment of Duty for Dutiable Goods

Step 5. Inspection and Clearance

Documentary requirements for customs clearance

For importation

- For every importation by sea, air or land, you are required to produce:
 - the Approved Customs Import Declaration; and
 - Supporting Documents such as Invoice, Bill of Lading/Air Waybill and License/Permit from responsible agency for any controlled goods (for manual permit)
- For importation via Post Office and importation of any personal goods or household effects accompany the passengers as hand-carry or check-in luggage, you are not required to present the Customs Import Declaration, unless you are asked to do so.

For exportation

- For every exportation by sea, air or land, you are required to produce:
 - the Approved Customs Export Declaration; and
 - Supporting Documents such as License or Permit from responsible agency for controlled goods

⁽²⁵⁾ Details available at <http://tradingcrossborders.gov.bn>



- For exportation via Post Office and exportation of any personal goods or household effects accompany the passengers as hand-carry or check-in luggage, you are not required to present the Customs Export Declaration, unless you are asked to do so.

Tariff nomenclature

Brunei Darussalam Tariff and Trade Classification 2017²⁶, based on the ASEAN Harmonized Tariff Nomenclature (AHTN) 2017. The 10-digit level is added for use by national only.

Certificate of Origin

In Brunei Darussalam COs are issued by Department of Trade Development, Ministry of Foreign Affairs and Trade²⁷. Besides, Brunei Darussalam, Malaysia, Singapore and Thailand are participating in the first ASEAN Self-Certification pilot project. Local manufacturers, who are also exporters, can apply as Certified Exporter and then they need only declare their goods as qualifying for preferential tariff rates on the commercial invoice, or if the invoice is not available at the time of export, any other commercial document such as a billing statement, delivery order or packing list, instead of obtaining a Form D from the issuing authority.

Non-tariff measures

Based on data released in January 2016, Brunei Darussalam has 516 non-tariff measures, including 46 related to exports and 470 related to imports. Among the import-related NTMs are 161 sanitary and phytosanitary measures, 288 technical barriers to trade, 1 pre-shipment inspection requirement, 2 quantity control measures and 18 price control measures. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Customs Order, 2006²⁸

Contact agencies

	<p>Department of Trade Development Ministry of Foreign Affairs and Trade International Convention Centre, Jalan Berakas Bandar Seri Begawan BB3910 Brunei Darussalam Tel: (+673) 238-3374 / 238-3378 Fax: (+673) 238-3227</p>
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⁽²⁶⁾ Available at <http://tradingacrossborders.gov.bn/Downloadable/BDTTC%202017.pdf>

⁽²⁷⁾ Procedure available at <http://tradingacrossborders.gov.bn/SitePages/certificate-of-origin.aspx>

⁽²⁸⁾ Available at <http://www.mof.gov.bn/index.php/royal-custom-matters/legislation>



Royal Customs and Excise Department
H.M Customs House, Jalan Menteri Besar
Bandar Seri Begawan BB3910 Brunei Darussalam
Tel: (+673) 238-2333 / 238-2361 | Fax: (+673) 238-2666 | Email:
info@customs.mof.gov.bn

Useful links

www.mofat.gov.bn

www.bdntr.gov.bn

tradingcrossborders.gov.bn

www.mof.gov.bn/index.php/about-royal-customs-a-excise-dept



CAMBODIA

Process

For both importation into and exportation out of Cambodia²⁹

Step 1. Registration

Step 2. Checking for Prohibited and Restricted Goods, SPS and Technical Requirements

Step 3. Obtaining Licenses, Permits and Certificates if Required

Step 4. Obtaining Pre-Arrival Assessment Authorization from CAMCONTROL if Required

Step 5. Classification and Valuation Verification

Step 6. Customs Declaration via Automated System for Customs Data (ASYCUDA) and Submission of Supporting Documents

Step 7. Payment of Duties

Documentary requirements for customs clearance

For importation

- Customs Declaration form, also known as the Single Administrative Document (SAD)
- A commercial invoice or contract of sale document from the supplier of the goods
- Transport documents (BL, AWB)
- Packing List
- And, if necessary, manifest; any licenses, permits or certificates as issued by Customs and other regulating agencies, depending on the commodity being imported; certificate of insurance; CO if required; other related documents.

⁽²⁹⁾ Details available at <http://www.cambodiantr.gov.kh/index.php?r=site/display&id=3>

Tariff nomenclature

The Cambodia Tariff Classification, which conforms with AHTN 2017³⁰.

Certificate of Origin

In Cambodia COs are issued by the Ministry of Commerce³¹.


Non-tariff measures


Based on data released in January 2016, Cambodia has 243 non-tariff measures, including 70 NTMs related to exports and 173 NTMs related to imports. Among the import-related NTMs are 36 sanitary and phytosanitary measures, 121 technical barriers to trade, 1 pre-shipment inspection requirement, 3 quantity control measures and 12 price control measures. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Law on Customs, 2007³²

Contact agencies

	<p style="text-align: center;">Ministry of Commerce</p> <p style="text-align: center;">Lot 19-61, MOC Road (113B Road), Russian Blvd, Phum Teuk Thla, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Cambodia</p> <p style="text-align: center;">Export-Import Department Tel: (+855) 12 838 909 Email: ho.sivyong@moc.gov.kh / hosivyong@yahoo.com</p>
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	<p style="text-align: center;">General Department of Customs and Excise of Cambodia</p> <p style="text-align: center;">N°: 6-8, Preah Norodom Blvd., Sangkat Phsar Thmei III, Khan Daun Penh, Phnom Penh, Cambodia. Tel: (+855) 2321-4065</p> <p style="text-align: center;">Fax: (+855) 2321-4065</p> <p style="text-align: center;">Public Relation Unit Tel: (+855) 2372-2767 Fax: (+855) 2372-2768 E-mail: info-pru@customs.gov.kh</p>
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Useful links

www.moc.gov.kh | www.moc.gov.kh/en-us/di-trade-services | www.cambodiantr.gov.kh
www.customs.gov.kh www.facebook.com/cambodiacustoms

⁽³⁰⁾ Available at <http://www.customs.gov.kh/publication-and-resources/customs-tariff-of-cambodia-2017/>

⁽³¹⁾ Procedure available at <http://www.cambodiantr.gov.kh/index.php?r=searchProcedure/view1&id=6>

⁽³²⁾ Available at <http://www.customs.gov.kh/wp-content/uploads/2015/05/Law-on-Customs.pdf>



INDONESIA

Process

For both importation into and exportation out of Indonesia³³

Step 1. Registration

Step 2. Checking for Import-Export Prohibition and Restriction Measures (Lartas)

Step 3. Obtaining Licenses, Permits and Certificates if Required

Step 4. Input of the Custom Declaration form (PIB or PEB)

Step 5. Payment of the Duty / Value Added Tax (VAT)

Step 6. Submission of the Customs Declaration Form, Payment Evidence and Required Documents

Step 7. Inspection and Clearance

Documentary requirements for customs clearance

- Import Declaration Form
- Invoice
- Packing List
- Bill of Lading/ Airway bill
- Insurance Policy or Certificate
- Certificate of Origin
- Receipt of payment of import duty and import related taxes (SSPCP)
- Power of Attorney, if submitted by Customs Broker
- Additional certificates, as required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

⁽³³⁾ Details available at <http://intr.insw.go.id/>, <http://import-procedure.blogspot.com/> and http://djpen.kemendag.go.id/app_frontend/links/7-export-guide

Tariff nomenclature

AHTN 2017, as stipulated through Finance Minister No. 6/PMK.010/2017 on the Stipulation of Goods Classification System and Imposition of Tariff Duty on Imported Goods

Certificate of Origin

In Indonesia Certificates of Origin are issued by Regional Issuing Authorities³⁴ delegated by the Ministry of Trade, as stipulated through the Regulation No. 60/M-DAG/PER/12/2010 Concerning Agencies Issuing Certificates of Origin for Exported Goods of Indonesia.

