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1.1. TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

LAO PEOPLE'S DEMOCRATIC REPUBLIC

This report, prepared for the first Trade Policy Review of Lao People's Democratic Republic, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Lao People's Democratic Republic on its trade policies and practices.

Any technical questions arising from this report may be addressed to Sergios Stamnas (tel: 022 739 5382) and Usman Ali Khilji (tel: 022 739 6936).

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SUMMARY

1. Lao PDR is a landlocked least developed country (LDC) about to graduate from such status in 2024. Since its accession in 2013, GDP growth has been strong, averaging over 7% annually. Electricity generation, construction, wholesale and retail trade, information and communications and, to a lesser extent, financial services, have been the drivers of growth. Prudent macroeconomic management has resulted in moderate inflation and a stable exchange rate. On the other hand, the fiscal deficit has risen and so has external debt. According to the World Bank, a significant portion of the economy is informal, implying that GDP and GDP per capita may be significantly underestimated, thereby possibly undermining the effectiveness of government policy.

2. Lao PDR is faced with a number of structural constraints and vulnerabilities, which affect economic growth and render the economy and its financial system vulnerable to shocks. Measures undertaken to address some of these structural issues include the planned increase in excise tax rates (2019), strengthened revenue administration (including through a new Law on Tax Administration which is expected to come into force in January 2020), an improved taxpayer service and the launch of a modern revenue management information system, an expected new Law on Public Debt Management, and the Prime Minister's Order on the improvement of regulations and the coordination mechanism on Doing Business in Lao PDR.

3. The objective of both monetary policy and exchange rate policy is price stability. However, the specificities of the banking sector and the high level of dollarization in the economy reduce the effectiveness of monetary policy. On the other hand, a steady exchange rate against the U.S. dollar serves as an important nominal anchor to help keep inflation low. The *de jure* exchange rate arrangement is a managed float, which was reclassified to a crawl-like arrangement in September 2016. Maintaining a stable exchange rate against the U.S. dollar has resulted in an appreciation of the real effective exchange rate (REER). The REER was estimated to be overvalued by over 40% in 2016, which would imply sluggish exports and a rising trade deficit in the future.

4. The current account deficit peaked at nearly USD 2.3 billion in 2015 (15.8% of GDP); however, it has come down since then. It narrowed mainly due to a considerable decline in the merchandise trade balance. The deficit was mainly financed by FDI inflows and external borrowing, with the balance being covered by foreign exchange reserves. As a result, foreign exchange reserves stood at USD 873 million at the end of 2018, providing approximately one month of import coverage.

5. Since 2013, the fiscal deficit increased from 4.3% of GDP in 2013 to 5.5% in 2017. It widened due to increased public investment and arrears clearance. Persistently high fiscal deficits resulted in high public debt levels, a major challenge for the Government. The total public and publicly-guaranteed debt (PPG) is estimated to have increased from 56.3% of GDP in 2013 to about 61.0% in 2017, and is expected to rise above 65.0% in 2018.

6. Trade and investment are fundamental for Lao PDR to achieve its economic and social objectives. The ratio of trade in goods and services to GDP increased to around 75% in 2018 (compared with 60% in 2013). Exports are concentrated in the natural resource sectors, which accounted for around 53% of total exports in 2017. The largest single export category is electrical energy. The main merchandise export destination is Thailand, followed by China and Viet Nam. Lao PDR's imports originate mainly in Asia, whose share is over 95%.

7. During the review period, FDI inflows rose to over USD 800 million, helped by Lao PDR's relatively liberal and investor-friendly regime. FDI is concentrated in the power generation sector, infrastructure, mining, and electrical component manufacturing. Most of the FDI in Lao PDR originates from China, followed by Thailand and Viet Nam.

8. Since 2013, Lao PDR has undertaken a second constitutional amendment, the update of its trade-related and investment policies, and some institutional and regulatory reform initiatives in areas including law making, access to information, e-government, anti-corruption, investment promotion, and economic dispute resolution. Regulatory impact assessment-related initiatives were undertaken. Trade and trade-related policy objectives are shaped by certain relatively long- and wide-ranging strategies and plans, each with a different bearing on trade. In 2015, a National Steering Committee for Economic Integration, replacing the entity that oversaw WTO accession

negotiations, was entrusted with international trade policy making, at WTO, regional, sub-regional and bilateral levels.

9. Lao PDR remains committed to the multilateral trading system. During the review period, it improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA) on 29 September 2015. At the same time, it continued to focus on strengthening regional economic integration ties through the implementation and/or participation in the negotiation of several ASEAN agreements, including the Regional Comprehensive Economic Partnership (RCEP). Lao PDR remains a beneficiary of the Generalized System of Preferences schemes of a number of countries, and is entitled to additional LDC-specific preferences under certain schemes. Furthermore, it continued to receive assistance for reaching economic development objectives under Enhanced Integrated Framework (EIF) projects to, *inter alia,* improve its national standards infrastructure, increase exports, and support investments in business development. During the review period, Lao PDR submitted notifications (e.g. tariffs, trade facilitation, customs valuation, rules of origin, import licensing procedures, SPS, subsidies, agriculture, and RTAs/services), although its regular notifications (i.e. domestic support to agriculture, import licensing procedures, and subsidies) were received only once during the review period, an issue being addressed by the authorities; it has had no involvement in trade disputes in the WTO.

10. Lao PDR remains largely open to, and makes efforts to encourage, FDI, despite the 37 activities reserved for Lao nationals and 19 activities subject to foreign-ownership limitations, capital requirements, and land acquisition limitations. As at 2019, two types of sensitive business activities were subject to specific approval requirements: 44 activities under 14 major sectoral categories classified as controlled business; and 21 activities under 6 major categories subject to specific concessions. In 2016, Lao PDR abolished the discriminatory minimum capital requirement for foreign investors in general businesses. A high-level inter-ministerial Investment Promotion and Supervision Committee was set up in 2018 to oversee investments in controlled activities, concessions and special economic zones. Lao PDR maintains a broad network of international investment agreements, virtually all dating prior to its WTO accession.

11. The tariff is the main trade policy instrument, and customs duties are an important source of government revenue. All tariffs are applied on an *ad valorem* basis. The simple average applied MFN tariff in 2018 was 8.6%, a decrease from 10.7% in 2014 and 11.0% in 2008. Average tariffs on agricultural products (11.2%) are higher than those on non-agricultural products (8.1%). The highest *ad valorem* rate, of 40%, applies to, *inter alia*: certain agricultural products (fruit and vegetables, and dairy products), mineral waters, coffee, tea and mate, organic surface-active agents, plastic tube pipes and packaging materials, wood products, certain engines, motorcycles, furniture, video games and consoles, and tobacco products. Nearly 9% of tariff lines are duty-free. Lao PDR has bound its entire tariff at the HS ten-digit level. The average bound tariff is 19.0%. The relatively small difference (10.4 %) between the simple average applied MFN tariff and the average bound rate, and the fact that the entire tariff is bound, renders the tariff regime predictable. In 2018, the applied MFN rate exceeded the bound rate for 26 lines. The products affected included, *inter alia*: live animals for breeding, fruit and vegetables, diesel fuels, toothpaste tubes, cellular telephones, vacuum cleaners, bamboo panels, and cellular wood panels.

12. Since its accession, Lao PDR has undertaken a number of trade facilitation measures. It made significant progress in improving its customs procedures and harmonizing them with international standards. These included the automation of customs offices all over the country, and the introduction of risk management in inspection to allow available resources to focus on high-risk cargo designated to the red channel. These measures, along with other initiatives, such as coordinated border management, post clearance audit, advance rulings, and provision of appeal, resulted in a considerable decline in customs clearance times. Furthermore, the Automated System for Customs Data (ASYCUDA) is now operational at 24 border posts. Lao PDR published a Trade Facilitation Road Map (TFRM) of Lao PDR for 2017-22, recommending, *inter alia,* active collaboration with the private sector in implementing trade facilitation measures and emphasizing cross-border cooperation and regional integration.

13. In addition to customs duties, VAT and excise taxes also apply to certain imports; certain fees and charges are also applied for services rendered during importation.

14. Lao PDR prohibits or restricts the import of certain goods on the grounds of: protection of national security; protection of public order and standards of decency and morality; protection of

human, animal or plant life or health; protection of national treasures of artistic, historic or archaeological value; conservation of natural resources; compliance with the provisions of any legislation of Lao PDR; and the fulfilment of obligations under the UN Charter. Lao PDR operates both automatic and non-automatic licensing for imports. Automatic licensing is in place for statistical and monitoring purposes only. Non-automatic import licensing procedures are required for reasons of national security; protection of human, animal or plant life or health; or protection of the environment. Goods requiring non-automatic licensing include: gold bars; explosives used in industry; and guns and bullets for training and sports.

15. The Law on Safeguards was promulgated on 7 December 2017. The Law on Anti-dumping and Countervailing Measures was approved by the National Assembly in June 2019 and is expected to be promulgated by the end of the year. The main legislation governing competition policy in Lao PDR is the Law on Competition of 2015, which came into force in January 2016. It is administered by the Lao Competition Commission, which was established in 2018. The Law addresses unfair competition, which encompasses misleading conduct; violation of business secrets; coercion in business operations; defamation of other business operators; imposing obstacles to business operations; false advertisement; unfair sales promotion; discrimination by business associations; and any other practices as stipulated in relevant laws and regulations. Prices of most goods in Lao PDR are determined by the market; however, based on the 2010 PM Decree on the Administration of Goods and Fees of Services, certain goods and services are subject to price controls or surveillance.

16. A number of products are subject to export duties, which are levied for revenue purposes. Lao PDR bans the exports of certain products on the basis of protecting national, artistic and cultural heritage, and for reasons of protecting the environment. It also operates automatic and non-automatic licensing for exports. Automatic export licensing is in place for statistical reasons, while non-automatic licensing is in place for public safety, national security, environmental protection, and exchange rate stability. Lao PDR does not provide any export subsidies. Support is given for initiating, organizing, and participating in domestic and overseas trade fairs, and providing assistance to local companies wishing to organize and/or participate in such fairs.

17. Incentives to both foreign and domestic investors are offered mainly under the Law on Investment Promotion of 2016 and the Decree on Special Economic Zones. Incentives include, *inter alia*: profit tax holidays and rebates, exemption from rental or concession fees of state land, exemption from import duties and taxes, zero-rated VAT on exports; incentives are also provided to investors who re-invest their net profit to increase or expand their business activities.

18. Lao PDR mainly uses the ISO/IEC Guide 21-1 and 21-2:2005 as the national guide for the adoption of international standards as national standards or technical regulations. Presently, there are 441 Lao PDR national standards, mainly on foods, electrical appliances, and test methods, of which none were adopted as technical regulations.

19. Major changes to the SPS regime since accession include the 2013 amendment to the Food Law, and the 2016 amendment to the Law on Plant Protection and Quarantine. In both cases, the authorities wanted to bring existing regulations up to international standards, and implement global best practices. With regards to food safety and animal and plant health, the basic principles of the SPS Agreement, such as necessity, non-discrimination, transparency, science-based regulations, risk assessment, harmonization, and equivalence, were incorporated into national laws and regulations. Codex standards apply to both imported and domestically-produced goods. However, the SPS regime faces a number of difficulties. The Government continues to receive technical assistance to improve these areas.

20. A new Law on Public Procurement was promulgated in 2017. Its objectives are to define "the principles, regulations and measures regarding the management monitoring and performance of public procurement to ensure such activity is carried out properly and in a unified manner countrywide in order to secure the effective, efficient, economic, transparent, accountability and fair use of government funds in contribution to national socio-economic development". The Law specifies the rules, methods, procedures and structure for managing and implementing all public procurement transactions in Lao PDR, regardless of the source of the funds.

21. State involvement in the economy persists. With World Bank assistance, Lao PDR embarked on a state-owned enterprise (SOE) restructuring programme for certain enterprises. Despite

efficiency improvements in some enterprises, there appears to be no specific plan or implementation guideline.

22. The main legislation governing IPR was amended in 2018, to align it further with international standards. The Law on IP constitutes the principal legal framework for IPRs in Lao PDR, and covers the major areas of IPRs: industrial property, new plant varieties, and copyright and related rights. The Law allows for parallel imports under all conditions. Lao PDR is a member of the World Intellectual Property Organization (WIPO) since 1995. In addition, it is a contracting party to several treaties administered by WIPO, including the Paris Convention (1998), the Patent Cooperation Treaty (2006), and the Berne Convention (2012). After accession to the WTO, Lao PDR signed the Madrid Protocol, which entered into force in March 2016. During the period under review, there was a marked improvement in IPR border enforcement, through the implementation of a digital payment system for importers, the expansion of the ASYCUDA system to 24 offices throughout the country, and the introduction of a risk management-based approach to the inspection process. Additionally, under the Trade Facilitation Roadmap and Action Plan for 2017- 22, the Government committed to requiring officers at the border checkpoints and customs to inspect imported goods that infringe IPRs. However, IP enforcement still faces big challenges, with counterfeit goods being readily available in the Lao PDR marketplace.

23. Despite a decline due, *inter alia,* to weather condition developments and the growth in electricity and construction activities, agriculture continues to play an important role in the economy (accounting for 17.9% of GDP in 2018), maintaining food security, developing the rural economy, and addressing poverty. The sector faces challenges in meeting domestic and external demand, due to issues of farm productivity, lack of domestic value-added, produce quality, and fragmentation of value chains, but efforts are being undertaken to address them. During the review period, the share of agriculture in total merchandise exports rose significantly due to the orientation of sectoral policies aimed at ensuring the gradual transition from subsistence into commercial smallholder production, and private investment in commercial crops; however, most agricultural goods are produced for domestic consumption. Despite being self-sufficient in rice, Lao PDR remains a net food importer, and food security remains an important policy objective.

24. Tariff protection for agriculture dropped considerably but remains higher than the overall applied MFN average and the average for manufacturing. Rice (unmilled rice, low standard rice, premium rice, semi-milled or fully milled rice whether filtered or not) is the only agricultural item that remains subject to import and export licensing requirements; export duties at 10% and 40% seem to apply to a few other agricultural items. State involvement in agriculture is seemingly limited. Most Green Box domestic support expenditure is channelled into infrastructural services, and extension and advisory services. Tax and non-tax incentives, in the form of exemption from import duties and corporate profit tax, land concessions, input and irrigation support, low electricity rates, concessional loans, and minimum market prices (rice only), are used. Rice remains a top policy priority, and its trade seems highly regulated; a rice reserve policy, consisting of the National Rice Reserve, seed reserves, and emergency rice distribution programmes, is in place. Forestry and logging registered negative growth, reflecting developments in output and trade, with timber royalties revenue and exports dropping. Forest management appears to be relatively inefficient. Despite a 1999 log export ban (except for plantation timbers) and domestic processing requirements, illegal logging outside the designated concession areas and timber trade seemingly persist, but the Government intends to address these issues.

25. The share of mining and quarrying in GDP dropped steadily (6.8% in 2018), *inter alia,* due to the global economic crisis, low prices of minerals, and production- and trade-restraining measures, including the promotion of domestic processing of minerals and a 2014 coal export ban to ensure supplies to a state-owned lignite-fired power plant. The main legal framework on minerals was revised in 2017, and new regulations were issued. The energy structure remains simple but has been substantially developed and improved; Lao PDR is an electricity exporter (26.2% of total exports in 2017) but is fully dependent on rising hydrocarbon imports. Despite the country's potential of alternative renewable energy sources and the existence of relevant policies, their utilization is rather low, except for the widely-used large hydro projects. Downstream wholesale and retail activities in hydrocarbons are open to competition for both domestic and foreign operators and include a state-owned firm. Maximum retail prices continue to apply to fuel and gas. The main regulatory framework governing electricity was updated in 2017. The state-owned utility Electricité du Laos (EDL) manages the country's largely hydropower-based electricity generation (via EDL- Gen Company), transmission, distribution, and trade in electricity; independent power

producers (IPPs) ensure most power generation. Electricity tariffs are based on consumer category (i.e. residential or non-residential), thus involving a cross-subsidization element mainly borne by entertainment, commercial and industrial activities.

26. Manufacturing (8.3% of GDP in 2018), a relatively low priority activity in terms of its contribution to the economy and employment, covers food and beverage processing, construction materials, garments, and cigarettes. State involvement in manufacturing of pharmaceuticals, chemical products, construction materials, technical equipment, handicraft products, and clothing and other cotton-made products seemingly persists. During the review period, government policy was, *inter alia,* aimed at transforming the industrial structure to become a high-growth activity, and diversifying commercial and modern goods production to meet domestic and export needs. Tariff protection for manufacturing dropped slightly, and remains lower than the overall applied MFN average. Tax and non-tax incentives, in form of duty and tax concessions, and special economic or industrial zones, promoted manufacturing activities. Maximum prices continue to be applied on construction steel and cement.

27. During the review period, the services sector continued to play a significant role in supporting economic growth (47% of GDP in 2018). Lao PDR's commitments under the GATS, including certain foreign participation limitations (e.g. banking and finance, airport services, and tourism), remain unchanged since accession; its seven RTAs involve GATS plus commitments on trade in services.

28. Banking and insurance activities, particularly microfinance, expanded. Banking penetration remains relatively small, with three state-owned banks holding large parts of total assets, and credit concentrated in services. During the review period, the main regulatory framework governing banking was reviewed, to better align it with current developments and international best practices. Certain pre-emptive steps were taken to enhance the resilience of the financial system. The non- performing-loans ratio stood at around 3% during the review period. Interest rate spreads dropped; a cap on interest rates for kip-denominated loans was introduced in 2015. Nine majority state-owned companies were listed on the partly government-owned stock exchange. The legal framework of the relatively small insurance sector underwent some changes, aimed at strengthening it; no reinsurance is available locally.

29. Telecoms penetration remains relatively low, except for mobile telephony; five main telecommunications providers, with a varying degree of state participation, operate in Lao PDR's relatively small market. In addition to the establishment of the Lao Telecommunication Regulatory Authority in 2017, the legislation was updated in certain areas, including telecommunications competition and licensing. No number portability or universal service obligation (USO) schemes are in place yet. Domestic and international long-distance call rates fell rapidly; however, tight regulations constrained the development of new services and kept mobile Internet prices relatively high. Minimum telecoms tariffs are set.

30. Lao PDR's landlocked situation makes it heavily dependent on road transport, and impacts its foreign trade-related transport costs; good connectivity to international gateways is ensured mainly via Thailand, whose truck companies influence Lao PDR's international transport costs. Action is being taken to upgrade the road network and build the railway network. Air transport, with state involvement in all its segments, continued to expand, *inter alia,* via the upgrading of infrastructure and rising levels of tourism; the main regulatory framework was updated in 2018, and insertion of the aviation sector into international markets was pursued through participation in certain bilateral and regional air services agreements. No cabotage is allowed for road or air transport.

31. Distribution services remain the major services activity; since 2015, foreigners have been allowed to invest in the wholesale and retail business under certain conditions. Despite being poorly developed and of limited use, meaningful initial steps to ensure that Lao PDR meets some of its commitments under the e-ASEAN framework were taken in the regulation of e-commerce. Tourism, considered as a fundamental pillar of the economy, expanded but remains dependent on regional arrivals (mainly Thailand) with relatively low local spending, despite a policy vision of market diversification; several tourism-related policies remain in place.

32. Economic growth is estimated to remain robust in the short term, at over 6%. Heightened global and regional geopolitical uncertainty, continued tightening of global financing conditions, and a possibly sharper-than-expected slow-down in China may reduce exports, decelerate FDI inflows,

and adversely impact global demand and commodity prices. In addition to the reforms, which address diversification and competitiveness, the improvement of the business climate, and fiscal and debt reform, the authorities recognize the need to undertake further reforms. These include improvements in human capital, in particular through workforce training, public education, and health services, especially for women and children. These should help reduce inequality and regional and gender disparities, and improve the environment for private investment focused on the non- resource private sector (especially SMEs). These reforms would help Lao PDR attain its economic and welfare policy objectives, and further integrate into the regional and world trading system.

