

# Revitalization small businesses of the overseas exchange through the convergence of private network (Focusing on Laos in the Indochina Peninsula)

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## 인적네트워크 융합을 통한 중소기업의 해외무역 활성화방안 (인도차이나반도의 라오스를 중심으로)

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**Abstract** This paper was studied in export policy Revitalization of SMEs mainly in various countries of Indochina, especially in Laos, which is emerging as a new market after China. Laos is a socialist country, but in 2014, led by the current active open-door policy, education, social, cultural and people-to-people exchanges are going briskly, light industry and the expansion of social infrastructure such as laying the foundation for economic development. This paper presents a plan to dominate the emerging frontier markets are public enterprises and government agencies that do not respond quickly. Already pioneered by building a network in local development staff for this purpose, such as volunteers, missionaries, professors and configure the network of exploitation and human development personnel look for Revitalization of SMEs in urban and regional growth.

• **Key Words** : Convergence, Export promotion, Small businesses, Private network, Laos.

**요약** 본 논문은 중국 시장 이후에 새로운 시장으로 부각되고 있는 인도차이나반도의 여러 국가 중 특히 라오스를 중심으로 중소기업의 수출정책 활성화 방안으로 연구되어졌다. 라오스는 사회주의 국가이지만 2014년 현재 활발한 개방정책을 펼두로 교육, 사회, 문화적인 인적교류가 활발하게 진행되고 있고, 경공업 및 사회간접자본의 확충 등 경제개발을 위한 초석을 다지고 있다. 본 논문은 대기업과 정부의 공적 기관이 발 빠르게 대응하지 못하는 신흥 개척시장에 대한 선점을 위해 현지에서 이미 네트워크를 구축한 현지 개척개발인력, 예를 들면 봉사, 선교, 연구 개발인력들과의 인적네트워크 융합을 통해 성장하는 도시와 지역에서 중소기업의 활성화방안을 찾는다.

• **주제어** : 융합, 수출촉진, 중소기업, 인적네트워크, 라오스.

### 1. The value of Indochina Peninsula

Export-Import Bank of Korea and the Federation of Korean Industries Collaborating Centre for Small

Businesses on the last November held joint seminar for expansion overseas marketing on the subject of "analysis of the business environment and the progression plan to 16 countries Post-China[1]. This

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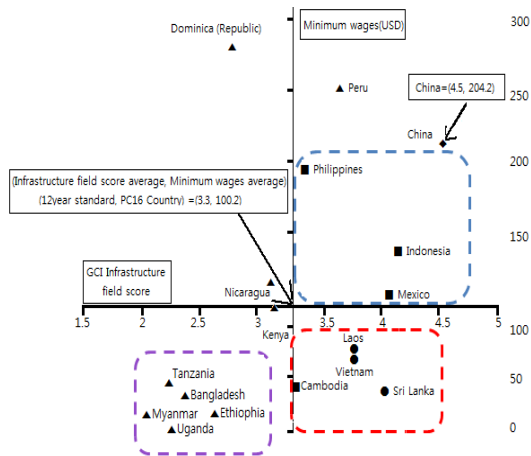
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seminar was arranged to replace China is called the ‘world’s factory’ to analyze the situation 16 countries in order to derive the effective expansion that is emerging as new manufacturing industry places promising alternative to the post-entry China. Post 16 countries are Laos, Myanmar, Bangladesh, Vietnam, Sri Lanka, Indonesia, the Philippines, Cambodia, and also in Latin America Nicaragua, Dominica, Mexico, Peru and Africa, Ethiopia, Uganda, Kenya, Tanzania, etc. When considering all wages and infrastructure in Vietnam, Laos, Sri Lanka, Cambodia manufacturing production base is the most suitable evaluation.

The Philippines, Indonesia, Mexico, labor costs are relatively high level but it has good infrastructure. Myanmar, Bangladesh, Uganda, Ethiopia, Tanzania, labor costs are not relatively high level but it has poor infrastructure. Vietnam, the Philippines, Indonesia, Myanmar, Laos, Cambodia were selected as promising maximum countries of the business environment and country risk given the ability to respond comprehensively especially on behalf of the China in Asia. It is like this figure.



[Fig. 1] Minimum wages and infrastructure current status[2].

## 2. Opportunities and challenges of economic development in Laos

Laos is a country with rich natural resources. Most

of the land still remains non-material development, natural resources, abundant hydropower potential, agricultural production potential, has a vast forest resources.

If all resources are developed properly, it will be make a significant contribution to the economic development of Laos.

However Laos is not close to the sea . And most of the land in Laos is a mountainous region. Low population density of Laos, scattered settlement, the excessive transportation costs, and thus a huge cost for entering the infrastructure that is the obstacle blocking the development of Laos.

### 2.1 The disadvantages and threats of Laos.

Laos is very vulnerable to the foundry industry 's export-oriented investment, how to export to third countries soon after foundry use as cheap labor, unlike neighboring Vietnam.