Non-tariff measures

Based on data released in January 2016, Indonesia has 634 non-tariff measures, including 74 NTMs related to exports and 560 NTMs related to imports. Among the import-related NTMs are 125 sanitary and phytosanitary measures, 321 technical barriers to trade, 53 pre-shipment inspection requirements, 44 contingent trade protective measures, 8 quantity control measures, 5 price control measures, 3 measures affecting competition and 1 distribution restriction. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Law No. 17/2006 Concerning Amendment of Customs Laws No. 10/1995³⁵

Contact agencies

	<p>Ministry of Trade M. I. Ridwan Rais Road, No. 5 Jakarta Pusat 10110 Indonesia Tel: (+62) 021-385-8171 E-mail: contact.us@kemendag.go.id</p>
	<p>Directorate General of Customs and Excise Jl. Ahmad Yani By Pass No. 1 Rawamangun, Jakarta Timur 13230 Indonesia Tel: 1500225 E-mail: info@customs.go.id</p>

Useful links

www.kemendag.go.id

intr.insw.go.id

www.beacukai.go.id

⁽³⁴⁾ Available at http://www.flevin.com/id/lgso/translations/JICA%20Mirror/english/4575_60_M-DAG_PER_12_2010_i_Lampiran.pdf

⁽³⁵⁾ Available at http://www.flevin.com/id/lgso/translations/JICA%20Mirror/english/7201_UU_17_2006_EN.html



LAO PDR

Process

Importation into Lao PDR³⁶

- Step 1. Registration
- Step 2. Checking for Prohibited Goods
- Step 3. Import License, SPS and Technical Requirements
- Step 4. Advance Declaration
- Step 5. Import Declaration
- Step 6. Payment of Duties

Exportation out of Lao PDR³⁷

- Step 1. Registration
- Step 2. Checking for Prohibited Goods
- Step 3. Export License, SPS and Technical Requirements
- Step 4. Certificate of Origin
- Step 5. Export Declaration
- Step 6. Payment of Duties

Documentary requirements for customs clearance

For importation

- A duly completed and signed ASEAN Customs Declaration Document (ACDD)
- A commercial invoice or contract of sale document from the supplier of the goods
- Transport documents such as Bill of Lading or Air Way Bill
- Packing List (if available)
- Certificate of Origin supplied by the exporter
- Any import licenses or permits obtained from other ministries depending on the type of goods you are importing

For exportation

- A duly completed and signed ACDD Form
- A commercial invoice or contract of sale document from the supplier of the goods
- Transport documents such as Bill of Lading or Air Way Bill
- Packing List (if available)
- Certificate of Origin
- Any export licenses or permits obtained from other ministries depending on the type of goods

³⁶ Details available at <http://www.laotradeportal.gov.la/index.php?r=site/display&id=10>

³⁷ Details available at <http://www.laotradeportal.gov.la/index.php?r=site/display&id=8>

you are exporting

Tariff nomenclature

The Lao PDR Tariff Nomenclature 2012³⁸, containing 10 digits, based on AHTN and HS Code.

Certificate of Origin

In Lao PDR non-preferential COs are issued by the Lao National Chamber of Commerce . PCOs are issued by the Certificate of Origin Division, Ministry of Industry and Commerce³⁹.


Non-tariff measures

Based on data released in January 2016, Lao PDR has 291 non-tariff measures, including 82 NTMs related to exports and 209 NTMs related to imports. Among the import-related NTMs are 38 sanitary and phytosanitary measures, 82 technical barriers to trade, 14 pre-shipment inspection requirements, 26 quantity control measures, 48 price control measures and 1 finance measure. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Customs Law No. 04/NA, dated 20 December 2011 and Customs Law Revised Version of Certain Articles, No. 57/NA, dated 24 December 2014⁴⁰

Contact agencies

 <p>Ministry of Industry and Commerce</p>	<p>Ministry of Industry and Commerce Phonexay Road, Vientiane, Lao PDR Tel: (+856) 21-453-490</p>
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Useful links

www.facebook.com/pages/Ministry-of-Industry-and-Commerce-Lao-PDR/732403160106924

www.laotradeportal.gov.la

customs.gov.la

www.laoftpd.com

⁽³⁸⁾ Available at <http://www.laotradeportal.gov.la/index.php?r=tradeInfo/index>

⁽³⁹⁾ Procedure available at <http://www.laoocci.com/index.php?lang=en>

⁽⁴⁰⁾ Available at http://www.laotradeportal.gov.la/kcfinder/upload/files/Customs_Law_No.57.NA_E.pdf and <http://www.laotradeportal.gov.la/index.php?r=display&id=1008>



MALAYSIA

Process

For both importation into and exportation out of Malaysia

- Step 1. Checking for Prohibition/ Restriction of Imports/ Exports⁴¹
- Steps 2. Obtaining Import/ Export License and Permits⁴² if Required
- Steps 3. Obtaining Specific Import Authorizations
- Step 4. Customs Declaration⁴³
- Step 5. Payment of Duty for Dutiable Goods
- Step 6. Inspection and Clearance

Documentary requirements for customs clearance⁴⁴

For importation

- Import Declaration (to be submitted electronically via CIS* Dagang Net)
- Bill of Lading or Air Waybill
- Invoice
- Packing List
- Import License (if applicable)
- Certificates of Origin (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc.

For exportation

- Export Declaration (to be submitted electronically via CIS* Dagang Net)
- Invoice
- Export License (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc

⁽⁴¹⁾ Available at http://www.customs.gov.my/en/tp/pages/tp_ie.aspx

⁽⁴²⁾ Search for List of Products That Require Import and Export Licenses on the MITI website. Permit issuing agency list available at <http://mytraderepository.customs.gov.my/en/Pages/pia.aspx>

⁽⁴³⁾ Details available at <https://en.portal.santandertrade.com/international-shipments/malaysia/customs-procedures>

⁽⁴⁴⁾ Details and forms available at http://mytraderepository.customs.gov.my/en/pd/Pages/doc_req.aspx

Tariff nomenclature

AHTN for trade between Malaysia and the other AMSs; the HS Code for trade with non-ASEAN countries⁴⁵ up to the 6-digit level.

Certificate of Origin

In Malaysia non-preferential COs are issued by Chambers and Associations authorized by the Ministry of International Trade and Industry (MITI)⁴⁶. PCOs, including the ATIGA Form D, are issued by MITI⁴⁷. Besides, Malaysia is participating in the ASEAN Self-Certification pilot project. If a company is registered with MITI, currently utilizing the ATIGA Form D to Brunei, Cambodia, Myanmar, Singapore and Thailand and has good track records with MITI and Customs, it is offered to apply as Certified Exporter for ASEAN Self-Certification. It will be able to make out an Invoice Declaration for the export of goods by its own, instead of obtaining a Form D from MITI.

Non-tariff measures

Based on data released in January 2016, Malaysia has 713 non-tariff measures, including 72 NTMs related to exports and 641 NTMs related to imports. Among the import-related NTMs are 260 sanitary and phytosanitary measures, 331 technical barriers to trade, 5 pre-shipment inspection requirements, 24 contingent trade protective measures, 9 quantity control measures and 12 price control measures. They can be accessed at <http://asean.i-tip.org/>.

National customs laws⁴⁸

Laws and Regulations Concerning the Importation, Exportation, Transit, Transshipment, and Storage of Goods As They Relate To Customs Duties, Charges and Other Taxes

Laws and Regulations Relating To the Rates of Duty Not Otherwise Included Under Category (Item II of Article 13(2) Of ATIGA), Taxes or Other Charges (e.g.; Customs Surcharges, Additional Taxes and Charges, Customs Fees And Charges On Imports).

Laws and Regulations Relating To Requirements, Restriction or Prohibitions on Imports or Export, Transit Goods or Transshipment.