2 ECONOMIC ENVIRONMENT

2.1 Main Features of the Economy

2.1. The Lao People's Democratic Republic (PDR) is a landlocked least developed country (LDC) expected to graduate from such status in 2024 (Section 2.3.1.3). Strong GDP growth over the past decade resulted in GDP per capita increasing to USD 2,550 in 2018 (Tables 1.1 and 1.2). Growth also resulted in a decline in poverty levels, which fell to an estimated 19% in 2017[1], and an improvement in other social indicators. However, Lao PDR's impressive growth was accompanied by rising income inequality and persistent gender disparities. The labour force participation rate has been falling for both men and women, which could be explained by the pattern of development, based on capital- and natural resource-intensive investments, that has not produced enough formal employment to keep up with entrants into the labour force.[2] On the other hand, there is evidence of increased job creation between 2010 and 2017, but disparity is likely to have persisted.[3]

2.2. The services sector is the largest contributor to GDP, accounting for nearly 47% in 2018, followed by agriculture, fisheries and forestry (17.9%), and electricity gas and water (12.3%). Recently, the construction sector also became an important contributor to GDP. In contrast, the shares of mining and quarrying and manufacturing in GDP declined. Since 2013, price levels declined; however, the fiscal deficit rose, and so did external debt, both of which are deemed to be a problem. Furthermore, one of the key constraints to doing business has been identified as the informal nature of the economy, implying that GDP and GDP per capita may be significantly underestimated, thereby possibly undermining the effectiveness of government policy.

Table 2.1 Selected macroeconomic indicators, 2012-18

	2012	2013	2014	2015	2016	2017	2018
National accounts							
Real GDP (at 2012 prices)	7.9	8.0	7.6	7.3	7.0	6.9	6.7
Prices and interest rates							
Inflation (consumer price index (CPI) % change)	4.3	6.4	4.1	1.3	1.6	0.8	2.0
LAK loan accounts - 12 months (type of customers: A)	14.0	13.6	13.0	11.8	9.4	9.3	9.2
LAK savings deposit accounts – 12 months	8.5	8.5	8.7	7.6	5.6	5.4	5.4
Interest spread	5.5	5.1	4.3	4.2	3.8	3.8	3.8
Exchange rate							
LAK/USD (annual average)	8,007.8	7,860.1	8,049.0	8,147.9	8,179.3	8,351.5	8,401.3
Real effective exchange rate (% change)	4.3	5.9	6.1	8.4	2.6	-6.4	..
Money and credit (%age change, end-period)							
Broad money (M2)	31.0	17.0	25.2	14.7	10.9	12.2	8.4
Total domestic credit	42.2	31.9	17.7	17.9	18.5	6.4	9.2
Credit to private sector	35.1	36.3	11.7	19.3	22.0	14.2	4.7
Money and credit (%age change, period average)							
Broad money (M2)	28.8	24.3	20.7	19.9	11.3	15.4	9.8
Total domestic credit	50.1	39.8	18.6	18.1	19.5	13.7	8.5
Credit to private sector	43.4	36.3	18.3	14.9	21.5	19.4	8.3
Fiscal sector							
Fiscal balance including grants	..	-4.3	-3.6	-5.9	-5.2	-5.5	..
Fiscal balance excluding grants	..	-8.2	-9.2	-9.9	-6.5	-7.1	..

[1] World Bank, *Lao PDR Economic Monitor Report,* June 2018. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

[2] IMF, *Country Report No. 18/84*.

[3] According to the 2017 Labor Force Survey, wage jobs are estimated to have gradually increased since 2010, resulting in 28% of households situated in mostly urban areas reporting an increase in income. A gender gap is also notable. The earnings of female employees were reportedly LAK 0.5 million (equivalent to USD 59) per month less than men, which partly reflects socioeconomic constraints for women in obtaining formal wage employment. Therefore, while poverty is still expected to decline modestly, inequality is likely to have increased between 2012 and 2017. World Bank, *Lao PDR Economic Monitor Report,* January 2018. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

	2012	2013	2014	2015	2016	2017	2018
Total revenue	..	20.2	21.9	20.2	16.3	16.1	..
Revenue	..	16.3	16.3	16.3	15.0	14.5	..
Tax revenue	..	14.1	13.7	13.9	12.7	12.0	..
Grants	..	3.9	5.6	3.9	1.4	1.6	..
Total expenditure	..	24.5	25.5	26.1	21.5	21.6	..
Current expenditure	..	16.7	15.6	15.4	15.5	12.5	..
Capital expenditure	..	7.8	9.8	10.8	6.1	9.2	..
External sector (% of GDP, unless otherwise indicated)							
Current account balance	-7.3	-7.9	-14.5	-15.8	-8.8	-7.5	-7.9
Net merchandise trade	-8.4	-6.6	-12.8	-14.1	-7.1	-4.7	-4.8
Exports	21.5	19.0	24.7	25.4	26.9	28.9	29.2
Imports	29.9	25.5	37.5	39.4	34.0	33.6	34.0
Services balance	-0.9	-2.3	-2.9	-1.6	-1.2	-2.0	-1.3
Capital account	0.5	0.4	0.4	0.2	0.1	0.1	0.1
Financial account	-8.1	-14.7	-14.4	-20.3	-16.0	-12.9	-12.2
Direct investment, net	-6.2	-5.9	-6.5	-7.2	-5.8	-9.9	-7.3
Balance of payments	0.6	-0.7	1.2	1.2	-1.1	1.2	-0.8
Goods exports (% change in USD)	0.1	3.3	44.7	11.5	16.2	14.8	8.7
Goods imports (% change in USD)	26.7	0.1	63.1	14.1	-5.3	5.5	8.8
Services exports (% change in USD)	7.6	21.3	-2.1	10.4	-1.1	-6.5	18.0
Services imports (% change in USD)	64.9	43.1	8.8	-6.2	-5.2	9.2	3.4
Foreign exchange reserve (end-period, USD million)	739.6	661.9	815.7	986.8	814.9	1,016.0	873.2
in months of prospective goods and services imports	1.1	1.0	1.3	1.7	1.2	1.3	..
Total external debt (USD million)	8,159.2	9,795.6	11,400.2	13,012.5	14,159.9	..	..
Debt service ratio (% of exports of goods and services)	9.2	11	11.3	11.3	12.9	..	..
External public and publicly-guaranteed debt (USD million)	4,520.8	5,123.8	5,601.2	6,689.5	7,301.5	..	..

.. Not available.

Source: The Bank of the Lao PDR; the Lao Statistics Bureau; the Asian Development Bank; and the International Monetary Fund (IMF).

2.2 Recent Economic Developments

2.2.1 Growth and income

2.3. Since Lao PDR's WTO accession in 2013, real GDP has grown at an average annual rate of approximately 7.3% (Table 1.1 and 1.2); however, the rate of growth was on a declining trend during this period. Lao PDR's economy performed well in 2017, and growth was supported by the expansion of electricity exports, construction activity and financial services; however, it moderated to 6.9% as a result of the prohibition on illegal logging, tighter credit conditions and fewer tourist arrivals. Economic growth in 2018 is estimated to remain robust at 6.7%, slightly lower than the previous year. In addition to the more subdued external economic environment, the slowdown in growth in 2018 was partly due to a combination of the following domestic factors: (i) the severe floods that hit the country between July and September 2018, adversely affecting agricultural production and damaging infrastructure in several provinces; (ii) the weak performance of the mining sector; and (iii) continued fiscal consolidation which, in turn, contributed to slower private-sector credit growth. Industry sector growth also moderated due to slower growth in electricity output compared to the high base in the previous year when new large projects became fully operational. Growth in the construction sector was significant due to the ongoing construction of the Lao PDR section of the Kunming-Singapore railway, several hydropower projects, and commercial and residential buildings, and the repair and some reconstruction of infrastructure affected by the recent floods. Services sector performance also picked up, mainly due to the expansion of wholesale and retail trade and the gradual recovery of tourism. Within the services sector, wholesale and retail trade benefitted from the expansion of construction activities and a rebound in the tourism sector.

2.4. According to the 8th National Socio-economic Development Plan (NSEDP) (Section 2.2.2), the authorities envisage real average annual GDP growth of 7.5% during FY 2016/20. The IMF estimates potential growth over the same period to be around 7%. However, maintaining this growth is conditional on continued reforms, which would promote economic diversification, develop public infrastructure, and improve conditions for private investment. Improvements in human capital are

also be important, in particular through workforce training, public education, and health services, particularly for women and children, which should help reduce inequality and regional and gender disparities. Lao PDR's reform and growth agenda, which is detailed in the 8th NSEDP, recognizes the importance of improving the environment for private investment, and focusses on the non-resource private sector (especially small and medium-sized enterprises (SMEs)) and improving human capital through education and health, to compete more effectively within the gradual integration in the ASEAN Economic Community. Inclusive growth is also one of the main goals of the 8th NSEDP, which explicitly integrated the sustainable development goals (SDGs), with specific targets set by the National Assembly for spending on health and education in 2018. Furthermore, reforms in the areas of tax, and improving the business environment, competition, and the financial sector were also undertaken (Sections 1.2.5 and 4.4.3).

2.5. According to the IMF, Lao PDR's outlook remains positive.[4] Downside risks stem from high public debt and deficits, pockets of weakness and high dollarization in the banking sector, and a vulnerable external position with low gross international reserves. Rising public debt and falling commodity prices have laid bare fiscal rigidities. A high current account deficit, a tightly managed and overvalued exchange rate, and low reserves leave the economy vulnerable to external shocks. Additionally, the banking system remains highly dollarized, with weak profits and pockets of fragility. Capital-intensive growth based on mining and hydropower investments was accompanied by rising inequality and environmental degradation.[5] Furthermore, external risks include escalating and prolonged trade protectionism, heightened global and regional geopolitical uncertainty, and continued tightening of global financing conditions that could lead to disorderly financial market movements and adversely impact global demand and commodity prices.[6] The authorities are cognizant of these risk and are addressing them (Section 1.2.5).

Table 2.2 GDP by economic activity and employment, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Real GDP at market price (LAK billion, 2012 prices)	81,610.0	88,160.0	94,871.0	101,768.0	108,915.0	116,422.0	124,227.8
Real GDP at market price (USD million, 2012 prices)	10,191.4	11,216.1	11,786.7	12,490.1	13,316.0	13,940.2	14,786.7
Current GDP at market price (LAK billion)	81,609.9	93,867.6	106,797.3	117,251.6	129,279.1	140,749.1	152,435.7
Current GDP at market price (USD million)	10,191.4	11,942.2	13,268.5	14,390.4	15,805.7	16,853.1	18,144.2
GDP per capita at current market price (USD)	1,569.0	1,806.0	1,949.0	2,226.0	2,408.0	2,472.0	2,550.0
GDP by economic activity at constant 2012 prices (% change)							
Agriculture, forestry and fishing	..	2.8	4.1	3.6	2.8	2.9	2.9
Agricultural cropping	..	3.7	7.3	4.4	3.1	3.7	3.2
Livestock and products thereof	..	3.1	3.8	4.4	6.0	5.9	4.0
Forestry and logging	..	-4.6	-14.9	-7.5	-6.5	-11.3	-3.9
Fishing	..	5.0	4.8	5.9	3.2	3.2	3.2
Mining and quarrying	..	4.5	8.4	-0.1	4.1	-4.3	-1.1
Manufacturing		3.5	9.8	4.4	3.2	4.4	4.7
Electricity, gas and water supply	..	17.1	-0.2	11.0	37.7	31.7	6.7
Electricity	..	17.5	-0.4	11.3	39.1	32.4	6.7
Gas and water supply	..	8.6	6.0	3.4	3.3	5.6	5.7
Construction	..	9.7	11.4	20.7	8.4	18.0	20.9
Services	..	9.7	8.1	8.0	4.6	4.5	7.9
Wholesale and retail trade	..	11.3	14.1	9.9	6.6	7.2	11.6
Accommodation and food service activities	..	9.0	8.7	9.8	-1.2	-4.8	6.2
Transport and storage	..	9.1	6.5	11.1	8.4	6.8	8.6
Information and communication	..	13.4	11.1	15.3	4.2	4.3	7.1
Financial and insurance activities	..	33.4	8.0	6.2	7.8	9.7	8.3
Real estate activities	..	0.5	9.7	6.1	3.7	3.5	8.2

[4] IMF, *Country Report No. 18/84*.
[5] IMF, *Country Report No. 18/84.*
[6] World Bank, *Lao PDR Economic Monitor Report,* January 2019. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

	2012	2013	2014	2015	2016	2017	2018
Professional, scientific and technical activities	..	9.2	7.5	12.6	7.1	6.0	9.5
Public administration and defence	..	9.7	-2.0	5.7	3.5	2.8	2.5
Education	..	17.1	7.0	3.2	2.2	2.1	2.6
Health and social work	..	15.4	2.7	3.4	0.6	0.6	0.9
Other services	..	3.8	4.2	3.1	3.9	3.1	5.0
GDP by economic activity at current basic prices (%)							
Agriculture, forestry and fishing	20.4	19.7	19.7	19.7	19.5	18.3	17.9
Agricultural cropping	..	..	..	13.1	13.2	12.4	12.2
Livestock and products thereof	..	..	..	2.5	2.5	2.3	2.3
Forestry and logging	..	..	..	1.4	1.3	1.1	1.1
Fishing	..	..	..	2.6	2.6	2.4	2.4
Mining and quarrying	12.6	10.4	9.5	7.6	7.3	7.4	6.8
Manufacturing	9.9	9.3	9.3	9.2	8.8	8.4	8.3
Electricity, gas and water	7.4	8.2	7.4	7.9	10.1	12.2	12.3
Electricity	0.0	0.0	0.0	7.6	9.8	11.9	12.0
Gas and water supply	0.0	0.0	0.0	0.3	0.3	0.3	0.3
Construction	5.7	5.7	5.6	6.3	6.3	6.8	7.7
Services	44.1	46.8	48.6	49.4	48.0	46.8	47.0
Wholesale and retail trade	13.1	13.4	13.4	13.5	13.0	13.0	13.7
Transport and storage	3.3	3.3	3.3	3.5	3.2	2.8	2.8
Accommodation and food service activities	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Information and communication	1.8	1.8	1.8	1.9	1.8	1.8	1.7
Financial and insurance activities	2.0	2.3	2.1	2.8	2.8	3.3	3.3
Real estate activities	8.2	7.3	7.0	6.9	6.6	6.3	6.5
Professional, scientific and technical activities	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Public administration and defence	8.2	10.4	12.1	11.6	11.7	11.1	10.4
Education	1.9	2.6	3.1	3.1	3.0	2.8	2.7
Health and social work	0.6	0.8	0.9	0.9	0.9	0.8	0.7
Other services	2.0	2.0	2.0	2.1	2.0	1.9	2.0
Share of sector in total employment (%)							
Agriculture	67.1	65.5	64.3	63.1	62.0	61.3	..
Industry	9.4	9.4	9.4	9.5	9.6	9.7	..
Services	23.5	25.2	26.3	27.4	28.6	29.0	..

.. Not available.

Source: The Bank of the Lao PDR; the Lao Statistics Bureau; and STATISTA online information.

2.2.2 Prices

2.6. Rising core inflation, coupled with higher food and fuel prices during most of 2018, and the depreciation of the Lao kip against the currencies of its major trading partners contributed to higher inflation during the year. Core inflation picked up from 0.9% to 2.3% between 2017 and 2018 due to higher prices, particularly for household furnishings, clothing and footwear, and restaurants and hotels. This contributed to the higher headline inflation rate, which was in line with regional trends. In addition, this rate was also driven by (i) rising domestic retail fuel prices; (ii) a rise in fresh food prices partly due to the temporary disruption of food supply due to flooding; and (iii) the depreciation of the Lao kip against the Thai baht and the US dollar, which resulted in higher import prices. As a result, the headline inflation rate was 2% in 2018 compared to 0.8% in 2017.[7]

2.2.3 Monetary and exchange rate policies

2.7. The conduct of monetary policy is the remit of the Bank of the Lao PDR (BOL) (Section 4.4.3.1). The main objectives of monetary policy are to control inflation and maintain exchange rate stability.[8] Instruments available to the BOL to achieve its monetary policy objectives are the mandatory

[7] World Bank, *Lao PDR Economic Monitor Reports,* June 2018 and January 2019. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

[8] WTO document WT/ACC/LAO/45, 1 October 2012.

reserve requirements, the issuance of bonds, overdraft facilities for commercial bank borrowing, and discount facilities for loans secured against treasury bills and BOL bonds. The policy rate used by the BOL is the short-term lending rate at which the BOL lends to commercial banks with insufficient liquidity at the period of reserve requirement adjustment.[9]

2.8. With a view to encouraging investment by the private sector and boosting growth, the BOL slightly loosened monetary conditions. In December 2017, the BOL slightly adjusted the policy rates, with the one-week rate reduced by 25 basis points (bps) to 4%. The one-week policy rate was previously changed in mid-2016 (by 25 bps) and mid-2015 (by 50 bps). The policy interest rates remained unchanged in 2018; however, credit growth slowed. Commercial bank lending to the private sector and state-owned enterprises (SOEs) declined from 12% year-on-year in October 2017 to 5.5% in October 2018. As a result, the total credit to GDP ratio declined slightly to about 45.4% in 2018 from 47.6% in 2017. The monetary policy transmission mechanism is weak due to high dollarization and the informality of the economy, which limits the effectiveness of monetary policy.[10]

2.9. The authorities recognize that a high degree of dollarization limits the ability to implement effective monetary policy; they constantly endeavour to promote greater use of the Lao kip. Measures undertaken in this regard include: a multi-pronged strategy, involving a Lao kip promotional campaign, the introduction of deposit insurance, the raising of foreign exchange reserve requirements, and legal enforcement on domestic transactions based in Lao kip. As a result, dollarization, as measured by foreign currency deposits to broad money, gradually declined from its peak of 80% in the late 1990s to 42.4% in 2016. An additional measure envisaged is that the use of mobile banking services and payments is to play a greater role in Lao kip transactions, and reduce cash in the economy.[11]

2.10. According to the IMF, the *de jure* exchange rate arrangement is a managed float. Since September 2016, the Lao kip has followed a depreciating trend against the US dollar. Therefore, the *de facto* exchange rate arrangement was reclassified to a crawl-like arrangement from a stabilized arrangement, effective 2 September 2016. The authorities' objective is to limit currency fluctuations *vis-à-vis* major currencies, including the US dollar and Thai baht, within ±5% per annum. The BOL sets a daily official reference rate, which is calculated as a weighted average of the previous day's interbank rates. Commercial banks and foreign exchange bureaux are required to maintain their buying and selling rates within ±0.25% of the BOL's previous daily reference rate for the US dollar. For the euro and baht, the buying and selling rates may not exceed a margin of 0.5%. For other currencies, a margin of 2% applies. Lao PDR accepted the obligations under Article VIII, Sections 2(a), 3 and 4, and maintains an exchange system free of restrictions on the making of payments and transfers on current international transactions, except for restrictions imposed solely for security reasons and notified to the IMF under Decision No. 144-(52/51). At the end of 2016, the Lao kip was assessed to be overvalued by 44%-49%.[12]

2.11. Increased pressure (see reasons below) on the Lao kip led to a depreciation of the exchange rate in 2018 and an upward shift in the exchange rate band. The official nominal Lao kip/US dollar reference rate depreciated by almost 2% in 2018, while the Lao kip/Thai baht exchange rate depreciated by 7.8%. Similarly, the real effective exchange rate for the first seven months of 2018 depreciated by 5.6%. The pressure on the Lao kip emanates from both domestic and external factors. Domestic factors include (i) the restrictions placed on the purchase of foreign currency at commercial banks; (ii) and rising demand for foreign currency as a hedge against exchange rate depreciation. External factors include (i) a general strengthening of the US dollar; and (ii) higher demand for foreign currency for external debt repayment. The increased flexibility of the exchange rate within the band, a more active interbank market, and moral suasion by the BOL resulted in the spread between the official and parallel market exchange rates narrowing to below 2% in 2018, which was below the annual average spread of 2.5% for 2017.[13]

[9] BOL. Viewed at: http://www.bol.gov.la/en/interestRate.