Laos is a landlocked country surrounded by five countries. If you want to export to the United States and Europe to be using the port in Thailand or Vietnam, inland transport costs may exceed the sea transport costs in this case.

In addition, the manufacturing base is inferior to the sourcing of raw materials is not well sourced locally. After all of the patterns are then imported the export of raw materials foundry, the logistics are too large to be borne by the case.

And if you are investing for the purpose of foundry exports have somewhat domestic market, weak domestic market of 658 million people will be hesitant to invest large manufacturers. Furthermore, if you think you raise a skilled workforce environment, difficulties in recruitment of middle managers, except that it is relatively inexpensive labor conditions are not favorable environment compared to neighboring countries.

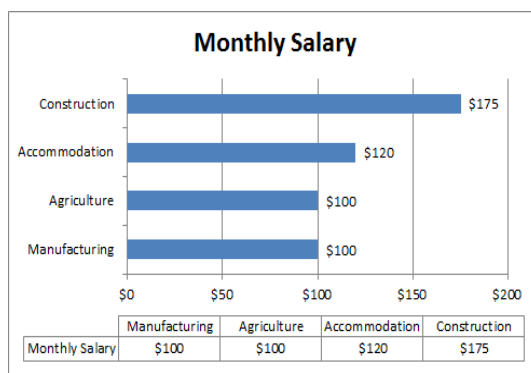
## 2.2 SWOT analysis of the Lao market

(Table 1) SWOT analysis of the Lao market

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Abundant natural resources. (Hydropower, minerals, agriculture)</li> <li>- Low labor costs</li> <li>- ASEAN countries</li> <li>- Formation brands in Korea by Korean Wave.</li> <li>- political stability.</li> <li>- the government's efforts to attract foreign investment</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- 8% annual economic growth</li> <li>- Indo-China and the five countries bordering → possible future logistics hub development</li> <li>- Brand Loyalty Low → good opportunity of entry for SME.</li> <li>- Weak manufacturing base, Dependence on imports → no competitive market &amp; occupation opportunities.</li> <li>- 35% of the Mekong River as it passes through the Laos , GMS, (Great Mekong Subregion)</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- High logistics costs because of no harbour.</li> <li>- Lack of Local Sourcing conditions to raw materials</li> <li>- Low logistics infrastructure</li> <li>- Weak domestic market (population 6.58 million)</li> <li>- Quality of weak labor</li> <li>- Socialist inefficiency (corruption)</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Lao market expansion of China (large grants)</li> <li>- Political Brother, greater influence in Vietnam</li> <li>- Close and free Thai language Thai import market</li> </ul>

## 2.3 New employees salaries by industry

Laos is a poor statistics. It is difficult to determine the exact value of the average wage. As far as its own investigation in 2011, Vientiane Trade Center and the salary of the new employee is 100-300 US dollars, depending on the sector, the wage of a typical blue-collar workers is 145-578 US dollars, wages of white-collar workers was found to be 243-900 US dollars. Since inflation is estimated to have been raised to around 10% as seen wages rise by 5-7%.



[Fig. 2] New employees salaries by industry[3].

If you use them well in face-to- Laos border to neighboring countries, such as the interest can be used as opportunities for new development.

Participation in ASEAN countries and regional economic blocks (AFTA), or have a chance to act as an integrated element of the global economy, such as ASEAN + 1.

At the same time, but it is also a risk factor overthrow weak economic foundation.

The future of Laos response depends on how well these opportunities and threats.

Laos's national growth and poverty banished strategies (National Growth and Poverty Eradication Strategy, NGPES) emphasizes the commercial production and export. Still, the share of exports to the country's economy is small level.

Foreign investment also increased in recent years because although the situation is still insufficient. This is because the degree of openness insufficient safeguards regime for foreign investors to inadequate.

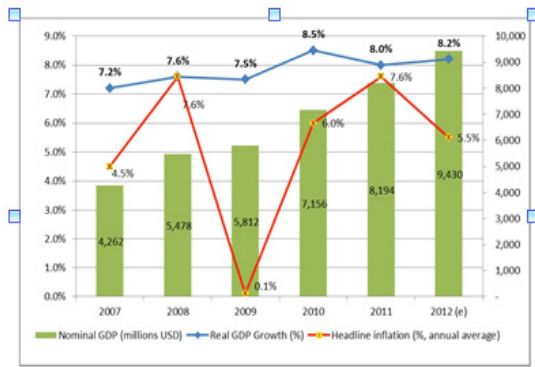
Business Climate in Laos, more importantly, this is a relationship, rather than the efficiency of administration is also a factor that inhibits economic development in Laos.

## 2.4 Latest Industry Trends.

Against a global economic crisis in 2008, Laos has continued to go out fast growth, 2013-14 , the average is expected to remain slightly higher than the 8.5%

growth seen strong growth units in the 2011-2012 year.