Laws and Regulations Relating To Requirements, Restriction or Prohibitions on the Transfer of Payments for Imports or Exports, Transit Goods or Transshipment.

⁴⁵ Available at <http://tariff.customs.gov.my>

⁴⁶ List available at

http://www.miti.gov.my/miti/resources/Preferential%20Certificate%20of%20Origin/Non%20Preferential%20Certificate%20of%20Origin/Directory_Chamberof_Commerce_and_Industry_New.pdf

⁴⁷ Details available at http://www.miti.gov.my/index.php/pages/view/3911?mid=95#tab_379_674. Apply on-line at Dagang Net.

⁴⁸ Available at <http://mytraderepository.customs.gov.my/en/nt/Pages/nt.aspx>.

Laws and Regulations Affecting the Sale, Distribution, Transportation, Insurance, Warehousing, Inspection, Exhibition, Processing, Missing or Other Use of Imports or Exports, Goods in Transit and Transshipment.

Contact agencies



Ministry of International Trade and Industry (MITI)

Menara MITI, No. 7, Jalan Sultan Haji Ahmad Shah,

50480 Kuala Lumpur, Malaysia

Tel: (+60) 3-8000-8000 | Fax: (+60) 3-6206-4693

Email: webmiti@miti.gov.my



Royal Malaysian Customs Department

Jabatan Kastam Diraja Malaysia,

Kompleks Kementerian Kewangan No 3, Persiaran Perdana, Presint 2

62596 Putrajaya, Malaysia

Tel: (+60) 3-8882-2100/2300 Call Center: 03-7806 7200 | Email: [ccc@](mailto:ccc@customs.gov.my)

customs.gov.my

Useful links

www.miti.gov.my

mytraderepository.customs.gov.my

www.smeinfo.com.my

www.matrade.gov.my

www.customs.gov.my/en

MYANMAR

Process⁴⁹

- Step 1. Registration of a Business
- Step 2. Checking for Prohibited Imports/ Exports
- Step 3. Obtaining Import/ Export Licenses, Permits Relating to SPS and TBT Requirements
- Step 4. Customs Declaration
- Step 5. Payment of Customs Duties and Taxes
- Step 6. Customs Inspection of Imports/ Exports

Documentary requirements for customs clearance

For importation

- All imports must be cleared through Customs using the CUSDEC-1 Import Declaration Form along with the CUSDEC-4 Customs Valuation Form.
- An import license (when required)
- The invoice
- Bill of lading, air consignment note, or truck note
- Packing list
- Other certificates, permits or import recommendations, as required (for example, a CO or SPS or FDA certificate)

For exportation

- All exports must be cleared through Customs using the CUSDEC-2 Export Declaration Form along with the CUSDEC-4 Customs Valuation Form.
- An export license / permit
- The invoice
- Packing list
- Sales contract
- Payment advice referring Inward Telegraphic Transfer Private No./Inward Telegraphic Transfer Government No.
- Sample of goods
- Pass for the shipment of forestry products
- Health certificate for the export of live animals
- Permit for the export of wild live animals
- Other certificates, permits or import recommendations, as required (for example, a CO or SPS or FDA certificate)

⁽⁴⁹⁾ Details available at <http://myanmartradeportal.gov.mm/index.php?r=site/display&id=792> and <http://myanmartradeportal.gov.mm/index.php?r=site/display&id=793>



Tariff nomenclature

Myanmar AHTN⁵⁰, based on ASEAN Harmonized Tariff Nomenclature.

Certificate of Origin

Non-preferential COs are issued by the Federation of Chamber of Commerce and Industry. PTOs are issued by Directorate of Trade, Ministry of Commerce.

Non-tariff measures

Based on data released in January 2016, Myanmar has 172 non-tariff measures, including 35 NTMs related to exports and 137 NTMs related to imports. Among the import-related NTMs are 75 sanitary and phytosanitary measures, 41 technical barriers to trade, 2 pre-shipment inspection requirements, 5 quantity control measures, 13 price control measures and 1 measure affecting competition. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Sea Customs Act (1878), Land Customs Act (1924), Export Import Law 2012, Tariff Law (1992)

Contact agencies



Ministry of Commerce

Building 3, Nay Pyi Taw, Myanmar

Tel: (+95) 067 - 408265, 067 - 408485 | Fax: (+95) 067 - 408004

Email: mocdotict@gmail.com



Myanmar Customs Department

Ministry of Finance

132, Strand Road, Yangon, Myanmar

Tel: (+95) 01-380729 | Fax: (+95) 01-371231 | E-mail: mcd.ygn@mptmail.net.mm

Useful links

www.commerce.gov.mm/en

myanmartradeportal.gov.mm

www.myanmarcustoms.gov.mm

⁽⁵⁰⁾ Available through the Commodity Search at <http://myanmartradeportal.gov.mm/>

THE PHILIPPINES

Process⁵¹

For both importation into and exportation out of the Philippines

- Step 1. Registration of Business (and as an Exporter for exportation)
- Step 2. Checking for Prohibited, Regulated and Restricted Goods, SPS and TBT Requirements
- Step 3. Import Declaration Using the Electronic-to-Mobile (E2M) Internet System
- Step 4. Obtaining a Clearance, Authorization, License, Permits or Certificates if Required
- Step 5. Payment of Taxes and Duties
- Step 6. Applying for a Certificate of Origin (for exportation)
- Step 7. Inspection and Clearance

Documentary requirements for customs clearance

For importation

- Duly signed Customs Declaration form, also known as the Single Administrative Document (SAD)
- Duly endorsed Bill of Lading or Airway Bill, or certification by the carrier or agent of the vessel or aircraft;
- Commercial Invoice, Letter of Credit or any other verifiable commercial document evidencing payment; in cases where there is no sale for export, by any commercial document indicating the commercial value of the goods;
- Packing List
- Duly notarized Supplemental Declaration on Valuation;
- Documents as may be required by rules and regulations, such as Import Permit or Clearance; Authority to Release Imported Goods; PCO; etc.

For exportation

- Export Declaration
- Bill of Lading
- Commercial Invoice
- Packing List

Tariff nomenclature

ASEAN Harmonized Tariff Nomenclature (AHTN) 2017

⁽⁵¹⁾ Details available at <http://dti.gov.ph/businesses/imports/import-facilitation/gen-import-procedures>, <http://pntr.gov.ph/data/Philippine%20Export%20Guidebook%202015%20Edition.pdf> and <http://dti.gov.ph/businesses/imports/import-facilitation>



Certificate of Origin

Non-preferential COs are issued by the Philippine Chamber of Commerce and Industry. PCOs are issued by the Bureau of Customs⁵².

Non-tariff measures

Based on data released in January 2016, the Philippines has 855 non-tariff measures, including 146 NTMs related to exports and 709 NTMs related to imports. Among the import-related NTMs are 233 sanitary and phytosanitary measures, 360 technical barriers to trade, 24 pre-shipment inspection requirements, 1 contingent trade protective measure, 56 quantity control measures, 23 price control measures, 11 finance measures and 1 measure affecting competition. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Tariff and Customs Code of the Philippines (2012)⁵³

Contact agencies



Department of Trade and Industry (DTI)

Trade & Industry Building, 361 Senator Gil J. Puyat Avenue, Makati City,
Metro Manila, Philippines 1200

Trunkline: (+632) 751-0384 | Email: ask@dti.gov.ph

DTI Direct Call Center (+63) 2751-3330 | Mobile: (+63) 917-834-3330

Email: ask@dti.gov.ph | **MSME Assistance** (+63) 2751-5096

Export Assistance (+63) 2897-7610



Bureau of Customs (BOC)

South Harbor, Gate 3, Port Area, Manila, Philippines
Tel: 917-3200 (3201 to 3205) | E-mail: info@customs.gov.ph

Useful links

pntr.gov.ph

www.dti.gov.ph

www.customs.gov.ph

⁽⁵²⁾ Procedures available at <https://www.portcalls.com/boc-sets-guidelines-submission-ecertificate-origin/>