[10] World Bank, *Lao PDR Economic Monitor Report,* June 2018. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

[11] IMF, *Country Report No. 18/84*.

[12] IMF, *Country Report No. 18/84*.

[13] World Bank, *Lao PDR Economic Monitor Report,* January 2019. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

2.2.4 Fiscal policy

2.12. The fiscal deficit increased from 4.3% of GDP in 2013 to 5.5% in 2017. It widened due to increased public investment and arrears clearance. Revenues fell below target in 2017. The below-target performance reflects moderation of economic activity and weak planning processes resulting in ambitious targets. The total revenues-to-GDP ratio fell to 16.1%, from 16.3% a year earlier. VAT collection rose by about 5% due to efforts to expand the tax base and improve administration, while excise taxes remained stable. Recovering copper prices and tighter control on timber exports resulted in higher royalties from natural resources. However, foreign trade taxes declined due to lower fuel and vehicle imports. Non-tax collection increased due to higher dividends, interest earnings and fees. Grants increased compared to 2016, reflecting the strong inflows of non-project grants. Recurrent spending was tightly controlled. In response to continued fiscal difficulties, the authorities contained the wage-bill growth. Furthermore, according to the authorities, the Government has taken strong measures to reduce the budgetary deficit, by *inter alia,* concentrating expenditure on project execution and prioritizing new investment.

2.13. However, the gains from controlling recurrent spending were offset by an acceleration of public investment projects and stronger efforts to clear arrears. Total spending is estimated to have increased to 21.6% of GDP in 2017, compared to 21.0% the previous year. Consequently, the fiscal deficit widened to 5.5% of GDP in 2017, compared to 5.2% in 2016. The deficit was mostly financed by foreign loans, including the bonds issuance in the Thai capital market, worth around USD 420 million, in October 2017, and borrowing from the banking sector.

2.14. Persistently-high fiscal deficits resulted in high public debt levels. The total public and publicly-guaranteed debt (PPG) is estimated to have increased from 56.3% of GDP in 2013 to about 61.0% in 2017, and was expected to rise above 65.0% in 2018. However, the authorities stated that the Government is considering proposing a legal limit on PPG of 65% of GDP.

2.15. The fiscal deficit is expected to narrow to 4.3% of GDP in 2018 due to improvements in revenue collection and tighter control of public spending. Total revenue is estimated to rise to 17% of GDP in 2018 due to an improvement in domestic revenues and grants. The improvement in revenue performance has mainly been driven by higher excise tax revenue due to increasing oil imports coupled with the higher price of oil. Other drivers include an increase in profit and income tax as a result of improving tax administration. Dividend earnings and other non-tax revenues are expected to remain resilient. This improvement in revenue offset the decline in revenue receipts from trade and value added tax (VAT), partly due to exemptions on imports of capital goods related to some investment projects.[14]

2.2.5 Structural reforms

2.16. Trade and domestic reforms are intrinsically linked under the 8th NSEDP (Section 2.2.2). The Government sees private-sector businesses, especially SMEs, as central to the country's future prosperity.[15] Economic diversification away from natural resource-based sectors, trade and investment is seen as a vital ingredient to achieving more broad-based growth, poverty reduction, and job creation, and improving Lao PDR's competitiveness and productivity. According to the IMF, to boost private investment and potential growth over the medium term, and make the growth processes more inclusive, wide-ranging structural reforms are needed. This will require enhancing productive investments, which would address key bottlenecks in the economy. To effectively mobilize long-term capital for investment, financial sector weaknesses need to be addressed. In this regard, the Government has taken certain measures (Section 4.4.3.1). In addition, higher tax revenues would facilitate the fiscal space to upgrade infrastructure and provide increased budgetary outlay for health and education, which would enhance labour productivity and provide skilled labour. This would, in turn, improve the business environment, attract foreign direct investment (FDI), and diversify exports.

[14] World Bank, *Lao PDR Economic Monitor Report,* January 2019. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

[15] Ministry of Planning and Investment (MPI) (2016), *8th Five-Year NSEDP (2016–20)*. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

2.2.5.1 Fiscal reform and debt management

2.17. Persistent and large fiscal deficits over several years resulted in a high level of public debt. Both threaten Lao PDR's growth prospects. To address these issues, the authorities instituted fiscal reforms and debt sustainability initiatives. The National Assembly-approved medium-term fiscal plan envisages a gradual reduction of the fiscal deficit, helping to stabilize and eventually put public debt on a sustainable path by 2020. The revenue improvement is expected to come from a planned increase in excise tax rates (2019), strengthened revenue administration (including through a new Law on Tax Administration which was passed in June 2019 and is expected to come into force in January 2020), improved tax-payer services, and the launch of a modern revenue management information system. These include: channeling payment of taxes through the banking system to reduce leakages and broaden the tax base, an electronic payment system for land tax, and the recently-adopted Tax Revenue Information System (TaxRIS), which is expected to improve the efficiency of tax collection, to enable systematic monitoring of revenue collection and to better manage the tax database. Furthermore, the Law on VAT and the Tax Law (to improve the collection of excises) were also revised (Section 3.1.4). The authorities also plan to adopt a new Law on Income Taxation and on Excises. On the expenditure front, in addition to ongoing measures to discontinue off-budget expenditure, the authorities will prioritize investment projects with credible and higher rates of return, while improving the existing management framework. At the same time, current expenditure is expected to be controlled through civil service reform to lower the recruitment quota. In the medium term, the authorities target a reduction in the wage bill from 55% to 40% of total spending. To ensure the sustainability and appropriate management of public debt, the Law on Public Debt Management was tabled at the National Assembly (NA) in 2018. Its core elements are the statutory public debt ceiling of 65% of GDP and a requirement for NA approval of investment projects with value above USD 50 million.

2.2.5.2 Privatization

2.18. State involvement in the economy appears to be considerable (Section 3.3.5), and SOEs remain a drain on government revenue. In this regard, the authorities drafted the Strategic Plan on Restructuring SOEs. According to the authorities, the Government is currently classifying the SOEs into two categories: SOEs which should make a profit, and SOEs which provide social services. Furthermore, a decree defining management principles for SOEs is expected to be adopted in 2020. Key reform areas under the Plan include equitization, employing professional management, and improving accounting standards, which aim at enhancing profitability, transparency and minimizing the burden on the Government's balance sheet. The Plan will also identify targeted SOEs (including Electricité du Laos (EDL) and Lao Airlines) with a clear strategy for the restructuring process, while aiming to lower the number of SOEs and the Government's shares therein to a more appropriate level in the medium term.

2.2.5.3 Business environment and labour productivity

2.19. The authorities are aware of the country's narrow domestic production and export base, and noted that a vibrant private sector is necessary to move towards more broad-based growth. However, crucial tasks remain to be undertaken, for the creation of a sound business environment and the promotion of the role of the SME sector to enhance its capacity to manufacture and export. Promoting private-sector development would require addressing informality and other key constraints to doing business, including removing impediments regarding to starting a business, paying taxes and dealing with licences. A Prime Ministerial Order on the improvement of the regulations and the coordination mechanism regarding doing business in Lao PDR was issued in February 2018, instructing line ministries to work on reforms related to doing business indicators. Prioritizing a functional and efficient "one-stop shop" for business registration (Section 2.4.3), improving consistency, establishing a level playing field for regulation implementation, and strengthening the tax system for consistency and transparency are some of the critical pre-conditions for private-sector growth. The Law on Investment Promotion was also amended to create more favourable incentives for projects invested in strategic zones (Section 3.3.1.2). The Law on Competition also came into force in 2016, to create a more level playing field for firms (Section 3.3.4).

2.20. Despite continued growth in job opportunities for certain subsectors, a lack of skilled labour and relatively low labour productivity remain challenges at a broader level. Overall labour productivity growth has been slowing, and still lags behind the regional average. The moderate

growth in overall labour productivity is related, in part, to the limited availability of skilled labour, reflecting the relatively lower level of educational attainment. This is confirmed by the World Bank enterprise survey finding in 2016 that a lack of skilled labour is one of the top constraints for doing business in Lao PDR. This underscores the importance of improving productivity through building human capital and skills as a factor in fostering diversification and improving the distribution of income. Investing in human capital and infrastructure services will help improve productivity and competitiveness of firms.[16] In this regard, the NA set specific targets for spending on health and education in 2018.

2.2.6 Balance of payments

2.21. Since 2013, Lao PDR's current account deficit increased from USD 938 million in 2013 (7.9% of GDP) to USD 1.4 billion in 2018 (7.9% of GDP) (Table 1.3), reflecting a widening of the gap between gross national savings and gross domestic investment. The current account deficit peaked at nearly USD 2.3 billion in 2015 (15.8% of GDP); however, it has come down since then. The current account deficit narrowed, mainly due to a considerable decline in the goods balance. Key exports drove the growth in export earnings: electricity, due to increased generation; and minerals, due to relatively higher metal prices and the manufacturing of electronic components for export. In contrast, import growth slowed down, due to increased import substitution for goods such as cement, the completion of certain projects which had a large import content, and a moderation in the import of consumption goods. Consequently, the trade deficit as a proportion of GDP declined from over 14% in 2015 to around 5% in 2018.

Table 2.3 Balance of payments, 2012-18

(USD million)

	2012	2013	2014	2015	2016	2017	2018
Current account	**-747.9**	**-937.9**	**-1,924.5**	**-2,267.6**	**-1,385.0**	**-1,259.8**	**-1,430.4**
Goods and services balance	-950.5	-1,063.0	-2,085.1	-2,256.4	-1,315.4	-1,130.0	-1,102.1
Goods balance	-855.2	-786.5	-1,699.4	-2,022.0	-1,127.6	-794.2	-869.3
Exports	2,191.3	2,264.5	3,276.5	3,653.3	4,244.8	4,873.2	5,294.7
Imports	3,046.5	3,050.9	4,975.9	5,675.3	5,372.4	5,667.3	6,164.0
Services balance	-95.3	-276.5	-385.6	-234.4	-187.8	-335.8	-232.7
Credit	643.3	780.6	764.4	844.1	834.6	780.6	921.4
Debit	738.6	1,057.1	1,150.1	1,078.5	1,022.4	1,116.4	1,154.2
Primary income, net	-79.2	-148.6	-149.2	-232.1	-324.7	-446.4	-570.5
Credit	134.3	113.8	122.4	127.2	129.4	124.6	136.0
Debit	213.5	262.4	271.5	359.3	454.1	571.0	706.5
Secondary income, net	281.8	273.6	309.8	220.9	255.1	316.6	242.2
Credit	337.9	333.8	357.3	343.6	355.7	428.1	404.9
Debit	56.1	60.3	47.6	122.7	100.5	111.6	162.7
Capital account	**49.5**	**44.0**	**50.4**	**35.9**	**22.0**	**21.8**	**12.5**
Financial account	**-830.5**	**-1,752.7**	**-1,908.0**	**-2,918.9**	**-2,533.8**	**-2,172.5**	**-2,206.3**
Direct investment	-634.6	-710.0	-860.6	-1,038.1	-920.1	-1,676.6	-1,319.6
Assets	-16.9	-28.6	7.1	39.7	15.2	9.7	0.0
Liabilities	617.8	681.4	867.6	1,077.8	935.3	1,686.3	1,319.6
Portfolio investment	-2.1	-172.8	-366.7	-537.8	-513.9	-326.1	-498.4
Assets	3.7	-25.0	-6.1	-6.6	10.1	0.4	40.6
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	3.7	-25.0	-6.1	-6.6	10.1	0.4	40.6
Liabilities	5.7	147.7	360.7	531.3	524.0	326.5	539.0
Equity and investment fund shares	5.7	6.7	4.3	-0.1	-4.6	-34.5	1.8
Debt securities	0.0	141.0	356.4	531.4	528.6	361.0	537.2

[16] World Bank, *Lao PDR Economic Monitor Report,* January 2019. Viewed at: http://www.worldbank.org/en/country/lao/publication/lao-pdr-economic-updates.

	2012	2013	2014	2015	2016	2017	2018
Other investment	-193.8	-870.0	-680.7	-1,343.0	-1,099.8	-169.9	-388.2
Assets	343.6	34.4	359.3	174.6	198.7	497.9	442.5
Deposit-taking corporations (except the BOL)	128.3	-19.2	369.3	-110.5	-13.5	117.1	264.2
Other sectors	215.3	53.6	-10.0	285.1	212.3	380.7	178.3
Liabilities	537.4	904.4	1,040.0	1,517.6	1,298.6	667.7	830.7
BOL	-2.8	-0.7	-5.0	-3.4	-2.7	2.4	-1.5
Deposit-taking corporations (except the BOL)	171.0	336.0	579.9	671.9	809.5	-124.7	34.8
General government	359.5	557.8	123.0	402.5	198.0	342.9	676.8
Other sectors	9.8	11.3	342.1	446.5	293.7	447.1	120.6
Net errors and omissions	**-71.3**	**-936.5**	**119.8**	**-516.1**	**-1,342.7**	**-733.6**	**-931.2**
Overall balance of payments	**60.9**	**-77.7**	**153.8**	**171.1**	**-171.9**	**201.0**	**-142.9**

Source: BOL.

2.22. The services balance as a proportion of GDP declined from 2.3% in 2013 to 1.3% in 2018 (Tables 1.3 and 1.4). The services balance peaked at 2.9% of GDP in 2014, but has since improved. The recent improvement came on the back of increased tourist arrivals, which boosted the travel and transportation inflows. The improvement in the tourism sector could partly be explained by the Visit Laos Year campaign, while the increase in transportation services could be explained by improved infrastructure.

2.23. However, net primary income outflows increased due to the increase in interest payments on account of government and commercial banks and the increase in dividends paid. Net secondary income improved due to an increase in grants and personal transfers such as workers remittances. The latter was due to an acceleration in the Thai economy.

2.24. The current account deficit was mainly financed by FDI inflows and external borrowing, with the balance being covered by foreign exchange reserves. As a result, foreign exchange reserves stood at USD 873 million at the end of 2018, providing approximately one month of import coverage, compared with slightly over USD 1 billion at the end of 2017. However, according to the authorities, in 2018, foreign exchange reserves covered approximately 3.2 months of imports, as these excluded imports related to FDI, as these projects use their own funding unrelated to the reserve in the BOL.

Table 2.4 Trade in services, 2012-17

	2012	2013	2014	2015	2016	2017
Total credit (USD million)	**645.8**	**782.6**	**764.4**	**844.1**	**834.9**	**883.7**
	% of total credit					
Transportation	8.8	9.3	7.5	8.0	9.7	9.4
Travel	79.5	76.1	83.9	85.8	85.8	86.1
Construction	1.8	1.1	0.5	0.6	0.5	0.5
Insurance	0.6	5.6	1.5	1.3	0.1	0.3
Financial services	0.2	0.2	0.1	0.2	0.2	0.2
Telecommunication, computer and information	5.4	5.1	5.0	4.1	3.6	2.9
Government goods and services n.i.e.	3.8	2.6	1.4	0.1	0.2	0.7
Total debit (USD million)	**738.6**	**1,057.1**	**1,150.1**	**1,078.5**	**1,022.4**	**1,145.1**
	% of total debit					
Transportation	7.3	3.4	3.0	3.2	6.7	7.0
Travel	81.9	85.5	91.4	92.5	89.2	85.2
Construction	4.0	3.5	2.7	0.4	1.3	3.3
Insurance	4.5	5.0	1.1	1.4	1.1	2.0
Financial services	0.0	0.0	0.0	0.6	0.0	0.0
Telecommunication, computer and information	1.6	1.6	1.2	1.4	1.6	1.3
Other business services	0.1	0.2	0.4	0.2	0.0	0.8
Government goods and services n.i.e.	0.7	0.8	0.2	0.3	0.0	0.5

Note: Totals of credit and debit differ from totals shown in Table 1.3 due to differences in sources.

Source: WTO calculations, based on IMF online information.

2.3 Developments in Trade and Investment

2.25. Since 2013, the shares in GDP of both merchandise exports and imports rose; the share of exports increased from 19.0% in 2013 to 29.2% in 2018, while that of imports rose from 25.5% to 34.0% over the same period. In contrast, the shares of services exports and imports both decreased during the same period although, in absolute terms, the services balance improved. The improvement was due mainly to increased receipts for transport and travel services, reflecting a significant increase in tourism activity in the country (Section 4.4.7).

2.26. FDI inflows rose from approximately USD 426.7 million (3.6% of GDP) in 2013 to USD 813.0 million (4.8% of GDP) in 2017, with the stock of inward FDI rising to USD 6.6 billion. The increase came about mainly due to significant investment in the power sector and infrastructure by China. Other factors, such as political and macro-economic stability, a liberal investment policy, deeper regional and global integration, and an improved investment climate both in terms of hard and soft infrastructure, also contributed.

2.3.1 Trends and patterns in merchandise trade

2.27. Lao PDR's exports are concentrated in natural resource sectors such as electrical energy, copper ores and concentrates, and copper and articles thereof. These accounted for over 53% of merchandise exports in 2017 (Chart 1.1 and Table A1.1). Vegetables and fruit products, prepared food, beverages and tobacco, rubber, and electrical components are responsible for a further 32.6% of exports.

2.28. Exports were driven by higher world commodity prices, buoyant regional demand, and the increased diversification of Lao PDR's export structure. Power exports to Thailand rose on the back of increased installed capacity and higher demand. Mining exports remained steady despite lower output, due to the firming up of copper prices. Recent investment in special economic zones (SEZs) facilitated manufacturing exports other than those of garments. Manufacturing exports increased nearly three-fold since 2013, driven mainly by exports of electronics, telecommunication and electrical equipment from SEZs, and food and beverages. Agriculture exports appear to have stagnated as rubber exports to China and vegetable exports to Thailand moderated, partly due to falling rubber and coffee prices. In addition, exports of bananas to China is also affected by tighter controls on dangerous chemical use and the suspension of new plantations.

2.29. Lao PDR's main imports are machinery and electrical equipment, mineral and fuels, transport equipment, base metals and articles thereof, and prepared food, beverages and tobacco (Chart 1.1 and Table A1.2). Since 2013, the shares of machinery and electrical equipment rose due to increased capital investment in the power sector and infrastructure. The shares of prepared food, beverages and tobacco also rose due to higher consumption expenditure because of economic growth. In contrast, the shares of base metals, transport equipment and minerals, fuels and oil declined.

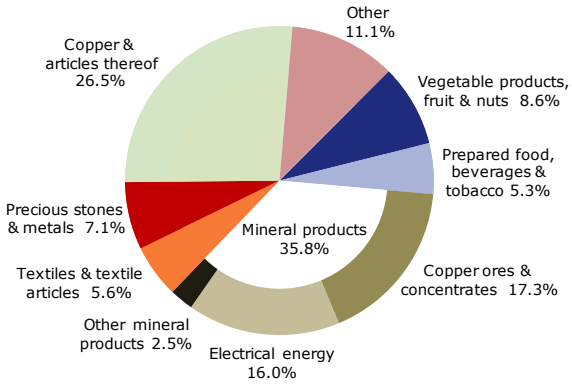
2.30. Lao PDR's largest export market in 2017 was Thailand, followed by China and Viet Nam (Chart 1.2 and Table A1.3). The share of Thailand rose considerably on the back of increased electrical energy and electrical components exports. The shares of China and Viet Nam also rose. The shares of Asia and of ASEAN also rose.