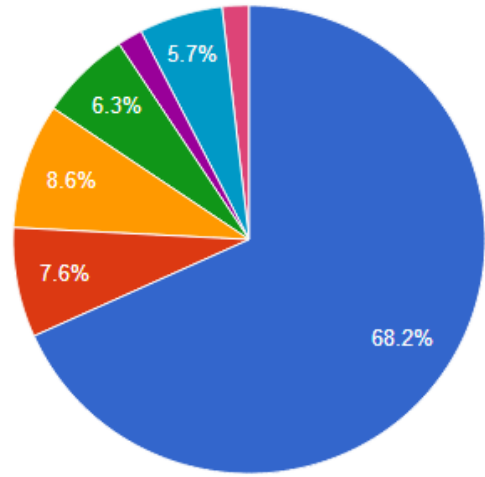
EIU (2013.3) is the internal dynamics of GDP growth in Laos hydropower, mining, and forms the main axis, between Laos - China railway business, tourism and agriculture will continue to support this. 2013 a decrease in international copper prices also affect foreign investment in Laos mining, but as a whole continued foreign investment is expected to increase and is expected to steady economic growth accordingly.



[Fig. 3] Nominal GDP, GDP Growth and Inflation Rate 2007-2012. (Source: Lao PDR Economic Monitor - all data are the latest revised for November 2012, World Bank[4].

### 3. The mission and education network

In this investigation we find that 6 countries of 16 are in Asia especially near the Indochina Peninsula. These 6 countries are Laos, Myanmar, Vietnam, Indonesia, the Philippines and Cambodia. This area is in the central area of world and Korea mission. These 6 countries are in 10/40 window. 10/40 window is their regulatory missions, Europe, Asia, Africa, between the latitude of 10 degrees to 40 degrees means the area. The window area except for Russia, including most of Asia, and two-thirds of the world's population lives in this area. The term mission strategist Luis Bush in 1990, was made by[5]. Asian countries, especially Indochina Peninsula, South Korea is a mission focused[6].



Asia(68.2%), Europe(7.6%), Africa(8.6%)

[Fig. 4] Dispatch missionary from Korea current status (March, 2014)[7].

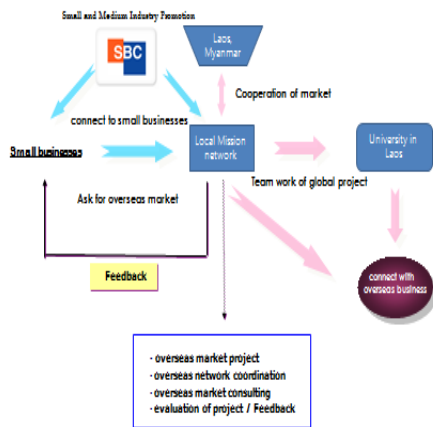
Korea Church's strategy of the mission is as follows.

- 3.1 To mature faith through active and help people to people exchanges.
- 3.2 To train for native pastors and lay leaders.
- 3.3 To form a mission network between local churches and missions closely.
- 3.4 To perform contextual missions for local area.
- 3.5 To promote activities for the coalition mission to cooperate with agencies and organizations[8].

Today's mission is to set aside now can't tell society[9]. Society and the economy has already positioned deeply in the mission of this era is because. Especially in closed area such as Myanmar, Laos and universities may be received assistance through the mission. Today, a holistic approach to the mission is very important[10].

The needs of these missions consistent with the needs of small businesses who want to create a network in the new sales strategy, Laos, Myanmar and Indochina Peninsula.

### Task Process of overseas mission Network



[Fig. 5] Task process of overseas mission network[11].

## 4. The case of the northern of Laos.

Situated in northern Laos the township of Luang Prabang sits on a peninsular at the confluence of two rivers, the Nam Khan and the famous Mekong. The province has a total population of just over 452,900 which includes 12 distinct ethnic groups. Luang Prabang in March 2014 there are about 40 Korean people (including children), but all of them are in works of education, NGO only and people who are not yet involved with SMEs[12].

When we want to have new global markets that Laos is a very promising investment destination. Northern Laos as like the Republic of Korea in the 1960's are now seeking economic development. Built-in interior architecture and associated logistics, commodity-related industrial production (toilet paper, soap, daily necessities etc.), a machine for the production of chemical products, equipment sales on plant establishment and prospects are very bright[13].

What shall we do in this province? First, we have to be considered about needs of mission, small businesses and region. University support projects in relation to this, early childhood education projects, such as information project will effectively contribute[14].

How shall we pursue this project? The biggest obstacle to this project is the lack of information and experience. An alternative to the lack of them is the mission networking between pioneers and native.

It is particularly important to verify information on the local situation and to perform an effective policy-based mission network and regional cooperation[15].

The sales network has been operating around the meantime the public sector has to be expanded toward the private mission network to cooperate actively get out more.

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