⁽⁵³⁾ Available at <http://customs.gov.ph/wp-content/uploads/2016/10/TCCP-vol1.pdf> and <http://www.ntrc.gov.ph/images/quicklinks/TCCP-Volume-2.pdf>

SINGAPORE

Process

For importation into Singapore⁵⁴

- Step 1. Register for a Unique Entity Number and Active Customs Account
- Step 2. Check if Your Goods Are Controlled or Prohibited and Get Authorization if Necessary
- Step 3. Register for Inter-Bank GIRO Account
- Step 4. Furnish Security
- Step 5. Apply for Customs Import Permit Electronically via TradeNet
- Step 6. Pay Goods and Service Tax (GST) and Duty
- Step 7. Prepare Documents for Cargo Clearance
- Step 8. Retain Your Trade Documents

For exportation out of Singapore⁵⁵

- Step 1. Register for a Unique Entity Number and Active Customs Account
- Step 2. Check if Your Goods Are Controlled or Prohibited and Get Authorization if Necessary
- Step 3. Apply for Customs Export Permit Electronically via TradeNet
- Step 4. Prepare Documents for Cargo Clearance
- Step 5. Retain Your Trade Documents

Documentary requirements for customs clearance

For importation: Importers should ensure the validity of the customs permit presented for clearance of imports.

For containerized cargo

- Customs permit: with the container number and shipper seal number
- Invoice
- Packing list
- Bill of Lading, Airways Bill, etc
- Importing by sea: You are not required to present the permit and supporting documents to the checkpoint officers at the entry points.
- Importing by air or land: You are required to produce the printed copy of the permit, and supporting documents such as invoice, packing list and Bill of Lading/Air Waybill, to the checkpoint officers at the time of cargo clearance for verification:

⁽⁵⁴⁾ Details available at <https://www.customs.gov.sg/businesses/importing-goods/quick-guide-for-importers>

⁽⁵⁵⁾ Details available at <https://www.customs.gov.sg/businesses/exporting-goods/quick-guide-for-exporters>



For conventional cargo and hand-carried goods

- Present the goods, printed copy of the customs permit, and supporting documents such as invoice, packing list and Bill of Lading/Air Waybill, to the checkpoint officers at the entry points for verification.

For a consignment which requires partial clearance

- The same permit should be presented each time for endorsement till the whole consignment is completely cleared.

Officers at the entry points may seal any package or container before releasing the goods. Such sealed goods must be unpacked or unstuffed under Customs' supervision at a fee. The local freight forwarder, declaring agent or importer must e-file for Customs' supervision of unpacking or unstuffing at least one (01) working day before the intended operation.

For exportation of containerized cargo

- Produce the cargo with the approved Customs export permit and supporting documents such as invoice, packing list, Bill of Lading/Airway Bill, to the checkpoint officers if it is specified in the permit conditions or if the cargo is dutiable or controlled. Please have the permit number at the point of cargo lodgement for verification purposes.

For exportation of conventional cargo

- Produce the approved Customs export permit and supporting documents such as invoice, packing list, Bill of Lading/Airway Bill, to the checkpoint officers if it is specified in the permit conditions or if the items are dutiable or controlled. Please also have the permit number at the point of cargo lodgement for verification purposes.

Tariff nomenclature

Singapore Trade Classification, Customs and Excise Duties (STCCED) 2012⁵⁶

Certificate of Origin

Ordinary COs are issued by Singapore Customs or any of the following authorized organizations:

- Singapore Chinese Chamber of Commerce and Industry
- Singapore Indian Chamber of Commerce and Industry
- Singapore International Chamber of Commerce
- Singapore Malay Chamber of Commerce and Industry
- Singapore Manufacturing Federation

⁽⁵⁶⁾ Available at <https://www.customs.gov.sg/businesses/harmonized-system-hs-classification-of-goods>

These authorized organizations, however, do not issue ordinary COs for the export of Singapore-origin textiles and textile goods to the United States of America.

Preferential COs are issued only by Singapore Customs. Besides, Singapore, Brunei Darussalam, Malaysia and Thailand are participating in the first ASEAN Self-Certification pilot project. Local manufacturers, who are also exporters, can apply as Certified Exporter and then they need only declare their goods as qualifying for preferential tariff rates on the commercial invoice, or if the invoice is not available at the time of export, any other commercial document such as a billing statement, delivery order or packing list, instead of obtaining a Form D from the issuing authority.

Non-tariff measures

Based on data released in January 2016, Singapore has 514 non-tariff measures, including 49 NTMs related to exports and 465 NTMs related to imports. Among the import-related NTMs are 127 sanitary and phytosanitary measures, 300 technical barriers to trade, 2 pre-shipment inspection requirements, 1 quantity control measure and 35 price control measures. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

The Customs Act (Chapter 70), 2004⁵⁷

Contact agencies

	<p>Ministry of Trade & Industry (MTI) 100 High Street, #09-01 The Treasury Singapore 179434 Tel: (+65) 6225-9911 Fax: (+65) 6332-7260 Email: mti_email@mti.gov.sg Trade Division Fax: (+65) 6334-8135/ 6334-7113/ 6334-5848</p>
 SINGAPORE CUSTOMS	<p>Singapore Customs 55 Newton Road #10-01, Revenue House Singapore 307987 Fax: (+65) 6250-8663</p>

Useful links

www.mti.gov.sg

www.tradexchange.gov.sg

www.fta.gov.sg

www.customs.gov.sg

⁵⁷ Available at <https://www.customs.gov.sg/about-us/acts-and-subsiary-legislation>

THAILAND

Process

For both importation into and exportation out of Thailand⁵⁸

- Step 1. Checking for Prohibited and Restricted Goods⁵⁹
- Step 2. Obtaining Licenses, Permits if Required
- Step 3. Submission of an Import/Export Declaration to the E-Customs System
- Step 4. Check and Verification of the Declaration in the E-Customs System
- Step 5. Payment of Import Duties and Taxes
- Step 6. Inspection and Release of Cargo from Customs Custody

Documentary requirements for customs clearance⁶⁰

For importation:

- Import Declaration (electronically transmitted to and processed by the e-Customs system)
- Payment Receipt of duties/ taxes/guarantee
- Bill of Lading or Air Waybill
- Invoice
- Packing List
- Import License (if applicable)
- Certificates of Origin (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc.

For exportation:

- Export Declaration (electronically transmitted and processed by to the e-Customs system)
- Invoice
- Export License (if applicable)
- Other relevant documents such as catalogue, product ingredients, etc.

Tariff nomenclature

AHTN 2012/1 for both intra-extra ASEAN trade⁶¹

Certificate of Origin

Ordinary COs are issued by any of the following organizations:

- Department of Foreign Trade, Ministry of Commerce;

⁽⁵⁸⁾ Details available at <http://www.thailandntr.com/ntr-6.php>

⁽⁵⁹⁾ Available at http://www.thailandntr.com/Topic6/EN/13_Import_EN.pdf

⁽⁶⁰⁾ Minimum documents required in case of red line (high risk shipment)

⁽⁶¹⁾ Available at <http://www.thailandntr.com/display.php?r=160700512>, http://en.customs.go.th/cont_strc_simple.php?lang=en&top_menu=¤t_id=14223132414b505e4e

- Thai Chamber of Commerce; and
- Federation of Thai Industry.

PCOs are issued by International Trade Service Office, Department of Foreign Trade, Ministry of Commerce. Besides, Thailand, Brunei Darussalam, Malaysia and Singapore are participating in the first ASEAN Self-Certification pilot project. Local manufacturers, who are also exporters, can apply as Certified Exporter and then they need only declare their goods as qualifying for preferential tariff rates on the commercial invoice, or if the invoice is not available at the time of export, any other commercial document such as a billing statement, delivery order or packing list, instead of obtaining a Form D from the issuing authority.