2.31. Lao PDR's imports are highly concentrated, with nearly 97% coming from Asia, whose share remained steady during the review period (Chart 1.2 and Table A1.4). In 2017, Lao PDR's largest import supplier was Thailand, followed by China and Viet Nam. The shares of China and Viet Nam rose since 2013, while that of Thailand declined. Furthermore, the share of ASEAN rose, while that of Asia as a whole declined.

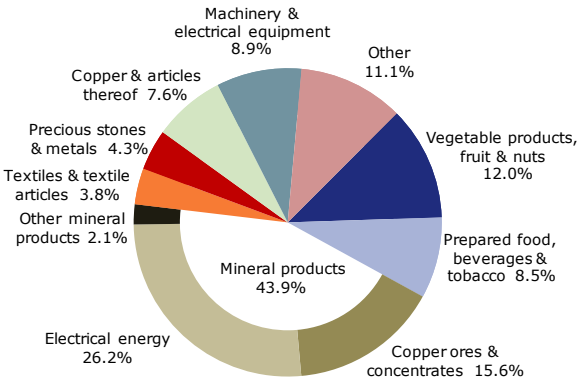
Chart 2.1 Product composition of merchandise trade by main HS classification, 2013 and 2017

2013 **2017**

Exports

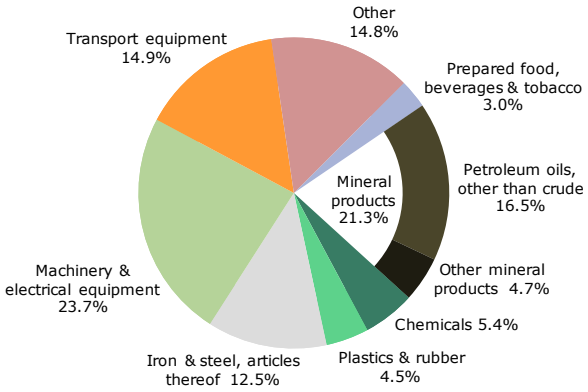


Total: USD 3.76 billion

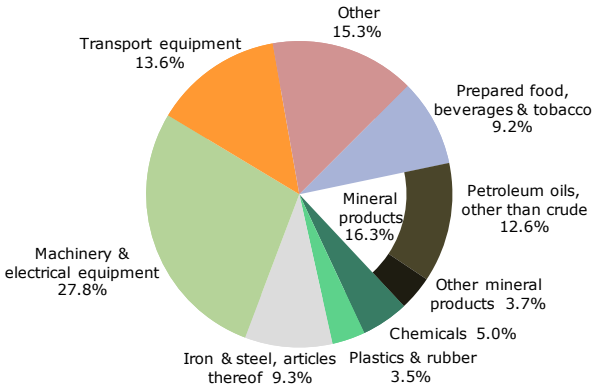


Total: USD 4.89 billion

Imports



Total: USD 3.77 billion



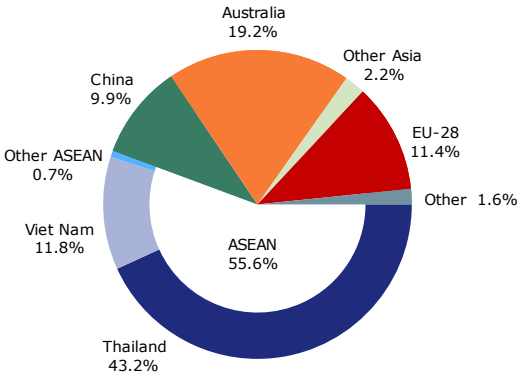
Total: USD 4.79 billion

Source: WTO calculations, based on data received by the authorities.

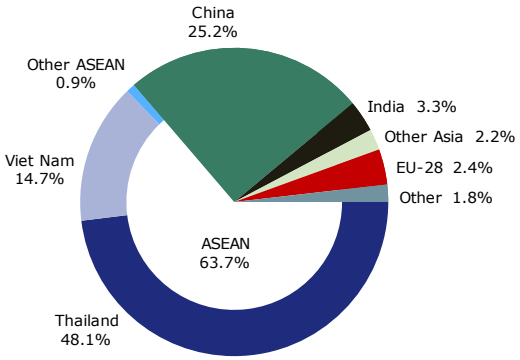
Chart 2.2 Direction of merchandise trade, 2013 and 2017

2013 **2017**

Exports

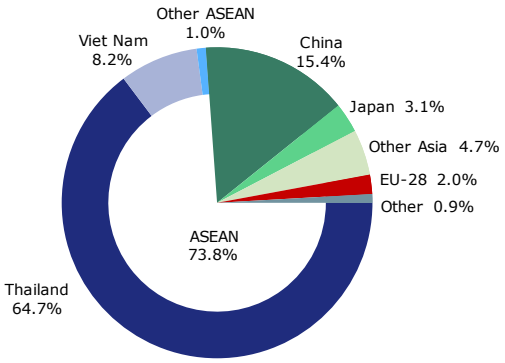


Total: USD 3.76 billion

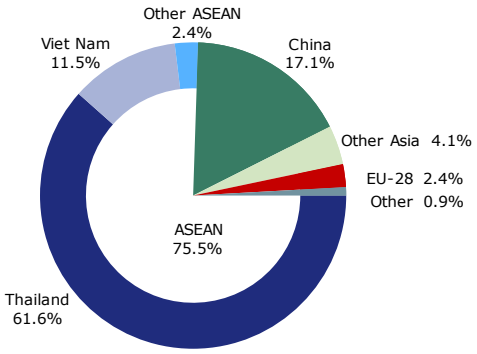


Total: USD 4.89 billion

Imports



Total: USD 3.77 billion



Total: USD 4.79 billion

Source: WTO calculations, based on data received by the authorities.

2.3.2 Trends and patterns in FDI

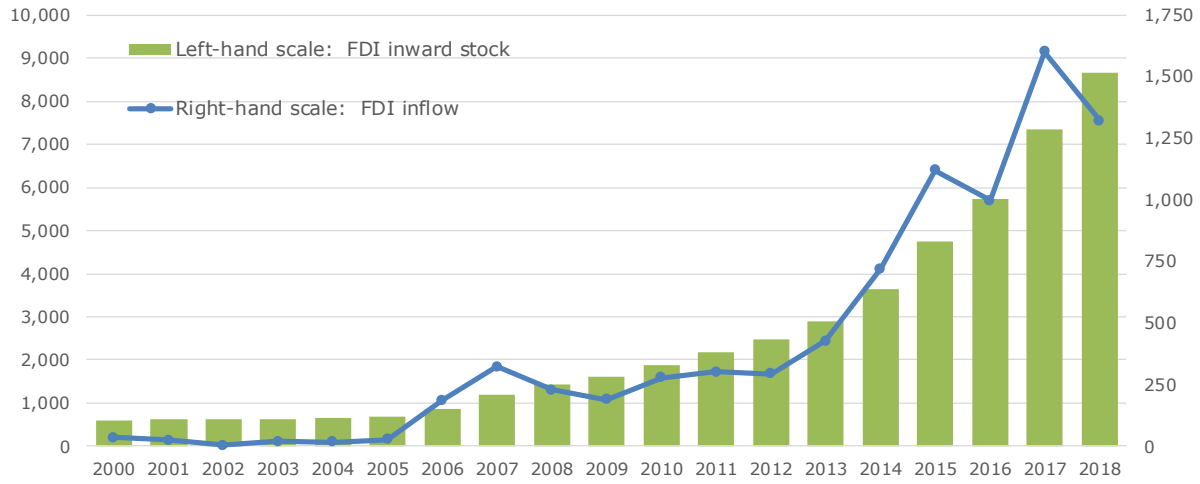
2.32. Lao PDR has a relatively liberal and investor-friendly regime, offering incentives to various sectors under the new Law on Investment Promotion of 2016, although certain activities continue to be restricted (Sections 2.4.4 and 3.2.4). There has been a steady inflow of FDI since 2013 (Chart 1.3), which more than tripled from approximately USD 427 million in 2013 to over USD 1.3 billion in 2018.[17] FDI is concentrated in the power generation sector, and in infrastructure, mining, and electrical component manufacturing. Most of the FDI in Lao PDR originates from China, followed by Thailand and Viet Nam. The stock of FDI in 2018 was over USD 8.6 billion.[18]

[17] UNCTAD, *World Investment Report 2019*.

[18] However, numbers provided by the MPI show that FDI declined from nearly USD 2 billion in 2013 to approximately USD 800 million in 2018. Additionally, according to that Ministry, the stock of FDI in Lao PDR in 2018 was over USD 23 billion.

Chart 2.3 FDI, 2000-18

(USD million)



Source: UNCTAD, World Investment Report 2019.

3 TRADE AND INVESTMENT REGIMES

3.1. Since its WTO accession in 2013, Lao PDR has undertaken a second constitutional amendment and several trade-related, investment policy, institutional, and regulatory reform initiatives. Lao PDR, a least developed country (LDC) set for possible graduation in 2024, remains committed to the multilateral trading system and, during the review period, it improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA). At the same time, it continued to focus on strengthening regional economic integration ties through the implementation and/or negotiation of several ASEAN agreements. Lao PDR submitted several notifications and was not involved in trade disputes in the WTO. It remains largely open to, and encourages, FDI despite persisting limitations in certain activities. Its network of international investment agreements remains virtually unchanged since its WTO accession.

3.1 General Framework

3.2. Lao PDR's Constitution was amended for a second time on 8 December 2015; it was published in the Official Gazette on 4 February 2016, and is also available in English.[1] The 2015 Constitution allows the establishment of provincial assemblies (PAs) and stipulates that the President (see below) can hold office for not more than two consecutive terms.[2] All forms of bureaucratic threats and actions that undermine the physical and mental wellbeing or the dignity of the people are prohibited. Also prohibited are actions that cause damage to their rightful assets. In addition, the amendment focusses on cultural, social and economic development associated with sustainable environmental protection. Under the 2015 amendment, the State places greater importance on scientific research and the use of science and technology to drive development, while protecting intellectual property rights (IPRs). Foreign nationals in Lao PDR, as well as those without nationality, also have their rights protected, in line with the relevant laws.

3.3. Lao PDR is a People's Democratic Republic under the single party system of the Lao People's Revolutionary Party (LPRP).[3] Under the 2015 Constitution, the State consists of the National Assembly (NA), the Executive Branch, and the Judiciary. The President is the Head of State and is elected by the NA with two thirds of the votes of all members attending the session, for a term of office of five years. The presidential election is held just after the parliamentarian election. The President has, *inter alia,* the following rights and duties: to promulgate the Constitution and laws; to issue presidential edicts and decrees; to negotiate and sign treaties and international agreements on behalf of the State; and to issue the ratification of becoming a party to, or secession from, treaties and agreements signed with foreign countries.

3.4. The Executive Branch consists of the President and the Government. The Government consists of the Prime Minister, Deputy Prime Ministers, ministers, and chairmen of ministry-equivalent organizations.[4] The Council of Ministers is the highest executive body; the vice-chairmen of the Council (deputy prime ministers) oversee the work of ministers. All members of the Council are appointed by its chairman (the Prime Minister). The term of office of the Government is five years, and officials cannot hold the position for more than two consecutive terms. The Government has, *inter alia,* the following rights and duties: to implement the Constitution and the legislation; to submit draft laws; to issue decrees and resolutions on state administration, socio-economic management, and management in the fields of science-technology, national resources, environment, national defence and security, and foreign affairs; to determine strategic plans on socio-economic development and annual state budgets and to submit them to the NA for consideration and approval; to establish or liquidate Special and Specific Economic Zones; and to make, enter into, interpret and implement the treaties and international agreements to which Lao PDR becomes a party.

3.5. The 149-member unicameral NA is the legislative branch of the State which has the right to make decisions on fundamental issues of the country. Its members are elected for a term of office

[1] The Constitution of the Lao PDR was promulgated on 15 August 1991, and was first amended on 6 May 2003. Viewed at: http://unimelb.libguides.com/c.php?g=402982&p=4600312; http://jclao.com/amended-constitution-creates-provincial-assemblies-gives-president-two-terms/; and http://www.peoplecourt.gov.la/en/legislation/constitution-of-lao-pdr.html.

[2] The PAs may consider and approve socio-economic development and budget plans, and follow up their implementation by the local authorities.

[3] Globalex. Viewed at: http://www.nyulawglobal.org/globalex/Laos1.html.

[4] Globalex. Viewed at: http://www.nyulawglobal.org/globalex/Laos1.html.

of five years; the last parliamentary elections were held on 20 March 2016, and the next are due in 2021.[5] The NA, *inter alia,* has the following rights and duties: to consider and adopt the Constitution and laws; to consider and adopt strategic plans, the socio-economic development plan, the state budget plan, and the amended state budget plan; to consider and adopt the fundamental policies of finance, money, the percentage of the state budget deficit, the percentage of debt of the Government, and the percentage of debt of the public; to consider and adopt the determination, amendment, abrogation or exemption of taxes and duties; to oversee the observance and implementation of the Constitution and laws of the state organizations; to elect or remove the President and Vice-President of the State based on the recommendation of the NA Standing Committee; to elect or remove the Prime Minister based on the recommendation of the President of the State; to elect or remove the Supreme Public Prosecutor, the President of the People's Supreme Court (see below) or the President of State Audit based on the recommendation of the President of the State; to consider and approve the proposed appointment or removal of members of the Government based on the recommendation of the Prime Minister; and to consider and approve the ratification of, or withdrawal from, international treaties and agreements to which Lao PDR is a party based on the recommendation of the Prime Minister.[6]

3.6. Under the 2015 Constitution, the Judiciary consists of the People's Supreme Court, the people's provincial courts and city courts, and military courts as specified by law; if deemed necessary, the NA Standing Committee, a generic committee, may decide to establish a special court. The People's Supreme Court, the highest judicial organ of the State, examines and reviews the decisions of the people's courts and military courts. The NA elects or removes the President of the People's Supreme Court and the Supreme Public Prosecutor based on the recommendation of the President of the State. The NA Standing Committee, based on the recommendation of the President of the People's Supreme Court, appoints for five-year terms, transfers and removes: judges of the People's Supreme Court; and the President, Vice-President and judges of the people's courts. The Vice-President of the People's Supreme Court is appointed or removed by the President of the State. Administrative rulings on trade issues can be redressed in the court system through administrative procedure; since 2012, there have been 1 such ruling at the Supreme Court level, 3 at the people's district court level, and 18 at provincial and Vientiane Capital people's court levels. Between 2012 and 2017, a total of 2,212 cases were considered by commercial chambers formed within each court, i.e. the Supreme Court, the regional people's courts, and the Vientiane Capital people's courts. During the review period, judges and officials of the people's courts benefitted from training in various laws, including Case Procedure for Copyright and International Trade, in order to ensure compliance with WTO requirements and in preparation for integration into the ASEAN Economic Community (AEC) (Section 2.3.2.1).[7] Under the 8th Five-Year NSEDP (2016–20) (Section 2.2.2), the authorities plan to improve structures and institutions related to the justice system, at both central and local levels, as it appeared that the rule of law had not yet been strongly enforced.[8] Currently, the Supreme Court is focussing on development and capacity building for judges, judges assistants and all technical staff to specialize in specific areas. There is also a plan to establish a special committee regarding judging cases relevant to intellectual property (IP) and bankruptcy. The Office of the Public Prosecutor is responsible for monitoring the full and uniform adherence of the laws and regulations by all ministries, ministry-equivalent bodies, government organizations, local administrations, enterprises, and citizens.[9]

3.7. Lao PDR is divided into 17 provinces (*khoueng*) and one prefecture (*kampheng nakhon*) which includes the capital city Vientiane (*Nakhon Louang Viangchan*); provinces are further divided into districts (*muang*) and then villages (*ban*). The sub-central administrations have no authority to set tax rates, grant subsidies or regulate trade independently of the central Government.[10] Their source

[5] The ruling LPRP was the only party to contest the elections.

[6] Only the NA can amend the Constitution; its amendment requires the affirmative votes of at least two thirds of the total number of the NA members. Globalex. Viewed at: http://www.nyulawglobal.org/globalex/Laos1.html.

[7] MPI (2016), *8th Five-Year National Socio-economic Development Plan (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane)*, June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[8] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane)*, June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[9] WTO document WT/ACC/LAO/45, 1 October 2012.

[10] WTO document WT/ACC/LAO/45, 1 October 2012.

of revenue consists of transfers from the state budget.[11] The NA sets annual targets for revenue collection from taxes, owned assets, fees, etc. in each province. From the targeted revenue collected by each province, 40% is transferred to the central Government, and 60% can be used for a project development in the province. Reportedly, coordination between ministries and central and local agencies remains weak, not harmonized and not supportive.[12]

3.2 Trade Policy Formulation and Objectives

3.2.1 Trade policy formulation

3.2.1.1 Executive branches of government

3.8. The Ministry of Industry and Commerce (MoIC) remains responsible for the formulation, implementation and coordination of policies and activities relating to manufacturing and trade, as well as for representing Lao PDR in regional and international business forums.[13] It remains the focal point for WTO-, regional trade agreement- (RTA) and Enhanced Integrated Framework (EIF)-related activities and issues (Section 2.3). Other line ministries or agencies involved in trade or tariff policy matters include the Prime Minister's Office, the BOL, the Ministry of Finance (including the Customs Department), the Ministry of Agriculture and Forestry (agricultural policy, sanitary and phytosanitary measures), the Ministry of Health (health safety relating to food and drugs), the Ministry of Public Works and Transport (e.g. technical barriers to trade (TBT) issues), the Ministry of Energy and Mining (TBT, environmental protection), the Ministry of Home Affairs (e.g. TBT issues), the Ministry of Information, Culture and Tourism (e.g. copyright), the Ministry of Science and Technology (e.g. TBT and protection of IPRs), the Ministry of Planning and Investment (MPI), the Ministry of Education and Sports, the Ministry of Labor and Social Welfare, and the Ministry of Foreign Affairs. As at 2012, the overall inter- and intra-ministerial coordination in the formulation and implementation of trade policy required further improvement, as the complex web of secretariats, committees, task forces and institutions made trade mainstreaming into the NSEDPs (Section 2.2.2) difficult.[14] Upon WTO accession, in 2015 a National Steering Committee for Economic Integration (NSC) was set up to replace the one that oversaw WTO accession negotiations; its role consists of international trade policy making at WTO, regional, sub-regional and bilateral levels, and is chaired by the Deputy Prime Minister, with the Minister for Foreign Affairs and the Minister of Industry and Commerce as a deputy chairs.[15]

3.2.1.2 Advisory bodies

3.9. During the review period, the Government continued to hold regular consultations with the private sector, enabling it to advocate, raise concerns directly with, and provide inputs on business and trade-related policies, laws and regulations. The private sector is mainly represented by the Lao National Chamber of Commerce and Industry (LNCCI), an umbrella organization for all business membership organizations, as well as foreign investor associations (e.g. the American-Lao Business Association and the European Chamber of Commerce and Industry in Lao PDR (ECCIL)).

3.10. The Lao Business Forum (LBF), launched in 2005 as a joint initiative between the International Finance Corporation (IFC) and the MPI, facilitates the dialogue process between the private sector and the Government; as from mid-2015, the MoIC undertook the coordinating role on behalf of the

[11] Law on State Budget No. 71/NA, 16 December 2015. Articles 40, 41, and 42 under Chapter 2 (regarding the division of the responsibility of the source of revenue of the sub-central authorities) relate to the implementation of these transfers.