Non-tariff measures

Based on data released in January 2016, Thailand has 1613 non-tariff measures, including 128 NTMs related to exports and 1485 NTMs related to imports. Among the import-related NTMs are 762 sanitary and phytosanitary measures, 563 technical barriers to trade, 44 pre-shipment inspection requirements, 53 contingent trade protective measure, 40 quantity control measures, 21 price control measures and 3 measures affecting competition. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Customs Act B.E. 2469 (1926)⁶²; Customs Tariff Decree B.E. 2530 (1987)⁶³

Contact agencies

	<p style="text-align: center;">Ministry of Commerce (MOC)</p> <p>563 Nonthaburi 1 Rd., Amphur Muang, Nonthaburi 11000, Thailand Tel: (+66) 2507-7000/ 2507-8000 Fax: (+66) 2547-5209/ 10 E-mail: webmaster@moc.go.th Department of Foreign Trade (+66) 2547-4771-86 International Trade Service Office (+66) 2547-4753, 2547-4832 Department of Trade Negotiations (+66) 2507-7209-12</p>
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	<p style="text-align: center;">Thai Customs Department</p> <p>1, Sunton Kosa Road, Klong Toey, Bangkok 10110 Thailand Tel: (+66) 2667-6000, 2667-7000 Fax: +66 2667 7000</p>
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Useful links

www.moc.go.th	www.thaitrade.com
www.thailandntr.com	en.customs.go.th

⁶² Available at http://www.thailandntr.com/result-download.php?ntr_id=2687

⁶³ Available at http://www.thailandntr.com/result-download.php?ntr_id=4163



VIETNAM

Process

For importation into Vietnam⁶⁴

- Step 1. Registration of Business and for Electronic Customs Declaration
- Step 2. Checking for Prohibited Goods, Licensing, Certification, SPS and TBT Requirements
- Step 3. Obtaining Licenses, Permits and Certificates if Required
- Step 4. Pre-Arrival Declaration
- Step 5. Customs Declaration
- Step 6. Payment of Duties
- Step 7. Inspection and Clearance

For exportation out of Vietnam⁶⁵

- Step 1. Registration
- Step 2. Checking for Prohibited Goods, Licensing, Certification, SPS and TBT Requirements
- Step 3. Obtaining Licenses, Permits and Certificates if Required
- Step 4. Obtaining a Certificate of Origin if Required
- Step 5. Customs Declaration
- Step 6. Payment of Duties
- Step 7. Inspection and Clearance

Documentary requirements for customs clearance

For importation:

- E-Customs Declaration (via the National Single Window or Vietnam Automated Cargo and Port Consolidated System-VNACCS) or a duly completed and signed Customs Declaration form
- Commercial invoice
- Bill of Lading or Air Way Bill
- Packing List (if available)
- Certificate of Origin (if applicable)
- Any import licenses, permits and certificates obtained from other ministries depending on the type of goods you are importing

For exportation

- Bill of Lading
- Packing list
- Contract
- Export Permit (if any)
- Invoice
- Specialized Inspection Certificate (if any)

⁶⁴ Details available at <http://www.vietnamtradeportal.gov.vn/index.php?r=site/display&id=795>

⁶⁵ Details available at <http://www.vietnamtradeportal.gov.vn/index.php?r=site/display&id=794>

- Certificate of Origin (if any)

Tariff nomenclature

Viet Nam Tariff Classification and Tariff rates⁶⁶

Certificate of Origin

Non-preferential COs are issued electronically and manually by Vietnam Chamber of Commerce and Industry head office and branches⁶⁷. PCOs are issued by Regional Export-Import Management Sections⁶⁸, Ministry of Industry and Trade and can be electronically obtained through the eCoSys (www.ecosys.gov.vn)


Non-tariff measures

Based on data released in January 2016, Vietnam has 330 non-tariff measures, including 57 NTMs related to exports and 273 NTMs related to imports. Among the import-related NTMs are 121 sanitary and phytosanitary measures, 122 technical barriers to trade, 5 pre-shipment inspection requirements, 7 quantity control measure, 7 price control measures and Vietnam 8 measures affecting competition, 2 finance measures and 1 distribution restriction. They can be accessed at <http://asean.i-tip.org/>.

National customs laws

Customs Law No. 54/2014/QH13 (2014)⁶⁹

Contact agencies

 <p>BỘ CÔNG THƯƠNG MINISTRY OF INDUSTRY AND TRADE</p>	<p align="center">Ministry of Industry and Trade (MOIT) 54 Hai Ba Trung Street, Hoan Kiem, Hanoi, Vietnam Tel: (+84) 24-2220-2240 /210 Fax: (+84) 24-2220-2525 Email: bbt@moit.gov.vn</p>
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 <p>THAI QUAN VIỆT NAM VIỆT NAM CUSTOMS</p>	<p align="center">General Department of Vietnam Customs Block E3 - Duong Dinh Nghe street, Yen Hoa, Cau Giay, Hanoi, Vietnam Tel: (+84) 24- 3944-0833 (ext: 8613) Email: webmaster@customs.gov.vn</p>
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Useful links

www.moit.gov.vn

www.vietnamtradeportal.gov.vn

ntr.moit.gov.vn

⁶⁶ Available at <http://www.vietnamtradeportal.gov.vn/index.php?r=tradeInfo/index>

⁶⁷ Available at <http://covcci.com.vn/index.aspx?sModule=addmodule&stypeid=46&spage=15>

⁶⁸ List and contact available at <http://www.ecosys.gov.vn/Homepage/DepartmentView.aspx>

⁶⁹ Available at <http://www.vietnamtradeportal.gov.vn/index.php?r=site/display&cid=40>



Appendix 7. Benefits of Some ASEAN Plus FTAs

ASEAN–Japan Comprehensive Economic Partnership (AJCEP)

Access to a large and potential growing market

The AJCEP enabled the business from ASEAN and Japan to gain access to a big and potential regional market of 752.4 million people, GDP of 7.29 trillion and averaged GDP per capita of \$20,640 (PPP). With huge market access through tariff concessions and cumulative rules of origin, consumers would have greater choice of products with competitive prices.

Tariff Reduction and Elimination

With regard to Trade in Goods, tariff elimination for products in Parties' Normal Track should be completed within 10 years from the entry into force of the Agreement for Japan, ASEAN-6 and Viet Nam, and 13 years for CLM (Cambodia, Lao, Myanmar). Given the different level of development among AJCEP Parties, the thresholds for tariff elimination also varies: 92% for Japan and 90% for ASEAN-6 and Viet Nam based on tariff lines and trade value; and 90% for CLM based on either tariff line or trade value.

For goods under the Highly Sensitive List, Sensitive List and Exclusion List, the modality varies and the tariff cuts were negotiated bilaterally between ASEAN Member States and Japan.

Rules of Origin

Trade facilitating rules of origin (ROO) have been established under the AJCEP that would help encourage regional cumulation of inputs not only benefitting ASEAN industries but also Japanese companies who are operating and have huge investments in ASEAN countries.

The AJCEP's ROO has a "general rule" of RVC (Regional Value Content) 40% or CTH (Change in Tariff Heading), thereby providing flexibility for exporters/manufacturers in choosing the rule to apply and increasing their chances of complying with the ROO to avail of the preferential tariff treatment.

Liberalized Investment and Services Commitments

A comprehensive Chapter on Trade in Services, which would improve the commitments and obligations on services trade, and Chapter on Investment, which would promote, protect, facilitate and liberalize investment in the region, are currently being negotiated.

Economic Cooperation

Under the Agreement, both ASEAN and Japan have initiated several economic cooperation projects including capacity building, technical assistance, in areas of mutual interest in order to liberalize and facilitate trade and investment.

ASEAN-China Free Trade Area (ACFTA)

Enlarged Market Size and Enhanced Trade

The ACFTA creates an economic region with 1.7 billion consumers, a regional Gross Domestic Product (GDP) of about US\$2 trillion and total trade estimated at US\$1.23 trillion. This makes it the biggest FTA in the world in terms of population size.

The two (2) way trade volume is expected to grow significantly. Simulations conducted by the ASEAN Secretariat suggest that an ACFTA will increase ASEAN's exports to China by 48 per cent and China's exports to ASEAN by 55.1 percent. The FTA increases ASEAN's GDP by 0.9 percent or by US\$5.4 billion while China's real GDP expands by 0.3 percent or by US 2.2 billion in absolute terms. Amongst ASEAN's top exports to China include electrical equipment, computer/machinery, lubricants/fuels/oil, organic chemicals, plastics, fats and oils and rubber. Notably these products are mostly intermediate goods to China's exports to Third Countries. Thus, it can be expected that in the process of China's economic expansion and with the ACFTA in place, it will import more from ASEAN countries for its required inputs in its production processes and for its needs as its income and standard of living improves.

Removal of Trade Measures/ Barriers, Specialization and Enhanced Economic Efficiency

The removal of quantitative restrictions and non-tariff measures/ barriers remained from the the TIG Agreement will lower the costs of trade transactions, further increase ASEAN-China trade and enhance economic efficiency. As low-cost imports under the FTA flow from one member to another, specialization in production ensues, thereby boosting real income in both ASEAN and China as resources flow to sectors where they can more efficiently and productively utilized.

However, it must be noted that the ensuing intensified competition in each region's domestic market given the similarity in industrial structures of ASEAN and China may entail short-run costs in the form of displacement of workers and rationalization of some industries and firms. And as such, there would be the need for adjustments amongst workers and enterprises, particularly the small and medium enterprises.

Improved Investments Prospects

The formation of an ASEAN-China Investment Area should also aid in generating more investments for ASEAN. Not only will more ASEAN and Chinese companies be willing to investment within the



integrated market, since market risk and uncertainty are lowered, but US, European and Japanese companies, which are interested in making inroads into the Asian market, will also be attracted to invest in the integrated market.

On its own, China has been successful in luring investors into its growing economy for it has the essential investment determinants in place. China's market potential is already well established and its performance in relation to some indicators of institutional quality and macroeconomic and political stability is better than other members of ASEAN. And despite the perceived inadequate legal framework, high inflation and the pervasiveness of bureaucratic red tape and corruption, foreign investors are looking at the long-term benefits of investing in China more than its short-term problems.

As such, the integration of ASEAN with China can entice more foreign corporations, which each market alone cannot otherwise attract. With a larger market, more intense competition, increased investment and economies of scale, investors will be more inclined to locate in the integrated region.

Source: edited from Cordenillo R.L., 2005

Appendix 8. The Challenges of FTAs: Case of China-Thailand FTA

The China-Thailand FTA was signed in June 2003 and came into effect four months later in October 2003. It is an "early harvest agreement" on farm trade alone, whereby both countries opened their agricultural markets before the broader China-ASEAN FTA comes into force in 2010. Under the deal, tariffs for 188 types of fruits and vegetables were cut to zero overnight.

The China-Thailand FTA has had very strong impacts in Thailand, amply documented by NGOs, farmers' groups, academics and the press. Many Thai garlic, longan and other fruit and vegetable producers, especially in the North, lost their livelihoods because they could not compete against the cheap flood of Chinese imports. In fact, despite government reassurances, only Thai cassava exports went up. Investigations showed that Thai produce entering China was left to rot at point of entry, by local warehouse operators, so that it could not actually be commercialized.

Cheap Chinese fruits and vegetables, in the meanwhile, were criticized by Thai people for their high pesticide residue levels. But this actually led the two governments to adopt joint private food safety standards (Thai-China GAP), providing yet another boost to corporate farming and further concentration.

In all, the China-Thailand FTA has not benefitted small farmers on either side of the border. It has only been favorable for businessmen who control the trade and are able to use it to expand their contract farming operations, such as Thailand's (ethnic Chinese-owned) Charoen Pokphand Group.

Source: bilateral.org, 2012

Appendix 9. List of Free Trade Agreements of ASEAN Member States

* G: Trade in Goods; S: Trade in Services; I: Investment

All ASEAN Member States - FTAs among all ASEAN Member States (1 trade agreement)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 ASEAN Trade in Goods Agreement (ATIGA) <i>Signed and In Effect</i>	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	17-May-10	26-Feb-09		✓	

All ASEAN Member States - ASEAN's Free Trade Agreements with Dialogue Partners (7 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) <i>Negotiations in progress since 2014</i>	Hong Kong (China), Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	-	-		✓	
2 Regional Comprehensive Economic Partnership (RCEP) <i>Negotiations in progress since 2009</i>	Australia, India, Japan, China, Korea, New Zealand, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	-	-	✓	✓	✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
3 ASEAN-Australia and New Zealand Free Trade Area (ASEAN-ANZ FTA) <i>Signed and In Effect</i>	Australia, New Zealand, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	1-Jan-10	27-Feb-09	✓	✓	✓
4 ASEAN-India Free Trade Area (ASEAN-India FTA) <i>Signed and In Effect</i>	India, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	1-Jan-10	13-Aug-09	✓	✓	✓
5 ASEAN-Japan Comprehensive Economic Partnership (AJCEP) ** <i>Signed and In Effect</i>	Japan, Brunei Darussalam, Cambodia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	1-Dec-08	14-Apr-08	✓	✓	✓
6 ASEAN- China Free Trade Area (ACFTA) <i>Signed and In Effect</i>	China, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	1-Jul-05	29-Nov-04	✓	✓	✓
7 ASEAN-[Republic of] Korea Free Trade Area (AKFTA) <i>Signed and In Effect</i>	South Korea, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam	1-Jun-07	24-Aug-06	✓	✓	✓

* *The agreements on Trade in Service and Investment are being negotiated.*

** *Indonesia has yet to implement the AJCEP.*

Brunei Darussalam (4 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 Trans-Pacific Partnership (TPP) <i>Signed but not yet In Effect</i>	Japan, Australia, Chile, Peru, US*, New Zealand, Canada, Mexico, Brunei Darussalam, Malaysia, Singapore, Viet Nam	-	4-Feb-16	✓	✓	✓
2 Brunei-Japan Economic Partnership Agreement (BJEPA) <i>Signed and In Effect</i>	Japan, Brunei Darussalam	31-Jul-08	18-Jun-07	✓	✓	✓
3 Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4) <i>Signed and In Effect</i>	Chile, New Zealand, Brunei Darussalam, Singapore	28-May-06	18-Jul-05	✓	✓	✓

Cambodia (0 trade agreement)

Cambodia does not have any bilateral free trade agreements. The State joins with other AMSs in ASEAN + free trade agreements with trading partners (please see All ASEAN Member States).