[12] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[13] WTO document WT/ACC/LAO/45, 1 October 2012; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[14] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[15] Decree on the National Steering Committee, 23 January 2015.

Government.[16] Since May 2016, the LBF has received technical support from the Second Trade Development Facility – TDF II to resume the public private dialogue process with a full functional secretariat set up under the LNCCI and a focal point for the public sector under the Department of Planning and Cooperation at the MoIC responsible for overall oversight and follow-up. Over the years, the LBF has made contributions to resolving some concrete issues facing the private sector, in the areas of tax administration, trade facilitation and law making. Since May 2016, the LBF has discussed 19 priority issues faced by the private sector, which led to the complete resolution of 4 issues: collection of VAT on bank charges; abolishment of VAT on the logistical cost of transit goods; reclassification of printing businesses to be eligible for lower electricity tariffs; and reduction of the registration fee for bank collateral. It also made partial progress towards resolving seven issues: access to labour market information; reduction of time and cost of imports and exports; streamlining procedures for exporting planted wood; access to import and export data; simplification of the business registration and licensing regime; access to long-term and affordable bank loans; and enhancing SME access to public procurement. The 11th LBF was held on 5 July 2018, and the 12th was scheduled for October 2019.

3.11. In addition to technical support provided by international and regional organizations (e.g. World Bank, United Nations Development Programme (UNDP) and Asian Development Bank), two think-tank institutes also contribute to policy-making: the National Institute for Economic Research (NIER) under the MPI, formulating the long-term provincial, regional, and national socio-economic development strategy; the Economic Research Institute for Trade (ERIT) under the MoIC; and the Center for Macroeconomic Policy Research and Economic Restructuring.[17]

3.2.2 Trade and related policy objectives

3.12. Lao PDR's trade and trade-related policy objectives are shaped by certain relatively long and wide-ranging strategies and plans, each with a different bearing on trade. Trade has been mainstreamed into national development plans.[18] The 7th NSEDP (2011–15) aimed to achieve sustainable economic growth and poverty reduction, while gradually transforming Lao PDR into a more open economy, strengthening private sector productivity, prioritizing the achievement of the Millennium Development Goals (MDGs) by 2015, joining the AEC by 2015, and creating favourable conditions for graduating from LDC status (Sections 2.3.1.3 and 2.3.2).[19] It, *inter alia,* targeted a GDP growth rate of at least 8% annually, and a GDP per capita of at least USD 1,700. It was designed to, *inter alia,* focus on sustainable and inclusive economic development, modernization of the economy, rural development, increased effectiveness of public administration and competitiveness by optimizing the use of natural resources, increasing regional cooperation and integration, and developing investment promotion policies and industrialization strategies. However, reportedly, while sector-specific strategies on trade were included in the 7th NSEDP, as at 2012, no analysis was provided on how each policy would influence or guide the proposed targets.[20]

3.13. The 8th NSEDP (2016-20) retains similar overall policy objectives as those of the 7th NSEDP. Furthermore, they include: inclusive and sustainable growth; effective management and efficient utilization of natural resources; development enhancement through the national potential and

[16] LNCCI. Viewed at: https://lncci.la/about-lbf/; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[17] Lower Mekong Public Policy Initiative. Viewed at: http://www.lmppi.edu.vn/en/about/our-partners/national-economic-research-institute-neri-laos/.

[18] Reportedly, as at 2012, the key issues affecting effective trade mainstreaming into national development policies related to: a lack of clear linkage of the trade contribution to development; the multiplicity of trade-related plans/strategies; insufficient stakeholder participation in policy making/coordination; the thrust of trade negotiations; and the lack of evidence-based policy making. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[19] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[20] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

advantages; and participation in regional and international integration.[21] The 8th NSEDP objectives would be met, *inter alia,* by: maximizing opportunity for domestic and overseas market expansion; opening up competition in the processing industry and trade in services by determining niche products; preparing legislation to facilitate trade; improving access to funding sources; creating new entrepreneurs and upgrading existing ones to be more competitive; improving the competitiveness of and promoting SMEs; creating integration between SMEs and big enterprises to create production chains; developing infrastructure to facilitate business growth and human resource development; increasing coordination mechanisms between sectors and local areas; and focussing on increasing external trade. Policies to diversify the economy beyond the extractive, natural resource-based industries are of critical importance (Sections 4.1.6 and 4.2). Challenges to the attainment of the 8th NSEDP policy objectives include: limited development funds and high public debt; insufficient and weak institutions and legal framework; persisting social drawbacks; and climate change-linked natural disasters.[22]

3.14. The Ten-Year Socio-economic Development Strategy (2016–25) encompasses strategies to graduate from LDC status and the strategy for the transition period of LDC graduation (Section 2.3.1.3). It consists of seven strategies as follows: on quality, inclusive, stable, sustainable and green economic growth; on LDC graduation, and progress on the SDGs; on human development; on sustainable and green environment with effective and efficient use of natural resources; on the enhancement of the Government's role in social management under the effective rule of law; on regional and international integration; and on industrialization and modernization.[23]

3.15. Directly trade-focussed policies are in place in two areas, i.e. exports and trade facilitation. The 2006 National Export Strategy aims to foster export performance through the creation of a competitive, innovative and consensual national business environment, and encourage entrepreneurship in the integration of Lao PDR within the global marketplace.[24] It outlines a plan of action dealing with specific productive sectors and addressing issues involving poverty reduction, gender equality, trade facilitation, access to finance, quality management, trade information, competency development, and trade support. It also sets out nine main priority areas: electricity; tourism; organic agricultural products; mineral products; garments; local silk and cotton handicrafts; wood products; medicinal plants and spices; and products from local talent. It sets seven cross-sectoral strategies: export quality management; trade finance; trade information services; competitiveness development; marketing; import for re-export; and a concept note for drafting a strategy on the export of Laotian labour.

3.16. A comprehensive Trade Facilitation Strategic Plan (TFSP) (2011-15) recognized trade facilitation as an engine of growth (Section 3.1.1).[25] Its primary objectives were to simplify border procedures and to reduce the cost of trading, to enhance trade competitiveness. To achieve these objectives, the following six strategic measures were set: mainstreaming trade facilitation across line ministries; simplifying and modernizing trade and customs procedures; implementing WTO, ASEAN and Greater Mekong Subregion (GMS) commitments (Section 2.3.2); building private-sector capacity to trade efficiently in compliance with rules and regulations; providing the right equipment and facilities to ensure the smooth and efficient administration of trade and customs procedures; and creating a national trade facilitation body (the National Trade Facilitation Secretariat under the MoIC).

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[21] MPI (2016), *8th Five-Year NSEDP (2016–20*) *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[22] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[23] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[24] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and International Trade Centre. Viewed at: http://www.intracen.org/layouts/CountryTemplate.aspx?pageid=47244645034&id=47244652185.

[25] MoIC/Trade Facilitation Secretariat (undated), *Trade Facilitation Road Map of Lao PDR for 2017-22*. Viewed at: http://www.laotradeportal.gov.la/kcfinder/upload/files/Final%20TF%20Road%20Map%202017-22%20(English%20version).pdf.

3.17. The Trade Facilitation Road Map (2017-22) recommends seven strategic measures, including developing an institutional mechanism to improve coordination with line departments and strengthening the governance structure at the sub-national level.[26] It also proposes active collaboration with the private sector in implementing trade facilitation measures, and emphasizes cross-border cooperation and regional integration. It takes up the challenge of implementing all the measures listed under WTO's TFA in an accelerated time-bound manner to cut down the cost of trading to its utmost potential. It also warrants a time-bound assessment of the existing non-tariff measures to remove those that are not required and streamline the remaining ones. It also prescribes some priority measures, such as the extension of working hours at major border crossings, the elimination of unwanted roadside checks, a single point payment, the publication of service charters by all line departments for time-bound delivery of services, and the establishment of a national single window.

3.2.3 Trade laws and regulations

3.18. The regulatory framework of Lao PDR consists of: the Constitution; laws; resolutions of the NA; resolutions of the NA Standing Committee; ordinances of the President of the Republic; decrees of the Government; resolutions of the Government; orders and decisions of the Prime Minister; orders, decisions and instructions of the Minister and Head of a government authority; orders, decisions and instructions of the Provincial Governors and City Governors; orders, decisions and instructions of the District and Municipality Chiefs; and Village Regulations. International agreements prevail over laws adopted by the NA.[27] All promulgated legislation of general application at national, provincial and capital levels comes into legal force 15 days after the publication date in the Official Gazette (see below). Since WTO accession, new trade and trade-related legislation or regulations were passed, mainly in areas such as investment promotion, competition, IPRs, safeguards, anti-dumping and countervailing measures, minerals, electricity, banking, and telecommunications. To implement a law, an implementing decree is required; it seems that sometimes such decrees are issued with some delay.

3.19. The 2009 Legal Sector Masterplan was key in the reform process for Lao PDR, and remains important in the development of a stronger rule of law and an effective rules-based system by 2020.[28] A stronger emphasis on improving its written legal framework was placed under the 7th NSEDP, envisaging the adoption of 47 new, and 45 amended, laws.[29] Under the 8th NSEDP the authorities, *inter alia,* aim to: improve legislation in several areas; develop and improve procedures and technical standards in making laws and legislation; strictly implement laws and improve investigation units, to be more effective, fast and transparent; and create mechanisms to review and assess the implementation of laws periodically to ensure their timely revision and improvement.[30]

3.20. The adoption of a Law on Making Legislation in 2012 allowed for important reforms in transparency, participation and consultation, impact assessment, and systemization. The e-version of the Lao PDR Official Gazette, with legislation in Lao language, was launched online in 11 October 2013; existing legislation not posted on the Gazette website by January 2015 was seemingly no longer valid.[31] The Law on Making Legislation sets out principles, regulations and procedures for the making and amending of legislation; it requires an assessment of the regulatory and budgetary impacts of the draft legislation, which is to be reported in an Impact Assessment Note

[26] MoIC/Trade Facilitation Secretariat (undated), *Trade Facilitation Road Map of Lao PDR for 2017-22*. Viewed at: http://www.laotradeportal.gov.la/kcfinder/upload/files/Final%20TF%20Road%20Map%202017-22%20(English%20version).pdf.

[27] In the context of this Review, the authorities indicated that international treaties are legislation that is implemented in accordance with the provisions of specific legislation. WTO document WT/ACC/LAO/45, 1 October 2012.

[28] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[29] UNDP (2015), *The law-making process in Lao PDR - A baseline study,* 18 December. Viewed at: http://www.la.undp.org/content/lao_pdr/en/home/library/democratic_governance/law-making-process-baseline-study/.

[30] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[31] University of Melbourne. Viewed at: http://unimelb.libguides.com/c.php?g=402982&p=4600312.

(IA Note).[32] Drafts of all new laws and regulations must be published in the Official Gazette for at least 60 days. However, it seems that not all government agencies post their laws and regulations, and often when they do, few opportunities remain for shaping the draft law.[33] The 2016 Ministry of Justice Decision on the Impact Assessment of Draft Legislation ensures consistent quality in the development of draft legislation through detailed, systematic and transparent analysis, and that draft legislation achieves objectives and avoids unintended consequences. In June 2016, Regulatory Impact Assessment (RIA) Guidelines were issued to support the objectives of the NSEDP and of the Legal Sector Master Plan. They provide guidance to authorities making and amending legislation to: meet the requirements for impact assessment under the Law on Making Legislation and the Ministry of Justice Decision on the Impact Assessment of Draft Legislation; and produce better legislation in accordance with best practice principles. Since 2014, the Centre for Regulatory Impact Assessment for Draft Legislation under the Department of Legislation of the Ministry of Justice has been in place. Its main functions consist of: capacity building on the RIA for draft legislation; providing advice and holding workshops on RIA for agencies responsible for law making; and surveying the RIA in areas within its responsibility for monitoring compliance. Since 2016, the Centre has completed 72 RIAs.

3.2.4 Transparency

3.21. Lao PDR attaches importance to making laws more transparent and readily accessible. However, most laws are still published in Lao language only (some are translated into English) in the Official Gazette (Section 2.2.3), which is updated daily and is available to all individuals and institutions, both in hard copy and online. Since 2012, the Department of Import and Export of the MoIC hosts the Lao PDR Trade Portal (https://laotradeportal.gov.la/index.php?r=site/index) on behalf of all government agencies involved in the import/export process; it contains trade and trade-related legislation and information.[34] The websites of relevant ministries and agencies contain information mostly in the Lao language. Lao PDR has been developing key projects for e-government services. Its e-Government Action Plan (2013-20) is as follows: establishing an e-Government Service Centre, consisting of a National e-Government Centre at the Ministry of Posts and Telecommunications (MPT), and setting up an e-Government office in each ministry and provincial office; building the National e-Government Infrastructure ; developing e-Government applications (E-Commerce Project, E-Revenue Project, E-Banking Project, Government Cross-sectoral Information-sharing Project, E-Health Project, and Information and Communications Technology (ICT) for the Blind Project); deploying an e-governance system throughout the country for human resource development; developing procedures, laws and regulations related to e-Government; and developing and defining the national standard, especially for data exchange and security concerns.[35]

3.22. As in all countries, a lack of transparency, and thus a lack of public accountability, creates scope for administrative discretion and therefore corruption. On 10 December 2003, Lao PDR signed (ratified 25 September 2009) the UN Convention against Corruption, whose 182 parties (as at end-2016) are required to establish criminal and other offences to cover a wide range of acts of corruption; Lao PDR participated in the review of the implementation of this Convention in period 1 (2011-15) and period 2 (2016-20).[36] Lao PDR is also a member of the South East Asia Parties Against Corruption (SEA-PAC). It also co-operates with Viet Nam, China, Cambodia, Myanmar and Thailand in this area. Despite its anti-corruption initiatives (see below), Lao PDR continues to rank poorly, at both regional and international levels.[37]

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[32] Centre for RIA for Draft Legislation/Department of Legislation, Ministry of Justice (2016), *RIA Guidelines*.

[33] Office of the United States Trade Representative. Viewed at: https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf.

[34] Lao PDR Trade Portal, *Foreign Trade Barriers*. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=12.

[35] United Nations Conference on Trade and Development (UNCTAD) (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[36] UN Office on Drugs and Crime. Viewed at: https://www.unodc.org/unodc/en/treaties/CAC/signatories.html; and https://www.unodc.org/unodc/treaties/CAC/country-profile/CountryProfile.html?code=LAO.

[37] According to the World Bank's Worldwide Governance Indicators, in 2017, Lao PDR scored 15.87% in the control of corruption indicator, far below South Asia's average (34.00%) and neighbouring Myanmar and Viet Nam, but above Cambodia. In 2018, Lao PDR ranked 132nd out of 180 countries on Transparency International's Corruption Perception Index (CPI); at the same time, for the second year in a row and with a

3.23. During the review period, the Government demonstrated its determination to tackle corruption by adopting the Strategy against Corruption (2011-20) and passing a series of laws and regulations in addition to the Anti-Corruption Law No. 27/NA (18 December 2012) (which replaced the Anti-Corruption Law of 2005). This new legislation includes: the Law on Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) (2014, into force in 2015), to ensure compliance with international standards (Section 4.4.3.1); the Decision on Know Your Customers and Customer Due Diligence (2016); the Decision on Reporting Suspicious Transactions Related to Money Laundering or Financing of Terrorism (2015); and the amended Law on State Inspection, No. 41/NA (16 November 2017).[38] Regulations such as the decree on declaration of property and income and the decree on monitoring projects that belong to the State were also issued against corruption; moreover, each ministry, organization and relevant authority, from central to provincial level, passed their own anti-corruption regulations (e.g. the Decision of the Ministry of Finance No. 1124/MoF, 10 April 2017, setting out ten prohibitions applicable to officials and civil servants from the Ministry of Finance). Seizure and confiscation mechanisms are also in place under the Criminal Procedure Law and the Penal Law, respectively. The authorities also launched an anti-corruption campaign to purge the ruling LPRP of corrupt members. Reportedly, corruption remains a major barrier for businesses seeking to operate in, or trade with, Lao PDR; informal payments to low-level officials to expedite administrative procedures appear to be common.[39] According to a 2017 report by the Party's Central Committee inspection regulatory body, corrupt practices over the previous five years involved payments totalling more than LAK 4.8 trillion, involving 734 officials. The detention of more than 100 officials and others on charges such as fraud and embezzlement in early 2018 represents an attempt to move forward on the anti-corruption agenda.[40]

3.3 Trade Agreements and Arrangements

3.3.1 WTO

3.3.1.1 Features

3.24. Lao PDR has been a WTO Member since 2 February 2013, after 15 years of preparation and trade negotiations. The authorities consider WTO membership as an integration into the world economy that provides opportunities for basic domestic production factors such as land, water sources and other natural resources. However, it also involves challenges related to, *inter alia,* trade competition, business development, and technology, thus calling for internal improvements by all sectors.[41] Additional advantages of WTO accession include the opportunity to strengthen and improve trade policy institutions and coordination, improve the IP regime, and further liberalize and regulate services.[42] During the review period, Lao PDR improved its WTO commitments by ratifying the WTO TFA on 29 September 2015, becoming the second LDC to do so.[43] Lao PDR accords at least MFN treatment to trading partners, including non-WTO members.[44] It has not been involved in any cases under the WTO dispute settlement mechanism so far.

score of 29%, it ranked as the 25th most corrupt Asia Pacific country. World Bank. Viewed at: http://info.worldbank.org/governance/wgi/index.aspx#reports; and Transparency International. Viewed at: https://www.transparency.org/cpi2018.

[38] Global Investigations Review. Viewed at: https://globalinvestigationsreview.com/benchmarking/the-asia-pacific-investigations-review-2019/1174613/laos-anti-corruption-laws-key-to-economic-development#footnote-010; and IMF (2018), *2017 Article IV Consultation — Press Release; Staff Report; and Statement by the Executive Director for Lao People's Democratic Republic,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

[39] Office of the United States Trade Representative. Viewed at: https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf.

[40] EIU (2018), *Country Report,* 23 August.

[41] MPI (2016), *8th Five-Year NSEDP (2016–20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[42] MoIC/Department of Planning and Cooperation (2012). *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[43] On 15 September 2015, Lao PDR submitted its "Category A" notification outlining which provisions of the TFA will be implemented immediately upon its entry into force.

[44] Prior to WTO accession Lao PDR maintained bilateral trade agreements with 15 countries: Argentina, Belarus, Cambodia, China, India, Democratic People's Republic of Korea, Kuwait, Malaysia, Mongolia, Myanmar,

3.3.1.2 Trade-related technical assistance

3.25. Aid for Trade support to Lao PDR grew from average disbursements of USD 113.2 million during 2006-08 to USD 201.8 million in 2015; in 2015, the top donors were the Republic of Korea (35%), Japan (26%), and Asian Development Special Funds (12%).[45]

3.26. Lao PDR has benefitted from the Integrated Framework for Trade Related Technical Assistance to LDCs (IF) and continues to enjoy support from the revamped Enhanced Integrated Framework (EIF).[46] On 21 January 2014, the MoIC launched the first EIF Tier 2 project to support improvements to the national standards infrastructure, and statistical and analytical capacities; to lay the groundwork for implementing the AEC Agreement by 2015; and to support Lao PDR in meeting its commitments under the post-WTO accession Action Plan.[47] On 11 March 2019, a new EIF project to increase the country's exports and support investments in business development was launched, targeting sectors in three northern provinces where improvements would directly increase incomes for poor households and women; the USD 1.8 million investment will focus on increasing productivity of agribusinesses and handicrafts, supporting local enterprises by removing existing barriers to business, and enhancing public-private dialogue.[48] Furthermore, on 15 February 2019, the MoIC launched the Lao PDR Competitiveness and Trade (LCT) Project, which aims to facilitate an enabling environment for all businesses, including micro, small and women-owned and -managed businesses. The Project aims to simplify business regulations, facilitate trade, and improve firm-level competitiveness, in line with the 8th NSEDP (Section 2.2.2).[49]

3.3.1.3 LDC graduation

3.27. Lao PDR, an LDC since 1975, met two out of the three criteria for graduation for the first time in 2018.[50] If it sustains these development gains and meets the criteria again at the next triennial review by the United Nations Committee for Development Policy (CDP) in 2021, it will be formally removed from the list of LDCs in 2024. According to the authorities, Lao PDR has progressed in the preparation for graduation from LDC status, by enhancing the understanding and knowledge of government officials and the private sector on the impact of graduation, especially in the implementation of WTO agreements, and by studying options to efficiently integrate into the

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the Russian Federation, Thailand, Turkey, Viet Nam, and the United States. Most of these agreements focused on the provision of MFN treatment and upon Lao PDR's WTO accession they lost relevance. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[45] WTO. Viewed at: https://www.wto.org/english/tratop_e/devel_e/a4t_e/profiles_e/LAO_e.pdf.

[46] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[47] This Action Plan indicates the WTO post accession commitment deadlines as well as the responsibility of relevant ministries or agencies. Online information. Viewed at: https://www.enhancedif.org/en/publication/2014-05/lao-pdr-quality-infrastructure-and-access-market-information-key-regional.

[48] EIF. Viewed at: https://trade4devnews.enhancedif.org/en/press-release/new-project-aims-increased-exports-lao-pdrs-businesses.

[49] EIF. Viewed at: https://trade4devnews.enhancedif.org/en/press-release/new-project-aims-increased-exports-lao-pdrs-businesses.

[50] The Committee for Development Policy (CDP), a body of the UN Economic and Social Council, is responsible for reviewing the status of LDCs and monitoring their progress following graduation from the category. The CDP reviews a country's position based on three criteria: gross national income (GNI) per capita calculated based on three-year averages; the human asset index (HAI); and the economic vulnerability index (EVI). The 2018 review found that Lao PDR passed the thresholds for GNI per capita and for the HAI. The EVI, measuring the country's resilience to shocks and instability, is still to be met. In 2018, the CDP found that Lao PDR's GNI per capita of USD 1,996 exceeded the graduation threshold of USD 1,230 or above (USD 1,232 against a slightly higher threshold of USD 1,242 in 2015). The HAI reached 72.8 compared to a threshold of 66.0 or above (60.8 against the same threshold in 2015), and the EVI reached 33.7, close to the threshold of 32.0 or below (36.2 against the same threshold in 2015). UNDP. Viewed at: http://www.la.undp.org/content/lao_pdr/en/home/presscenter/pressreleases/2018/3/19/lao-pdr_s-eligibility-for-graduation-from-least-developed-countr.html; UNCTAD. Viewed at: https://unctad.org/en/PublicationsLibrary/ldcr2018_en.pdf; and MPI (2016), *8th Five-Year NSEDP (2016–20)* (*Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

multilateral trading system, throughout the graduation and post-graduation phases.[51] Lao PDR received several policy recommendations for meeting the challenges of graduation, enabling a smooth transition, and achieving sustainable and inclusive growth post-graduation.[52] In 2011, Lao PDR's World Bank status improved, from a Low-Income economy to a Lower-Middle Income economy.

3.28. The main trade-related challenges regarding LDC graduation could emanate from a loss of preferences (Section 2.3.3), reduced flexibility in the implementation of WTO agreements, and also a possible reduction of access to grants and concessionary loans.[53] Upon graduation, Lao PDR would have to bring its laws into conformity with WTO agreements. At present, WTO rules contain no explicit provisions regarding the graduation of LDCs. However, several instruments are available in the WTO to help graduating LDCs prepare for a smooth transition. The LDC Trade Ministers' Declaration adopted at MC11 (WT/MIN(17)/40) underlined the need for positive actions for graduated LDCs, and called upon development and trading partners to extend to the graduated country trade preferences previously made available because of their LDC status, or to reduce them in a phased manner to avoid their abrupt cutback. It also invited all WTO Members to extend to a graduated country the existing special and differential treatment related to the implementation of WTO agreements available to LDCs, for a period appropriate to the development situation of that country. Under the EIF (Section 2.3.1.2), assistance is available to a graduated LDC for a period of five years after its actual graduation.

3.3.1.4 Notification

3.29. Since its WTO accession, Lao PDR submitted notifications to the WTO mainly pertaining to tariffs, trade facilitation, customs valuation, rules of origin, import licensing procedures, SPS, subsidies, agriculture, IPRs, and regional trade agreements (RTAs)/services (Table A2.1 and Section 3.1.1). One regular notification on domestic support to agriculture, import licensing procedures and subsidies was received during the review period (Section 4.1). Since 2014, Lao PDR has submitted its customs tariff to the WTO Integrated Data Base annually; however, no trade data submissions took place. The customs tariff and trade data for 2018 were submitted to the WTO Secretariat in the context of the current TPR.[54] The authorities indicated that the lack or delay in the submission of notifications is due to a lack of human resources; a list of notifications to be completed exists. To address this issue, the authorities plan to hold regular meetings on the follow-up of WTO commitments. Relevant inter-ministerial mechanisms aimed at streamlining the notification process are also being developed. For instance, the SPS-TBT Notification Unit of the Department of Foreign Trade Policy, MoIC, synchronizes the relevant activities undertaken in its area by different ministries.

3.3.2 Regional and preferential agreements

3.30. Lao PDR follows a policy of increasing regional and international integration via economic-trade cooperation, ensuring mutual benefits which help reduce its development gap with

[51] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[52] These recommendations include: focussing on building productive capacities; enhancing development and trade partnership for productive capacities; enhancing regional cooperation and integration for trade and development; developing a smooth graduation and transition strategy; adopting policies to support a smooth transition in a post-graduation environment; increasing the productivity of agriculture; investing in electricity for structural transformation and development; creating strategic promotion of higher value-added sectors; encouraging FDI in strategic sectors; increasing support to the private sector; building transport infrastructure; improving logistics services; building ICT infrastructure and skills; establishing natural resources management; and improving the education system.

[53] Several provisions encourage developed WTO Members to provide "special consideration" to LDCs, without any specific commitments, including: Article XI(2) of the Marrakech Agreement; Article 10(1) of the SPS Agreement; Article 12.8 of the TBT Agreement; Article 3(5) of the Agreement on Import Licensing Procedures; Article IV(3) of GATS; 6(d) of the annex on Telecommunications in GATS; and Article 66 of TRIPS. Several provisions, such as Article 11.8 of the TBT Agreement and Article 67 of the TRIPS Agreement, encourage support and the provision of technical assistance without any commitments. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012*, *Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[54] WTO document G/MA/IDB/2/Rev.48, 28 September 2018.

other countries and to increase competition in its market.[55] Its intra-regional exports rely on Association of Southeast Asian Nations (ASEAN) preferences, and its extra-regional exports on those under the country's LDC status through several Generalised System of Preferences (GSP), including the EU Everything but Arms (EBA) preferences (Table 2.1 and Sections 2.3.2.1 and 2.3.3).[56] Most of Lao PDR's RTAs were notified to the WTO Secretariat (Table 2.1).

Table 2.1 RTAs in force: main features, 2019

RTAs entered into force	
ASEAN Free Trade Area	
Type of agreement	Free trade agreement
Date of signature	28/01/1992
Entry into force	01/01/1993
End of the transition period	2018
Coverage (selected features)	Goods
Lao PDR's merchandise trade with ASEAN countries (2017)	75.5% of total imports; 63.7% of total exports; -USD 504.7 million (trade deficit)
WTO consideration status	Not subject to the preparation of a factual presentation
WTO document series	-
ASEAN Framework Agreement on Services (AFAS)	
Type of agreement	Economic integration agreement
Entry into force	12/08/1998
Coverage (selected features)	Services
WTO consideration status	Not notified to the WTO
ASEAN-Australia-New Zealand (AANZFTA)	
Type of agreement	Free trade agreement and economic integration agreement
Date of signature	27/02/2009
Entry into force	01/01/2010
End of the transition period	2025
Coverage (selected features)	Goods and services
Lao PDR's merchandise trade with Australia-New Zealand (2017):	
• Australia	• 0.2% of total imports; 0.03% of total exports; -USD 7.8 million (trade deficit)
• New Zealand	• 0.003% of total imports; 0.0007% of total exports; -USD 0.12 million (trade deficit)
WTO consideration status	Factual presentation distributed
WTO document series	WT/REG284/1/Rev.1 (Goods and Services)
ASEAN-China (ACFTA)	
Type of agreement	Free trade agreement and economic integration agreement
Date of signature	29/11/2004 (goods); 14/01/2007 (services)
Entry into force	01/01/2005 (goods); 01/07/2007 (services)
End of the transition period	2020
Coverage (selected features)	Goods and services
Lao PDR's merchandise trade with China (2017)	17.1% of total imports; 25.2% of total exports; +USD416.2 million (trade surplus)
WTO consideration status	Factual presentation distributed
WTO document series	WT/REG279/1 (Services)
ASEAN-India (AIFTA)	
Type of agreement	Free trade agreement and economic integration agreement
Date of signature	13/08/2009 (Goods); 13/11/2014 (Services)
Entry into force	01/01/2010 (Goods); 01/07/2015 (Services)
End of the transition period	2024
Coverage (selected features)	Goods and services
Lao PDR's merchandise trade with India (2017)	0.3% of total imports; 3.3% of total exports; +USD 149.2 million (trade surplus)
WTO consideration status	Factual presentation distributed
WTO document series	WT/COMTD/RTA/8/1 (Goods); WT/REG372/1 (Services)

[55] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[56] More information on Lao PDR's free trade area agreements is available on the Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=483.

RTAs entered into force	
ASEAN-Japan (AJCEP)	
Type of agreement	Free trade agreement
Date of signature	14/04/2008
Entry into force	01/12/2008
End of the transition period	2026
Coverage (selected features)	Goods
Lao PDR's merchandise trade with Japan (2017)	1.9% of total imports; 1.4% of total exports; -USD 21.0 million (trade deficit)
WTO consideration status	Factual presentation not distributed
WTO document series	-
ASEAN-Republic of Korea (AKFTA)	
Type of agreement	Free trade agreement and economic integration agreement
Date of signature	24/08/2006 (Goods); 21/11/2008 (Services)
Entry into force	02/06/2007 (Goods); 1/05/2009 (Services)
End of the transition period	2024
Coverage (selected features)	Goods and services
Lao PDR's merchandise trade with the Republic of Korea (2017)	1.1% of total imports; 0.2% of total exports; -USD 44.2 million (trade deficit)
WTO consideration status	Factual presentation distributed
WTO document series	WT/REG287/1 (Services)
ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)	
Type of agreement	Free trade agreement
Date of signature	28/03/2018
Entry into force	11/06/2019
End of the transition period	2039 (Goods); 2020 (Services)
Coverage (selected features)	Goods and services
Lao PDR's merchandise trade with Hong Kong, China (2017)	0.3% of total imports; 0.5% of total exports; +USD 6.2 million (trade surplus)
WTO consideration status	Not notified to the WTO
WTO document series	-
Asia Pacific Trade Agreement (APTA) Goods	
Type of agreement	Partial scope agreement
Date of signature	31/07/1975
Entry into force	17/06/1976
End of the transition period	1976
Coverage (selected features)	Goods
Lao PDR's merchandise trade with APTA countries (2017)	18.4% of total imports; 28.7% of total exports; +USD 520.9 million (trade surplus)
WTO consideration status	Not subject to the preparation of a factual presentation
WTO document series	-
Asia Pacific Trade Agreement (APTA) Services	
Type of agreement	Economic integration agreement
Date of signature	24/08/2011
Entry into force	17/09/2013
Coverage (selected features)	Services
WTO consideration status	Factual presentation on hold
WTO document series	S/C/N/954 (notification)
Lao PDR–Thailand	
Type of agreement	Partial scope agreement
Date of signature	20/06/1991
Entry into force	20/06/1991
End of the transition period	1991
Coverage (selected features)	Goods
Lao PDR's merchandise trade with Thailand (2017)	61.6% of total imports; 48.1% of total exports; -USD 601.1 million (trade deficit)
WTO consideration status	Not subject to the preparation of a factual presentation
WTO document series	GATT document L/6947, 29 November 1991

Source: WTO Secretariat, based on information from the WTO RTA database. Viewed at: http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=418&lang=1&redirect=1and; and information provided by the authorities.

3.3.2.1 ASEAN

3.31. Lao PDR is a member of ASEAN and, during the period under review, it continued its efforts to reinforce its membership and deepen integration.[57] On 31 December 2015, ASEAN established the AEC, built on four inter-related and mutually reinforcing characteristics: a single market and production base; a highly competitive economic region; a region of equitable economic development; and a region fully integrated into the global economy.[58] Under the AEC 2015, intra-ASEAN import tariffs were virtually eliminated, and formal restrictions in the services sector were gradually removed. The AEC Blueprint 2025 is to guide ASEAN economic integration from 2016 to 2025, and will entail the following characteristics: a highly integrated and cohesive economy; a competitive, innovative, and dynamic ASEAN; enhanced connectivity and sectoral cooperation; a resilient, inclusive and people-oriented, people-centred ASEAN; and a global ASEAN. On 6 September 2016, ASEAN leaders adopted the Master Plan on ASEAN Connectivity 2025 (MPAC 2025), which succeeded the Master Plan on ASEAN Connectivity 2010 and focusses on five strategic areas: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility.[59]

3.32. Two agreements were signed on the side-lines of the 25th ASEAN Economic Ministers' (AEM) Retreat on 23 April 2019.[60] The first, the ASEAN Trade in Services Agreement, encompasses all the achievements that the ASEAN member States have made to date under the AFAS. It also provides the mandate for countries to transition towards a negative-list approach for even deeper integration in the future. The second agreement, the Fourth Protocol to Amend the 2009 ASEAN Comprehensive Investment Agreement (ACIA), incorporates obligations on the prohibition of performance requirements that will ensure ASEAN investors continue to get the best treatment through this Agreement.

3.33. Like all ASEAN members, Lao PDR has been following its agreed schedule for reducing tariffs on goods originating in its trading partners under the ASEAN Trade in Goods Agreement's (ATIGA) Common Effective Preferential Tariff (CEPT) scheme. Lao PDR reduced/eliminated its import duties on all products to rates from zero to 5% by 2015, and retained the flexibility to eliminate duties on 7% of the total tariff lines (or 669 tariff lines) by 2018. The remaining 265 lines of unprocessed agricultural products listed in Schedule D (Sensitive List) retained tariff rates from zero to 5% beyond the year 2018.[61] The reduction of tariffs on ASEAN trade was accompanied by the rapid expansion of Lao PDR's trade with its partners in this scheme. Exports from Lao PDR destined to ASEAN markets are subject to zero tariff rates for most agricultural and industrial products since 2010, except for those under the General Exception List (GEL) and the Sensitive Lists (SL) of newer ASEAN members (Cambodia, Myanmar and Viet Nam) which were to be cut to zero by 2018. During the period 2013-17, Lao PDR's exports to ASEAN countries rose at an average annual rate of 10.5%, compared with an average annual growth rate of 1.7% in its exports to the rest of the world. In the same period, imports of ASEAN origin also rose slightly faster than imports from the rest of the world, at rates of about 6.8% and 4.4%, respectively.

3.34. In parallel to ASEAN undertakings, Lao PDR seemingly maintains two bilateral RTAs with Thailand and Viet Nam (Table 2.1).[62] The authorities indicated that, since 1997, the ASEAN rules apply to trade beyond the border areas.

3.35. Lao PDR follows the established schedule for the liberalization of trade in services under the AFAS. As from the seventh package of commitments (26 February 2009), Lao PDR's ASEAN horizontal commitments on market access and national treatment and sector specific commitments have gone beyond its WTO commitments in a number of sectors, e.g. direct insurance, reinsurance,

[57] Other ASEAN members are Brunei Darussalam, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

[58] ASEAN. Viewed at: http://www.asean.org/wp-content/uploads/2012/05/56.-December-2015-Fact-Sheet-on-ASEAN-Economic-Community-AEC-1.pdf and http://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf.

[59] ASEAN. Viewed at: http://asean.org/asean-leaders-adopt-master-plan-on-connectivity-2025/.

[60] ASEAN. Viewed at:: https://asean.org/asean-economic-ministers-discuss-aec-progress-global-economy-retreat/.

[61] Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/kcfinder/upload/files/Annex2_(Tariff_Schedules)-Lao_PDR_(AHTN-2012).pdf; and WTO document WT/ACC/LAO/45, 1 October 2012.

[62] GATT document L/6947, 29 November 1991; and Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=744.

retrocession, and banking and other financial services. Lao PDR continued to improve its undertakings under the eighth (28 October 2010), ninth (27 November 2015) and tenth (11 November 2018) packages of GATS, plus commitments that included business services, computer and related services, rental/leasing services without operators, other business services, and air transport services.[63] In Lao PDR, 114 subsectors, out of ten main sectors to be covered under the AFAS that meet the target set at the creation of the AEC, were liberalized.[64]

3.36. In addition to the ASEAN Free Trade Area (AFTA) and the AFAS, Lao PDR is a signatory to six other ASEAN RTAs, with China; India; Japan; the Republic of Korea; Australia-New Zealand; and Hong Kong, China (Table 2.1). During the review period, the AIFTA was expanded to cover trade in services (Table 2.1). The ASEAN-Hong Kong, China Investment Agreement (AHKIA) was signed on 18 May 2018, and entered into forced on 17 June 2019.[65] In 2012, ASEAN countries initiated the negotiation of the Regional Comprehensive Economic Partnership (RCEP) with their six ASEAN FTA partners (Australia, China, India, Japan, the Republic of Korea, and New Zealand).[66] The negotiation includes trade in goods and services, investment, economic and technical cooperation, IP, competition, dispute settlement, e-commerce, SMEs, and other issues. As at November 2018, negotiating countries were determined to conclude a modern, comprehensive, high quality, and mutually beneficial RCEP in 2019.[67] In November 2018, the ASEAN members concluded an Agreement on Electronic Commerce (Section 4.4.6.2). They also participated in the negotiation and implementation of several ASEAN agreements/regulations, including those on: rules of origin for the ASEAN-China Free Trade Agreement; rules of origin for the ASEAN-India Free Trade Area; and further liberalization of goods under sensitive lists under the ASEAN-Korea Free Trade Area and the ASEAN-China Free Trade Area. The implementation of recommendations from the AANZFTA's General Review commenced in April 2019.

3.3.2.2 APTA

3.37. Lao PDR is a member of the APTA (previously known as the Bangkok Agreement), which is the oldest preferential RTA in the Asia-Pacific region, signed in 1975.[68] In 2017, Mongolia concluded bilateral tariff negotiations with participating members, and is expected to join the APTA upon ratification. The authorities indicated that Mongolia obtained approval for accession from its Cabinet on 1 May 2019 and was to submit an accession proposal to Parliament in July 2019.

3.38. Since the entry into force of the APTA, four rounds of negotiations were completed, resulting in the deepening of tariff concessions among participating countries. The Fourth Round, launched in October 2007 and concluded in January 2017, led to the exchange of tariff concessions on 10,677 items (Table 2.2), compared to 4,648 items under the Third Round; these latest concessions were implemented as from 1 July 2018. This Round was one of the most prolific, with three framework agreements relating to trade facilitation, investment and services being signed and

[63] Lao PDR – Schedule of Specific Commitments for the 8th and 9th Packages of Commitments under the AFAS. Viewed at: https://www.miti.gov.my/miti/resources/AFAS_9_Consolidated_Schedule_-_LA_SOC_(CCS_78).pdf, https://asean.org/storage/2012/05/Schedule-of-Commitments-SOCs-of-the-7th-Protocol.pdf, http://agreement.asean.org/media/download/20160329160515.pdf, and https://asean.org/storage/2012/05/AFAS-10.pdf.