Indonesia (9 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 India-Indonesia Comprehensive Economic Cooperation Arrangement (India-Indonesia CECA)	India, Indonesia	-	-	✓	✓	✓
<i>Negotiations launched in 2004</i>						
2 Indonesia-Australia Comprehensive Economic Partnership Agreement (Indonesia-Australia CEPA)	Australia, Indonesia	-	-	✓	✓	✓
<i>Negotiations launched in 2012</i>						
3 Indonesia-Chile Free Trade Agreement (Indonesia-Chile FTA)	Chile, Indonesia	-	-	✓		
<i>Negotiations launched in 2014</i>						
4 Indonesia-European Free Trade Association Free Trade Agreement (Indonesia-EFTA FTA)	Iceland, Liechtenstein, Norway, Switzerland, Indonesia	-	-			✓
<i>Negotiations launched in 2011</i>						

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
5 [Republic of] Korea-Indonesia Free Trade Agreement (Korea-Indonesia FTA)	Korea, Indonesia	-	-	✓		
<i>Negotiations launched in 2012</i>						
6 Trade Preferential System of the Organization of the Islamic Conference (TPS-OIC)	Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Nigeria, Pakistan, Saudi Arabia, Turkey, Uganda, Bangladesh, Cote Divoire, Guinea, Iran, Maldives, Oman, Qatar, Senegal, Syria, Tunisia, UEA, Benin, Burkina Faso, Cameroon, Chad, Comoros, Djibouti, Gabon, Gambia, Guinea-Bissau, Iraq, Libya, Mauritania, Niger, Palestine, Sierra Leone, Somalia, Sudan, Indonesia, Malaysia	-	1-Jan-14	✓		
<i>Signed but not yet In Effect</i>						
7 Japan-Indonesia Economic Partnership Agreement (Japan-Indonesia EPA)	Japan, Indonesia	1-Jul-08	20-Aug-07	✓	✓	✓
<i>Signed and In Effect</i>						
8 Pakistan-Indonesia Preferential Trade Agreement (Pakistan-Indonesia PTA)	Pakistan, Indonesia	13-Sep-13	3-Feb-12			✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
<i>Signed and In Effect</i>						
9	Preferential Tariff Arrangement-Group of Eight Developing Countries (PTA-D8)	Bangladesh, Pakistan, Egypt, Iran, Nigeria, Turkey, Indonesia, Malaysia	25-Aug-11	13-May-06		✓
<i>Signed and In Effect</i>						
Lao PDR (2 trade agreements)						
RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
1	Asia-Pacific Trade Agreement (APTA)	Bangladesh, India, China, Sri Lanka, Lao PDR	17-Jun-76	31-Jul-75		✓
<i>Signed and In Effect</i>						
2	Laos-Thailand Preferential Trading Arrangement (Laos-Thailand PTA)	Lao PDR, Thailand	20-Jun-91			✓
<i>Signed and In Effect</i>						
Malaysia (14 trade agreements)						
RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 Malaysia-Gulf Cooperation Council Free Trade Agreement (Malaysia-GCC FTA)	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UEA, Malaysia	-	-	✓		
<i>(FA) signed in 2011</i>						
2 Malaysia-EU Free Trade Agreement (MEUFTA)	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Malaysia	-	-	✓	✓	✓
<i>Negotiations launched in 2010</i>						
3 Malaysia-European Free Trade Association Free Trade Agreement (Malaysia-EFTA FTA)	Iceland, Liechtenstein, Norway, Switzerland, Malaysia	-	-		✓	
<i>Negotiations launched in 2012</i>						
4 United States-Malaysia Free Trade Agreement (US-Malaysia FTA)	US, Malaysia	-	-		✓	
<i>Negotiations launched in 2006</i>						
5 Trade Preferential System of the Organization of the Islamic Conference (TPS-OIC)	Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Nigeria, Pakistan, Saudi Arabia, Turkey, Uganda,	-	1-Jan-14			✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
<i>Signed but not yet In Effect</i>	Bangladesh, Cote Divoire, Guinea, Iran, Maldives, Oman, Qatar, Senegal, Syria, Tunisia, UEA, Benin, Burkina Faso, Cameroon, Chad, Comoros, Djibouti, Gabon, Gambia, Guinea-Bissau, Iraq, Libya, Mauritania, Niger, Palestine, Sierra Leone, Somalia, Sudan, Indonesia, Malaysia					
6 Trans-Pacific Partnership (TPP)	Japan, Australia, Chile, Peru, US*, New Zealand, Canada, Mexico, Brunei Darussalam, Malaysia, Singapore, Viet Nam	-	4-Feb-16	✓	✓	✓
<i>Signed but not yet In Effect</i>						
7 Japan-Malaysia Economic Partnership Agreement (JMEPA)	Japan, Malaysia	13-Jul-06	13-Dec-05	✓	✓	✓
<i>Signed and In Effect</i>						
8 Malaysia-Australia Free Trade Agreement (MAFTA)	Australia, Malaysia	1-Jan-13	22-May-12		✓	
<i>Signed and In Effect</i>						
9 Malaysia-Chile Free Trade Agreement (Malaysia-Chile FTA)	Chile, Malaysia	18-Apr-12	13-Nov-10		✓	
<i>Signed and In Effect</i>						
10 Malaysia-India Comprehensive Economic Cooperation Agreement (Malaysia-India CECA)	India, Malaysia	1-Jul-11	18-Feb-11		✓	✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
<i>Signed and In Effect</i>						
11 Malaysia-New Zealand Free Trade Agreement (NZ-Malaysia FTA)	New Zealand, Malaysia	1-Aug-10	26-Oct-09	✓	✓	✓
<i>Signed and In Effect</i>						
12 Malaysia-Pakistan Closer Economic Partnership Agreement (Malaysia-Pakistan CEPA)	Pakistan, Malaysia	1-Jan-08	8-Nov-07	✓	✓	✓
<i>Signed and In Effect</i>						
13 Malaysia-Turkey Free Trade Agreement (Malaysia-Turkey FTA)	Turkey, Malaysia	1-Aug-15	17-Apr-14	✓		
<i>Signed and In Effect</i>						
14 Preferential Tariff Arrangement-Group of Eight Developing Countries (PTA-D8)	Bangladesh, Pakistan, Egypt, Iran, Nigeria, Turkey, Indonesia, Malaysia	25-Aug-11	13-May-06			✓
<i>Signed and In Effect</i>						

* The U.S. withdrew on 23 January 2017.

Myanmar (2 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 Myanmar-US Free Trade Agreement (Myanmar-US FTA) <i>(FA) signed in 2013</i>	US, Myanmar	-	-	✓		
2 Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation Free Trade Area (BIMSTEC FTA) <i>Negotiations launched in 2004</i>	Bhutan, Sri Lanka, Bangladesh, Nepal, Myanmar, Thailand	-	-		✓	

Philippines (3 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 Philippines-EU Free Trade Agreement (Philippines-EU FTA) <i>Negotiations launched in 2014</i>	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Philippines	-	-		✓	
2 Philippines-European Free Trade Association Free Trade Agreement (Philippines-EFTA FTA) <i>Signed but not yet In Effect</i>	Iceland, Liechtenstein, Norway, Switzerland, Philippines	-	28-Apr-16	✓	✓	✓
3 Japan-Philippines Economic Partnership Agreement (JPEPA) <i>Signed and In Effect</i>	Japan, Philippines	11-Dec-08	9-Sep-06	✓		✓

Singapore (21 trade agreements)

	RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage
1	Turkey- Singapore Free Trade Agreement (TRSFTA) <i>Signed and In Effect</i>	Turkey, Singapore	1-Oct-17	14-Nov-15	✓ ✓ ✓
2	Trans-Pacific Partnership (TPP) <i>Signed but not yet In Effect</i>	Japan, Australia, Chile, Peru, US*, New Zealand, Canada, Mexico, Brunei Darussalam, Malaysia, Singapore, Viet Nam	-	4-Feb-16	✓ ✓ ✓
3	European Free Trade Association- Singapore Free Trade Agreement (ESFTA) <i>Signed and In Effect</i>	Iceland, Liechtenstein, Norway, Switzerland, Singapore	1-Jan-03	26-Jun-02	✓ ✓ ✓
4	Gulf Cooperation Council-Singapore Free Trade Agreement (GSFTA) <i>Signed and In Effect</i>	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UEA, Singapore	1-Sep-13	15-Dec-08	✓ ✓ ✓
5	India-Singapore Comprehensive Economic Cooperation Agreement (India-Singapore CECA) <i>Signed and In Effect</i>	India, Singapore	1-Aug-05	29-Jun-05	✓ ✓ ✓
6	Japan-Singapore Economic Agreement for a New-Age Partnership (JSEPA) <i>Signed and In Effect</i>	Japan, Singapore	30-Nov-02	13-Jan-02	✓ ✓ ✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage
7 New Zealand-Singapore Comprehensive Economic Partnership (ANZSCEP) <i>Signed and In Effect</i>	New Zealand, Singapore	1-Jan-01	14-Nov-00	✓ ✓ ✓
8 People's Republic of China-Singapore Free Trade Agreement (CSFTA) <i>Signed and In Effect</i>	China, Singapore	1-Jan-09	23-Oct-08	✓ ✓ ✓
9 Singapore-Australia Free Trade Agreement (SAFTA) <i>Signed and In Effect</i>	Australia, Singapore	28-Jul-03	17-Feb-03	✓ ✓ ✓
10 Singapore-Costa Rica Free Trade Agreement (SCRFTA) <i>Signed and In Effect</i>	Costa Rica, Singapore	1-Jul-13	6-Apr-10	✓ ✓ ✓
11 Panama-Singapore Free Trade Agreement (PSFTA) <i>Signed and In Effect</i>	Panama, Singapore	24-Jul-06	1-Mar-06	✓ ✓ ✓
12 Peru- Singapore Free Trade Agreement (PeSFTA) <i>Signed and In Effect</i>	Peru, Singapore	1-Aug-09	28-May-08	✓ ✓ ✓
13 Singapore-Jordan Free Trade Agreement (SJFTA)	Jordan, Singapore	22-Aug-05	16-May-04	✓ ✓ ✓

	RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage
	<i>Signed and In Effect</i>				
14	Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4)	Chile, New Zealand, Brunei Darussalam, Singapore	28-May-06	18-Jul-05	✓ ✓ ✓
	<i>Signed and In Effect</i>				
15	United States-Singapore Free Trade Agreement (USSFTA)	US, Singapore	1-Jan-04	6-May-03	✓ ✓ ✓
	<i>Signed and In Effect</i>				
16	[Republic of] Korea-Singapore Free Trade Agreement (KSFTA)	Korea, Singapore	2-Mar-06	4-Aug-05	✓ ✓ ✓
	<i>Signed and In Effect</i>				
17	Eurasian Economic Union (EAEU) - Singapore Free Trade Agreement	Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Singapore	-	-	✓ ✓ ✓
	<i>Negotiations launched in 2017</i>				
18	Sri Lanka-Singapore Free Trade Agreement (SLSFTA)	Sri Lanka, Singapore	-	-	✓ ✓ ✓
	<i>Negotiations launched in 2016</i>				
19	Pacific Alliance-Singapore Free Trade Agreement (PASFTA)	Chile, Colombia, Mexico, Peru, Singapore	-	-	✓ ✓ ✓
	<i>Negotiations launched in 2017</i>				
20	European Union-Singapore Free Trade	Austria, Belgium, Bulgaria, Croatia,	-	-	✓ ✓ ✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage
<p>Agreement (EUSFTA)</p> <hr/> <p><i>Concluded in 2014</i></p>	<p>Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Singapore</p>			

* The U.S. withdrew on 23 January 2017.

Thailand (15 trade agreements)

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
1 Thailand-Bahrain Free Trade Agreement (Thailand-Bahrain FTA) <i>(FA) signed in 2002</i>	Bahrain, Thailand	-	-		✓	
2 Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation Free Trade Area (BIMSTEC FTA) <i>Negotiations launched in 2004</i>	Bhutan, Sri Lanka, Bangladesh, Nepal, Myanmar, Thailand	-	-		✓	
3 India-Thailand Free Trade Area (ITFTA) <i>Negotiations launched in 2004</i>	India, Thailand	-	-	✓	✓	✓
4 Pakistan-Thailand Free Trade Agreement (Pakistan-Thailand FTA) <i>Negotiations launched in 2015</i>	Pakistan, Thailand	-	-		✓	
5 Thailand-European Free Trade Association Free Trade Agreement (TEFTA) <i>Negotiations launched in 2005</i>	Iceland, Liechtenstein, Norway, Switzerland, Singapore	-	-		✓	✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
6 Thailand-European Union Free Trade Agreement (Thai – EU FTA) <i>Negotiations launched in 2013</i>	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Thailand	-	-	✓	✓	✓
7 Thailand-Turkey Free Trade Agreement (Thai – Turkey FTA) <i>Negotiations launched in 2017</i>	Turkey, Thailand	-	-	✓		
8 United States-Thailand Free Trade Agreement (TUSFTA) <i>Negotiations launched in 2004</i>	US, Thailand	-	-	✓	✓	✓
9 Japan-Thailand Economic Partnership Agreement (JTEPA) <i>Signed and In Effect</i>	Japan, Thailand	1-Nov-07	3-Apr-07	✓	✓	✓
10 Laos-Thailand Preferential Trading Arrangement (Laos-Thailand PTA) <i>Signed and In Effect</i>	Lao PDR, Thailand	20-Jun-91	20-Jun-91			✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage		
				G	S	I
11 People's Republic of China-Thailand Free Trade Agreement	China, Thailand	Oct-03	Jun-03	✓		
<i>Signed and In Effect</i>				*		
12 Thailand-Australia Free Trade Agreement (TAFTA)	Australia, Thailand	1-Jan-05	5-Jul-04	✓	✓	✓
<i>Signed and In Effect</i>						
13 Thailand-Chile Free Trade Agreement (Thailand-Chile FTA)	Chile, Thailand	5-Nov-15	4-Oct-13	✓		✓
<i>Signed and In Effect</i>						
14 Thailand-New Zealand Closer Economic Partnership Agreement (ThaiNZCEP)	New Zealand, Thailand	1-Jul-05	19-Apr-05	✓	✓	✓
<i>Signed and In Effect</i>						
15 Thailand-Peru Free Trade Agreement (Thailand-Peru FTA)	Peru, Thailand	31-Dec-11	18-Nov-10			✓
<i>Signed and In Effect</i>						

* Only farm trade

Viet Nam (9 trade agreements)		Trading Partners	Entry into Force	Date of Signing	Coverage		
RTA/ FTA and Status	G				S	I	
1	Viet Nam-European Free Trade Association Free Trade Agreement (Viet Nam-EFTA FTA)	Iceland, Liechtenstein, Norway, Switzerland, Viet Nam	-	-	✓	✓	✓
<i>Negotiations in progress since 2012</i>							
2	European Union-Viet Nam Free Trade Agreement (EVFTA)	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Viet Nam	-	-	✓	✓	✓
<i>Negotiations concluded in 2016</i>							
3	Viet Nam-Israel Free Trade Agreement	Israel, Viet Nam	-	-	✓		
<i>Negotiations in progress since 2016</i>							
4	Trans-Pacific Partnership (TPP)	Japan, Australia, Chile, Peru, US*,	-	4-Feb-16	✓	✓	✓

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage	
				G	S I
<i>Signed but not yet In Effect</i>	New Zealand, Canada, Mexico, Brunei Darussalam, Malaysia, Singapore, Viet Nam				
5 Chile-Viet Nam Free Trade Agreement (VCFTA)	Chile, Viet Nam				
<i>Signed and In Effect</i>					
6 Japan-Viet Nam Economic Partnership Agreement (JVEPA)	Japan, Viet Nam	1-Oct-09	25-Dec-08	✓	✓
<i>Signed and In Effect</i>					
7 Viet Nam - Eurasian Economic Union Free Trade Agreement (Viet Nam - Eurasian FTA)	Belarus, Kazakhstan, Russia, Armenia, Kyrgyz Republic, Viet Nam	5-Oct-16	29-May-15		✓
<i>Signed and In Effect</i>					
8 [Republic of] Korea-Viet Nam Free Trade Agreement (VKFTA)	Korea, Viet Nam	20-Dec-15	5-May-15	✓	✓
<i>Signed and In Effect</i>					

RTA/ FTA and Status	Trading Partners	Entry into Force	Date of Signing	Coverage	
				G	S I

9	United States - Viet Nam Trade and Investment Framework Agreement (US-Viet Nam TIFA)	US, Viet Nam	Jun-07	Jun-07	✓	✓
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Signed and In Effect

* The U.S. withdrew on 23 January 2017.

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