[64] MPI (2016), *8th Five-Year NSEDP (2016–20) (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[65] Under the AHKFTA tariff reduction/elimination schedule, Lao PDR committed to cut its tariffs on goods originating in Hong Kong, China as follows: to zero on 50% of tariff lines by 2027 (Normal Track 1); to zero on 15% of tariff lines by 2034 (Normal Track 2); to between zero and 5% on 10% of tariff lines by 2036 (Sensitive List); and to less than 50% on 10% of tariff lines by 2039 (Highly Sensitive List). Compared with the ASEAN countries' GATS commitments, the AHKFTA has seemingly set out a higher level of commitments. Online information. Viewed at: http://rmb.bk.mufg.jp/files/topics/655_ext_02_en_0.pdf.

[66] ASEAN. Viewed at: http://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership%20.

[67] As at late 2018, seven Chapters, namely the Chapters on Economic and Technical Cooperation, Small and Medium Enterprises, Customs Procedures and Trade Facilitation, Government Procurement, Institutional Provisions, Sanitary and Phytosanitary Measures, and Standards, Technical Regulations and Conformity Assessment Procedures, were concluded. ASEAN. Viewed at: https://asean.org/storage/2018/11/RCEP-Summit-2_Joint-Leaders-Statement_FINAL2.pdf.

[68] Other APTA members are: Bangladesh; China; India; Korea, Republic of; and Sri Lanka. WTO document WT/TPR/S/385, 6 February 2019.

ratified by all members. The APTA offers common rules of origin (ROOs), with a minimum local value content requirement of 45% of the f.o.b. value (35% for LDCs).

Table 3.2 Results of the Fourth Round of APTA negotiations

	Before the Fourth Round	After the Fourth Round
No. of products under concession	4,648 (587)[a]	10,677 (1,259 - Bangladesh) (1,251 - Lao PDR)
MoP (%)[b]	26.80 (58.80)[a]	31.46 (86.44 - Bangladesh) (86.20 - Lao PDR)
MoP* (%)[c]	29.53 (66.44)[a]	33.32 (90.98 - Bangladesh) (90.76 - Lao PDR)

a Numbers in brackets indicate special concessions for LDCs.
b Margin of Preference (MoP) is the percentage of the applied MFN tariff to be exempted, estimated as a simple average of all the items under concession.
c Average MoP of China, India and the Republic of Korea only.

Source: United Nations Economic and Social Commission for Asia and the Pacific. Viewed at: https://www.unescap.org/sites/default/files/APTA%20Brochure%20rev.%2020170116.pdf.

3.39. During the Fourth Round, Lao PDR offered general concessions on 999 HS12 eight-digit tariff lines. The country benefits from trade preferences in terms of tariff exemptions or reductions Bangladesh, China, India, the Republic of Korea, and Sri Lanka. At present, India offers concessions on the largest number of products (3,142), followed by the Republic of Korea (2,797) and China (2,191). The Republic of Korea offers specific preferences to Lao PDR on 943 items; the margin of preference is 100% for certain items of export interest to Lao PDR, such as textiles and clothing, wood products, and automotive parts. Both China and India offer specific concessions to LDC participants in the APTA; China's special concessions list includes 181 items, with a considerable number of items enjoying a preference margin of 100% (e.g. certain apparel items, fish, and leather products).

3.3.3 Other agreements and arrangements

3.40. Lao PDR is a beneficiary under the GSP schemes of Armenia, Australia, Canada, Belarus, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, and the United States.[69] As an LDC, Lao PDR is entitled to additional preferences such as duty-free (and/or quota-free) (DFQF) treatment or tariff reductions from Chile, China, Chinese Taipei, India, the Republic of Korea, Kyrgyz Republic, Montenegro, Tajikistan and Thailand. Like other LDCs, as at 2012, Lao PDR had a low rate of GSP utilization.[70] No data on the utilization of GSP and DFQF treatment under these schemes were available with the authorities.

3.41. Lao PDR benefits from DFQF access to the EU market under the 2001 EBA initiative, which is part of the European Union's GSP programme for LDCs; between 2014 and 2016, its utilization rate under this scheme dropped from 97.9% to 95.9%.[71] Lao PDR is also a beneficiary of Canada's Least Developed Country Tariff (LDCT) programme.[72]

3.42. High transportation costs and low comparative demand for Lao PDR products in the markets granting preferences and competition (including from other LDCs) are among the difficulties faced by the country's exports under the GSP/DFQF. In the period 2013–17, exports benefitting from GSP

[69] WTO. Viewed at: http://ptadb.wto.org/Country.aspx?code=418; and UNCTAD (2015), *Generalized System of Preferences – List of Beneficiaries,* 1 February. Viewed at: http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

[70] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[71] European Commission (2018), *Report from the Commission to the European Parliament and the Council – Report on the Generalised Scheme of Preferences covering the period 2016-17,* 19 January, Brussels.

[72] Canada Border Services Agency. Viewed at: https://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/ldct-tpmd-eng.html.

treatment fluctuated; their share of total exports stood at 27.2% (2013), 34.9% (2014), 31.8% (2015), 26.7% (2016) and 28.5% (2017).[73]

3.4 Investment Regime

3.43. During the review period, Lao PDR's investor-friendly policy and legal framework were streamlined; although it is one of the most liberal foreign investment regimes in the region, according to the Organisation for Economic Co-operation and Development (OECD), it still seems more restrictive than in neighbouring countries (Section 2.4.2).[74] Lao PDR's National Export Strategy (2011-15) prioritized a foreign investment-oriented economic growth model. Its 8th NSEDP is, *inter alia,* aimed at: encouraging investment from private domestic and foreign sectors to contribute more actively, particularly in quality investments; creating a favourable legal framework and investment climate; improving the investment calling list to be more comprehensive and up-to-date to attract more investment in different areas; and encouraging private domestic investment in production and services, especially commercial production for domestic consumption and exports.[75] The key challenge remains how to promote more investment into non-resource sectors to assist in both export and general economic diversification.[76] Other areas of concern include weaknesses in infrastructure, the high cost of capital due to poor financial intermediation, low social returns to economic activity, loss of competitiveness associated with the resource boom (e.g. mining and hydropower), the lack of skilled labour (management and technical personnel), and the investment climate and quality of FDI, especially related to technology transfer and job creation.[77] Despite an overall improvement, Lao PDR's international ranking in terms of ease of doing business remains relatively low compared to neighbouring countries (except for Myanmar).[78] Lao PDR's investment policy review at the OECD was completed in 2017.

3.44. The MPI, and particularly its Investment Promotion Department (IPD), is responsible for investment-related matters regarding concessions and general activities specified under the controlled list (Section 2.4.2), while other concerned line ministries play a key role in project evaluation, and comment based on their relevant regulation.[79] The MoIC grants enterprise licences for some investments in general business activities and, since 2010, the National Committee for Special Economic Zones (NCSEZ) has been responsible for approving projects in SEZs (Sections 2.4.4 and 3.3.1). The MoIC and the MPI are, to varying degrees, involved in the core functions of investment promotion and facilitation. Sectoral ministries, such as the Ministry of Energy

[73] Import and Export Department of the MoIC (2018), *Import and Export under GSP: Statistic Book, 2013-17,* August 2018 (available in the Lao language only).

[74] For a landlocked country with a small domestic market, this may entail a relatively more important hurdle for investors. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[75] MPI (2016), *8th Five-Year NSEDP (2016–20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[76] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[77] MPI (2016), *8th Five-Year NSEDP (2016–20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[78] According to the World Bank's Doing Business 2013 and 2019 reports, Lao PDR rose from 163rd out of 185 countries in 2012 to 154th out of 190 countries in 2018 in overall terms of ease of doing business. It ranked 180th in 2018, down from 81st in 2012, in terms of ease of starting a business, *inter alia,* due to an increase in the estimated number of days spent to start a business from 92 to 174. Furthermore, in terms of access to credit, it ranked 73rd in 2018 compared to 167th in 2012. World Bank Group (2013), *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises,* Washington, D.C. Viewed at: http://documents.worldbank.org/curated/en/994071468016859813/pdf/NonAsciiFileName0.pdf, and https://openknowledge.worldbank.org/bitstream/handle/10986/26585/NonAsciiFileName0.pdf?sequence=1&isAllowed=y; and World Bank (2018), *Doing Business 2019: Training for Reform*, 31 October, Washington, D.C. Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf, and http://www.doingbusiness.org/content/dam/doingBusiness/country/l/lao-pdr/LAO.pdf.

[79] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

and Mining, also play an important role, particularly for investments in concession activities. Provinces are involved through their provincial departments for planning and investment, and are mostly active in investment facilitation, notably through public-private dialogues. An Investment Promotion and Supervision Committee, a high-level inter-ministerial co-ordinating committee headed by the Deputy Prime Minister and overseeing investments in controlled activities, concessions and SEZs (Section 2.4.4 and 3.3.1), was set up in 2018.[80]

3.4.1 Regulatory framework

3.45. During the review period, the legislative framework governing investment was updated. The 2016 amended Law on Investment Promotion became effective on 19 April 2017, replacing the 2012 version which was notified to the WTO; the MPI is to submit the text of the amended Law to the WTO Secretariat as soon as its translation is completed.[81] The Law provides for two types of investments: general businesses activities; and concession investment.[82] The former is divided into two sub-categories: business activities under the controlled business list (Section 2.4.2) and business activities outside the controlled business list; the latter are regulated by the Enterprise Law (last amended in 2013), and fall under the responsibility of the MoIC.[83] Each type of investment has a different process for obtaining the appropriate licences to start a business that are detailed in the Law.

3.46. The 2016 Law covers both domestic and foreign investment under the same umbrella, like an increasing majority of ASEAN peers.[84] It abolished the discriminatory minimum capital requirement for general businesses.[85] In the case of concession investment, the minimum capital requirement continues to apply without discrimination between domestic and foreign investors; registered capital for concession business cannot be less than 30% of total capital assets whose value, during the operation, shall not be less than the registered capital (Article 52 of the Law). Rules that apply only to foreign investors, such as profit repatriation, are provided together with provisions applying to domestic investors only, such as those applying in sectors that are not open to foreign investment, and with provisions applying to both foreign and domestic investors. Specific rights, such as access to international investment arbitration (Section 2.4.5), apply to foreign investors, while domestic investors often only have recourse to domestic courts to resolve investor-State disputes (Section 2.4.5).

3.4.2 Restricted activities

3.47. Certain activities remain subject to foreign investment and ownership restrictions, so as to create job opportunities and sustainable earnings and provide solutions for better living conditions for Lao PDR ethnic peoples. According to the latest available MoIC notification, the following three lists contain restricted activities: the Reserved Business Category List for Lao People (last updated in 2015, 37 activities, Table A2.2); the Conditioned Business Category List for Foreign Investors (last updated in 2015, 19 activities, Table A2.3); and the Prohibited Business Category

[80] Decree on the setting up and activities related to the promotion and management of investment No. 05/PM, 5 January 2018.

[81] There have been changes to 62 articles, and 32 articles were added compared to the previous version. Reportedly, the 2016 amendments to the Law are likely to progressively bring the domestic regulatory framework in line with the provisions of the ACIA (Section 2.3.2.1), although the ACIA explicitly provides newer ASEAN member States with special and differential treatment, permitting them to execute their ACIA commitments in accordance with their stage of development. Law on Investment Promotion (Amended Version) No. 14/NA, 17 November 2016. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=1195; WTO document G/SCM/N/253/LAO, 19 July 2013; and OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[82] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[83] Enterprise Law (Amended) No. 46/NA, 26 December 2013. Viewed at: http://www.erm.gov.la/Downloads/enterprise%20law/EL-English.pdf.

[84] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[85] As per Article 17 of the 2009 Law on Investment Promotion, "the total capital of the foreign investor in general business shall not be less than one billion kips)", or roughly USD 124,000.5, an amount substantially greater than capital requirements applied in OECD countries and large emerging economies. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

List (as at 2013).[86] A business type that is conditional for foreign investors is a business where there is no injunction for foreigners but where there is need to define a minimum or maximum of capital registered or the maximum share-holding of an investor or other condition. A prohibited business is a type of business that is banned from being established, and is forbidden in Lao PDR; these cover: chemicals of high-level danger type 1 (i.e. extremely dangerous to health, life, property or the environment); all types of radioactive minerals; bullets and weapons of all kinds (except for explosives used in industries) and war vehicles; opium, opium balls, poppy seeds, opium poppies, other opium products, coco leaves, marijuana in various forms, cocaine, and their derivatives; banknote paper, banknote ink, banknote printers and coin-making machines; and other prohibited business activities as provided for in the relevant laws and regulations of Lao PDR.

3.48. The 2016 amended Law on Investment Promotion provides for a controlled business list, containing businesses that are sensitive to national security, public order, "national fine tradition" and socio-environmental impact. To ensure a socio-economic development balance, screening of each relevant sector is required before the granting of an investment licence by the investment one-stop-service office and/or committee for investment promotion; decentralized supervision is also required. The Decree on the Approval of the Controlled Business List and Concession Businesses of Lao PDR No. 03/PM, 10 January 2019 sets the current framework of these businesses.[87] It consolidates specific rules for businesses that affect national security, social customs and traditions, the environment, society, and nature. It takes into consideration the achievement of SDGs, and regulates the procedure for the authorization of foreign investments in areas of public interest, such as: land concessions; development of SEZs and export processing zones; mining; power generation; air transport; and telecoms. Accordingly, the Decree addresses two types of business activities in Annex A (Controlled Business List) and Annex B (List of Concessions). Annex A (Table A2.4) covers 44 activities under 14 major sectoral categories: agriculture and forestry (5 activities); mining and mineral processing (2); manufacturing (4); water and sewage (3); transportation and storage (4); food and lodging (1); information and communications (2); finance and insurance (4); scientific and professional services (4); management and ancillary services (1); audit (1); education (6); health care and social work (2); and recreation (5). Annex B (Table A2.5) covers 21 activities under six major categories: agriculture and forestry (4 activities); mining and mineral processing (3); public-private partnerships (1); investment in SEZs (1); public land concession or leasing (5); and other services to related to the public interest (7).

3.49. Article 8 of the Decree stipulates that any decrees, instructions and regulations that are inconsistent with this Decree are terminated. The authorities indicated that the lists under this Decree (Tables A2.4 and A2.5) are aimed at allocating the responsibility of line ministries by sector; the Reserved Business Category List for Lao People (A2.2) and the Conditioned Business Category List for Foreign Investors (Table A2.3) remain unchanged and in force.

3.50. Foreign investors can only lease land for a maximum period of 50 years. In principle, investors can lease a land parcel allocated by the Government; in practice, however, it appears that no state land parcel has ever been allocated to foreign investors, who, as a result, access land through leaseholds directly concluded with private domestic owners.[88]

3.51. According to the OECD FDI Regulatory Restrictiveness Index[89], foreign equity restrictions and some horizontal restrictions across a number of sectors contribute to making the regulatory regime for foreign investors in Lao PDR relatively more restrictive than in many OECD and non-OECD countries, despite comparing favourably against the average of ASEAN9 countries (excluding

[86] Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=882, https://laotradeportal.gov.la/index.php?r=site/display&id=883, and https://laotradeportal.gov.la/index.php?r=site/display&id=884.

[87] The Decree on the Approval of the Controlled Business List and Concession Businesses of Lao PDR No. 03/PM, 10 January 2019. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=1655.

[88] Reportedly, a large share of land property is not formally registered, which seriously impedes business development opportunities, especially for SMEs. The vast majority of land rights are still transferred in informal markets. The poor record of land registries and the absence of a detailed cadastre foster the current deficiencies in identifying available land parcels. Approximately 30% of land is titled. The land titling system, managed by land bureaux at the provincial level, has been much criticized for its discretionary practices. To address these shortcomings, land administration is currently benefitting from technical support from international partners. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[89] Online information. Viewed at: https://stats.oecd.org/Index.aspx?datasetcode=FDIINDEX#.

Brunei Darussalam).[90] However, compared to other neighbouring countries, Lao PDR's FDI regime is considered relatively stringent.

3.4.3 Registration and approval

3.52. All businesses (domestic (as from 2016) and foreign) are required to register and obtain an enterprise registration certificate, a business operating licence and/or an investment licence, depending on the regulatory requirements of the relevant activity sector.[91] The MoIC issues enterprise registration certificates, and the MPI issues licences related to controlled and concession investment (Section 2.4.2). Arts. 80-84 of the Law on Investment Promotion require a one-stop service for investments. The Central Investment One-Stop Office is located at the MPI and has a working team composed of representatives of multiple ministries concerned, with each ministry having its own internal coordination unit. In addition, one-stop service offices are located at the relevant provincial and capital Departments of Planning and Investment, and have working teams composed of the representatives of the other line departments. The relevant authorities can suspend or terminate the investments at the central, provincial, and capital levels, respectively. The Investment Promotion and Supervision Committee (Section 2.4) seems to be the highest body in charge of investment project approval; it considers and approves or reject projects under the controlled and concessional businesses lists; for the activities that are not on said lists, the MoIC is in charge.[92]. The time-frame for the admission for consideration of an application related to controlled activities is 25 working days; for activities not on the controlled activities list, it is 10 working days; and for investments in the concessions business, it is 65 working days. The time-frame for granting licences remains identical for domestic and foreign investments. No data on the average time for the granting of licences and certificates or for the number of applications/approvals/rejections by type of investment was available from the authorities. To improve the investment climate and the international ranking in term of ease of doing business (see above), Prime Minister Order No. 02/PM, 1 February 2019, for improving the effectiveness of the business registration and approval process was issued, but it was not available in English as at June 2019.

3.4.4 Investment promotion

3.53. Under the Law on Investment Promotion, investment may be supported through: incentives by business sector; incentives by geographical zone; and tax-, customs duty-, and land use-related incentives, and other incentives (Section 3.3.1.2).[93] They are available to SMEs and earmarked activities (Section 3.3.1.2).

3.54. Tax incentives for investment are generous and SEZ development has an important role in the Government's investment promotion objectives.[94] An investment in any business sector entitled to incentives must have a minimum investment capital of LAK 1.2 billion or employ at least 30 Lao technical staff or use 50 or more Lao workers with an employment contract of at least one year. Support for the development of SEZs and unique economic zones (UEZs) has been provided (Section 3.3.1.2). So far, the IPD has focussed its investment promotion efforts on a limited

[90] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[91] MoIC Decision on Enterprise Registration No. 0023/MOIC.DERM, 9 January 2019.

[92] Decree on the Setting Up of, and Activities Related to, the Promotion and Management of Investments No. 05/PM, 5 January 2018.

[93] The designated zones remain as follows: Zone 1 with insufficient socio-economic infrastructure to facilitate investments, e.g. remote mountainous regions; Zone 2 with socio-economic infrastructure to partially facilitate investments; and Zone 3 with infrastructure favourable for investments.

[94] Investments in concessions, including mining, hydropower, telecommunications, transport, agriculture, forestry, and certain tourism-related projects (Sections 4.1, 4.2, 4.4.4 and 4.4.7), are subject to specific profit tax rates and incentives packages, which are negotiated on a case-by-case basis between the Government and the investor. Reportedly, this means that part of the economy is not subject to the 24% profit tax rate but to incentives packages negotiated on a case-by-case basis, without making the details of the agreements publicly available. WTO document WT/ACC/LAO/45, 1 October 2012; and OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

number of countries, and has established offices in key partner countries, namely China, France, Japan, the Russian Federation, Thailand, and Viet Nam.[95]

3.4.5 Dispute settlement

3.55. The existence of a robust mediation and arbitration system in the economy would be seen as a distinct advantage by foreign investors.[96] The Law on the Resolution of Economic Disputes, amended and in effect as from 6 December 2018, governs mechanisms of mediation and arbitration, mainly within the borders of Lao PDR. These mechanisms are implemented at the non-autonomous Economic Dispute Resolution Centre (EDRC) within the Ministry of Justice, which is the mediation or arbitration centre for commercial disputes in Lao PDR.[97] The amendments to the Law strengthened the dispute resolution mechanisms, including more comprehensive procedures related to mediation and arbitration and the process of dispute resolution proceedings.[98] The time periods applicable to the EDRC for the resolution of economic disputes in certain circumstances were shortened. The amended Law allows the domestic courts to enforce and recognize foreign arbitral awards in accordance with the law on civil procedure. Parties in Lao PDR may now establish *ad hoc* arbitration, which is subject to government approval. Furthermore, the proceedings would no longer rendered null and void, even if the respondent fails to receive a summons or to participate in the hearing. Under the amended Law, either party can request recusal of an arbitrator if the arbitrator is, or may be, subject to a conflict of interests. The amended Law also expanded the scope of matters that are not capable of being arbitrated. Foreign arbitrators and mediators may now register with the Ministry of Justice; however, this is only permitted under certain circumstances.

3.56. Lao PDR's judiciary is seemingly not endowed with sufficient capacity to efficiently deal with commercial disputes.[99] Although commercial courts were established, in practice, most judges adjudicating commercial disputes lack knowledge of the specificities of commercial law, and amicable dispute settlement mechanisms, especially at local level, are still preferred by businesses. Alternative dispute resolution mechanisms, including arbitration, mediation and conciliation at all levels, a strong tradition in Lao PDR, are increasingly favoured by investors for resolving domestic commercial disputes, and are regarded as best practice in the region. Foreign investors can also include provisions for international commercial arbitration in their contracts with Laotian public agencies.

3.57. Foreign investors covered by the provisions of bilateral investment treaties (BITs) (Section 2.4.6) have recourse to international arbitration to solve their disputes with the State.[100] Such cases may be brought either before *ad hoc* international arbitral tribunals following United Nations Commission on International Trade Law (UNCITRAL) procedural rules or, more commonly, before regional arbitration centres, such as the Kuala Lumpur Regional Centre for Arbitration. According to the authorities, major investors in Lao PDR prefer to designate international arbitration bodies with well-established arbitration rules, such as the Singapore International Arbitration Centre, as their dispute resolution mechanism. Investment disputes involving Lao PDR have included: Sanum Investments Limited v. Lao People's Democratic Republic, UNCITRAL, PCA Case No. 2013-13; Thai-Lao Lignite (Thailand) Co., Ltd. v. Government of the Lao People's Democratic Republic (UNCITRAL Rules); Lao Holdings N.V. v. Lao People's Democratic Republic, ICSID Case No. ARB(AF)/12/6 (ICSID Additional Facility); Lao Holdings N.V. v. Lao People's Democratic Republic (II), ICSID Case No. ARB(AF)/16/2 (ICSID Additional Facility); and Sanum

[95] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[96] European Chamber of Commerce and Industry in Lao PDR (2019), *ECCIL White Papers 2019*. Viewed at: https://eccil.org/news/eccil-white-papers-2019/.

[97] It is mandatory to try to solve economic disputes through EDRC arbitration before being allowed to go to court. The EDRC is composed of 16 arbitrators at central level, appointed by the Ministry of Justice, and is deployed in nine provinces. The CEDR and OEDR are gradually gaining the attention of local investors as an alternative dispute resolution mechanism to the Lao PDR court system but the vast majority of matters referred have been for mediation rather than arbitration. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[98] Asialaw. Viewed at: https://www.asialaw.com/articles/laos-amended-resolution-of-economic-dispute-resolution-law-in-effect/ARHJFEBD.

[99] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[100] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

Investments Limited v. Lao People's Democratic Republic (II), ICSID Case No. ADHOC/17/1 (ICSID Additional Facility).[101]

3.58. Lao PDR is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, an internationally recognized instrument of international arbitration, requiring courts of contracting States to give effect to arbitration agreements and to recognize and enforce awards made in other States, subject to specific limited exceptions. It seems that the enforcement of foreign arbitral awards remains subject to uncertainties.[102] Since Lao PDR is one of the last ASEAN countries, with Myanmar and Viet Nam, not to have adhered to the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID Convention), ICSID tribunals are not available for foreign investors; however, the ICSID Additional Facility was used at least on the three occasions (see above).[103]

3.4.6 Investment treaty developments

3.59. Lao PDR maintains a broad network of international investment agreements, either standing alone or as investment chapters in broader RTAs. At the same time, it maintains 25 BITs and six multilateral investment agreements, virtually all (except for AHKIA) dating prior to Lao PDR's WTO accession.[104] As at June 2019, Lao PDR was party to 13 bilateral Agreements for Avoidance of Double Taxation (DTAs); agreements with Indonesia and Belarus were concluded but are not yet in force, as their ratification was pending as at June 2019.[105]

[101] Italaw. Viewed at: https://www.italaw.com/cases/2050, https://www.italaw.com/cases/4349 and https://www.italaw.com/cases/2020; and UNCTAD. Viewed at: https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/714/lao-holdings-v-laos-ii- and https://investmentpolicy.unctad.org/investment-dispute-settlement/cases/797/sanum-investments-v-laos-ii-.

[102] Domestic courts have the obligation to enforce foreign arbitral awards as if they were domestic awards, with very few legal grounds on which to refuse such an enforcement (such as in case of non-arbitrability of the dispute matter). Reportedly, domestic courts often do not abide by these provisions, and tend to automatically review foreign arbitral awards. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[103] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[104] BITs were signed with: Australia (1994); Cambodia (2008); China (1993); Cuba (1997); Denmark (1998); France (1989); Germany (1996); India (2000, expired); Indonesia (1994, not extended); Japan (2008); Kuwait (2008); Malaysia (1992); Mongolia (1994); Korea, Democratic People's Republic (1997); Netherlands (2003); Pakistan (2004); the Philippines (2007); Korea, Republic of (1996); the Russian Federation (1996); Singapore (1997); Sweden (1996); Switzerland (1996); Thailand (1990); the United Kingdom (1995); Viet Nam (1996); Myanmar (2003); and Belarus (2013). Its multilateral investment agreements cover: ACIA (2009); ASEAN-China (2009); ASEAN-India (2014); ASEAN-Korea (Rep. of) (2009); ASEAN-Australia/New Zealand (2009); and ASEAN–Hong Kong, China (2017) (Section 2.3.2.1). Indonesia decided to not extend the Agreement, and the Agreement with India expired and its extension was under negotiation as at June 2019. OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[105] DTAs in force are with: Myanmar; Viet Nam; Thailand; China; Korea, Democratic People's Republic; Korea, Republic of; Brunei Darussalam; Malaysia; Luxembourg; Russian Federation; Kuwait; Singapore and India. PWC. Viewed at: http://taxsummaries.pwc.com/ID/Lao-PDR-Corporate-Withholding-taxes.

4 TRADE POLICIES AND PRACTICES BY MEASURE

4.1 Measures Directly Affecting Imports

4.1.1 Customs procedures, valuation, and requirements

4.1. Since its accession, Lao PDR has made significant progress in improving its customs procedures and harmonizing them with international standards. This includes the automation of customs offices all over the country, and the introduction of risk management regarding inspection to allow available resources to focus on high-risk cargo designated to the red channel. These measures, along with other initiatives, like coordinated border management, post-clearance audit, advance rulings, and provision of appeal, have resulted in quicker customs clearance, with average clearance time coming down from 11.5 hours in 2012 to 6.5 hours in 2016.[1] Furthermore, ASYCUDA is now operational at 24 border posts, to facilitate customs procedures.

4.2. The main law governing imports in Lao PDR is the Customs Law of 2011. It is administered by the Customs Department, under the Ministry of Finance. Imports are also subject to several other laws, directives and instructions, including: the Decree on Import Licensing Procedure No. 180/PM, 2009; the Decree on Import and Export No. 114/PM, 2011; the Notice on Import and Export Prohibition No. 0973/MOIC.DIMEX, 2011; and the Notice on Automatic and Non Automatic Import and Export No. 0076/MOIC.DIMEX, 2012.

4.3. Under the Law, an importer wishing to import commercial goods into Lao PDR must register a company with the MoIC Department of Enterprise Registration and Management. Under the Decision on Enterprise Registration No. 0023/MOIC.DERM of January 2019, the process to obtain an Enterprise Registration Certificate (ERC) was simplified, moving from *ex ante* enterprise registration to an *ex post* system. Companies now no longer need approval from line Ministries before registering as enterprises, which has reduced the time to register a business to less than 10 working days on average.

4.4. All goods imported into Lao PDR need to be declared and are subject to customs duty unless they are covered by a duty exemption or suspension. Importers are required to submit a signed and completed ASEAN Customs Declaration Document (ACDD) form. In addition to the ACDD form, importers are also required to provide 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 being imported.

4.5. Declarations can be submitted at regional customs offices. A declaration must be submitted within 15 days from the date of filing of transport documents (e.g. manifest) with Customs of the notifying the arrival of the cargo.[2] Customs verifies and checks the documents and assesses the duty that needs to be paid, which needs to be settled in cash by the importer. Customs then performs a physical inspection of goods and, if found to be correct, issues the release order. However, if discrepancies are found, the declaration must be amended to reflect the discrepancy, and a new duty amount paid before the goods are released. If it is a serious irregularity, further action is taken.

4.6. Currently, ASYCUDA is operational at 24 border posts, and covers more than 90% of formal trade. It is expected that ASYCUDA will be in place at all other border posts nation-wide. As with general import procedures, imports under ASYCUDA require that transport documents be submitted to Customs within 24 hours of the goods arriving at the border, and a declaration must be submitted within 15 days of the date of filing of the transport documents. Importers are required to enter the declaration at the computer workstations provided at the customs offices. A manually-prepared declaration using the ACDD Form is not accepted. The customs declaration and transport documents, importers also need to provide a commercial invoice or contract of sale document from the supplier of the goods; Certificate of Origin, supplied by the exporter; any import licences or permits obtained from other ministries depending on the type of goods being imported.

[1] Time Release Studies 2012 and 2017, and information provided by the authorities.

[2] Transport documents must be submitted to Customs within 24 hours of the arrival of the goods at the border.

4.7. After the document check, ASYCUDA issues "lane" instructions. A trader whose declaration has been selected for "green lane" treatment may proceed for clearance without inspection and, once clearance has been obtained, the goods are in free circulation within the country. A trader whose declaration has been selected for "blue lane" treatment may proceed for clearance without inspection, similar to "green lane" treatment, but will be subject to Customs control at a later stage. A trader whose declaration has been selected for "yellow lane" treatment is subject to documentary inspection; if no irregularities are found, the trader may proceed with clearance. If irregularities are found, the trader may be subject to physical inspection of the goods. A trader whose declaration has been selected for "red lane" treatment will be subject to physical inspection of the goods. If no irregularities are found, the trader may proceed with clearance. According to the authorities, over 60% of goods pass through the green lane; some 20%-25% pass through the blue and yellow lanes; and approximately 5%-10% are subject to red lane procedures. If irregularities are found, Customs may require the trader to amend the declaration before being able to proceed with clearance. If an irregularity is deemed to constitute a serious offence, in breach of the Customs Law and related regulations, Customs may decide to take appropriate enforcement action, such as detaining or seizing the goods; initiating investigations; conducting post-seizure analysis; and imposing fines commensurate to the offence.

4.8. Currently, payment of duties at the 24 international border posts that use ASYCUDA can be made at the bank office at the border post or in cash. The bank issues a receipt which the trader presents to Customs and Treasury before clearance is issued. Imports are also subject to various other fees and charges (Table 3.5).

4.9. The Customs Law (Articles 28 and 29) also allows for Advance Rulings and Pre-Arrival Clearance. To apply for an advance ruling, the declarant must provide in writing documents and/or samples of goods to the Customs Administration, which will consider the request and issue an official certificate of approval within 15 working days. The certificate is valid for one year, as long as the specifications regarding the imported goods do not change. If there is strong evidence or information that the goods have changed, the certificate will be cancelled.

4.10. Article 29 of the Customs Law states that, to facilitate the import and export of goods, the declarant may declare details of goods before their arrival at customs checkpoints. To do so, the declarant is permitted to make pre-arrival clearance seven working days prior to the arrival of the goods. The payment of customs duties and other obligations takes place at the time the goods arrive at the customs checkpoint.

4.11. With regards to trade facilitation, Lao PDR ratified the TFA on 29 September 2015, and submitted its Category A, B and C notifications.[3] Furthermore, the MoIC published a Trade Facilitation Road Map (TFRM) of Lao PDR for 2017-22, which builds on the Trade Facilitation Strategic Plan for 2011-15. The Road Map recommends seven strategic measures, which include developing an institutional mechanism to improve coordination with line departments, and strengthening the governance structure at the sub-national level. It also proposes active collaboration with the private sector in implementing trade facilitation measures, and emphasizes cross-border cooperation and regional integration. It takes up the challenge of implementing all the measures listed under WTO's TFA in an accelerated time-bound manner to cut down the cost of trading. It also recommends a time-bound assessment of the existing non-tariff measures (NTMs) to remove those that are not required and streamline the remaining ones. The Road Map also prescribes some priority measures, such as the extension of working hours at major border crossings, the elimination of unwanted roadside checks, single-point payment, the publication of Service Charters by all line departments for the time-bound delivery of services, and the establishment of a national single window, which will have an immediate bearing on bringing down the time and cost of trading. According to the authorities, about 90% of the measures stipulated in the Road Map have already been implemented. These include: the single window, single stop inspection, post clearance audit, risk management, advance ruling, transparency (making information available to the public), and the introduction of procedures for appeal.

4.12. According to the authorities, Customs planned to launch a scheme of authorized economic operators (AEOs) from September 2017. However, the scheme has not been launched yet, but the authorities stated that it would be implemented in 2019.

[3] WTO document G/TFA/N/LAO/1, 2 March 2018.

Customs valuation

4.13. Lao PDR applies the WTO Agreement on Customs Valuation; this has been incorporated into domestic legislation, and was notified to the WTO. Under the Customs Law (Chapter 2, Article 13), the customs value of imported goods is determined according to the following rules:

(a) in the first instance, the customs value of imported goods is the transaction value;

(b) if the customs value of the imported goods cannot be determined according to (a), then it shall be the transaction value of identical goods;

(c) if the value cannot be determined according to either (a) or (b), then it shall be the transaction value of similar goods;

(d) if it cannot be determined under any of the above provisions, then a deductive method would be used;

(e) a computed method would be used to determine the price of the imported goods if the value cannot be determined according to (a), (b), (c) or (d); and

(f) lastly, if the value cannot be ascertained according to any of the above methods, then a fall-back method is used. The Law states that, under this provision, the customs value shall be determined using reasonable means consistent with the principles and general provisions of the prevailing Law and instructions, and on the basis of data available in Lao PDR. Furthermore, values determined under this method should, to the greatest extent possible, be based on previously-determined customs values.

4.14. The authorities stated that approximately 80% of imports are valued according to the transaction value. Furthermore, Lao PDR, does not use minimum reference prices for valuation purposes.

4.15. If the importer disputes the transaction value or the customs value, s/he has the right under the Customs Law (Article 68) to appeal the decision within 30 days by writing to the Appeal Settlement Committee. This Committee is appointed by the Minister of Finance, and consists of two levels: the Regional Appeal Settlement Committee, with membership consisting of the Director of Regional Customs as the chairman, representatives from provincial/Vientiane Capital Finance Departments and relevant sectors, and customs experts from where the Regional Customs is located; and the Central Appeal Settlement Committee, with membership consisting of the Director General of the Customs Department as the chairman, representatives from other departments under the Ministry of Finance and other concerned ministries, and customs experts. After receiving an appeal, the Regional Appeal Settlement Committee notifies its decision to the applicant within 30 working days; if the applicant disagrees with that decision, s/he may submit his/her appeal to the Central Appeal Settlement Committee within 15 days of receiving the decision. If the applicant disagrees with the decision of the Central Appeal Settlement Committee, s/he has 30 days to submit an appeal to the People's Court.

4.1.2 Rules of origin

4.16. Lao PDR does not require certification of origin for non-preferential imports. However, a certificate of origin is required for preferential access to the Lao PDR market under free trade agreements (FTAs).[4] Article 11 of the Customs Law states that "the country of origin is a country where a product is extracted, produced (or changed) through production or processing processes, based on specified regulations in compliance with regulations on the application of the Customs Tariff Nomenclature (and regulations) on the determination of the content of the components or other regulations on trade". Country of origin is used to determine the country where goods are produced and (are eligible to) receive privileges for tariff reductions with respective countries with which the Government of Lao PDR has signed preferential trade agreements. Imported goods benefit from the favourable treatment assigned to their origin only if the origin and direct transport of the goods from the country of origin to the importing country is properly demonstrated in accordance with the

[4] Decree on the Origin of Import and Export Goods No. 228/PM, 22 April 2010.

Operational Certification Procedure (OCP) Text of each FTA. Lao PDR does apply preferential rules of origin to imports from ASEAN countries, as well as those with which ASEAN has existing FTAs (Australia, China, India, Japan, Republic of Korea, and New Zealand) and APTA countries. The origin of goods from FTA partner countries is determined by the certificate of origin issued by the exporting country, in accordance with the agreed rules of origin in the respective agreements.[5]

4.1.3 Tariffs

4.1.3.1 Structure

4.17. In 2018, the applied MFN tariff in Lao PDR consisted of 11 rates: zero, 1%, 5%, 5.1%, 6.5%, 10%, 15%, 20%, 25%, 30% and 40%. Lao PDR only has *ad valorem* rates and, as such, all tariffs are applied on an *ad valorem* basis. The 2018 tariff, which is based on the HS2017 nomenclature, comprised 11,514 lines at the ten-digit level, compared with 9,558 lines at the eight-digit level in 2014, which was based on the HS2012 nomenclature (Table 3.1).

Table 4.1 Structure of the tariff schedule, 2008, 2014 and 2018[a]

	MFN applied			Bound rate
	2008	2014	2018[a]	
Simple average rate (%)	11.0	10.7	8.6	19.0
HS 01-24	18.7	18.3	11.5	22.5
HS 25-97	9.9	9.1	8.1	18.3
WTO agricultural products	18.6	19.4	11.2	19.6
WTO non-agricultural products	10.0	9.3	8.3	18.9
Duty-free tariff lines (% of all tariff lines)	0.0	0.0	8.9	0.7
Simple average of dutiable lines only	11.0	10.7	9.5	19.1
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0	0.0
Non-*ad valorem* tariffs (% of all tariff lines)	0.0	0.0	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines)[b]	5.7	4.5	4.5	1.0
International tariff "peaks" (% of all tariff lines)[c]	18.8	17.0	11.9	57.1
Nuisance applied rates (% of all tariff lines)[d]	0.0	0.0	0.3	0.3
Standard deviation	9.4	9.1	7.3	11.2
Total number of tariff lines	10,689	9,558	11,514	11,514
Ad valorem rates (>0%)	10,673	9,543	10,476	11,436
Duty-free rates	0	0	1,025	78
Prohibited	16	15	13	0

a As at mid-December.
b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
c International tariff peaks are defined as those exceeding 15%.
d Nuisance rates are those greater than zero but less than or equal to 2%.

Note: Calculations for averages are based on the national tariff line level (8-digit for 2008 and 2014; 10-digit for 2018). The 2008, 2014 and 2018 tariffs are based on the HS02, HS12 and HS17 nomenclatures, respectively.

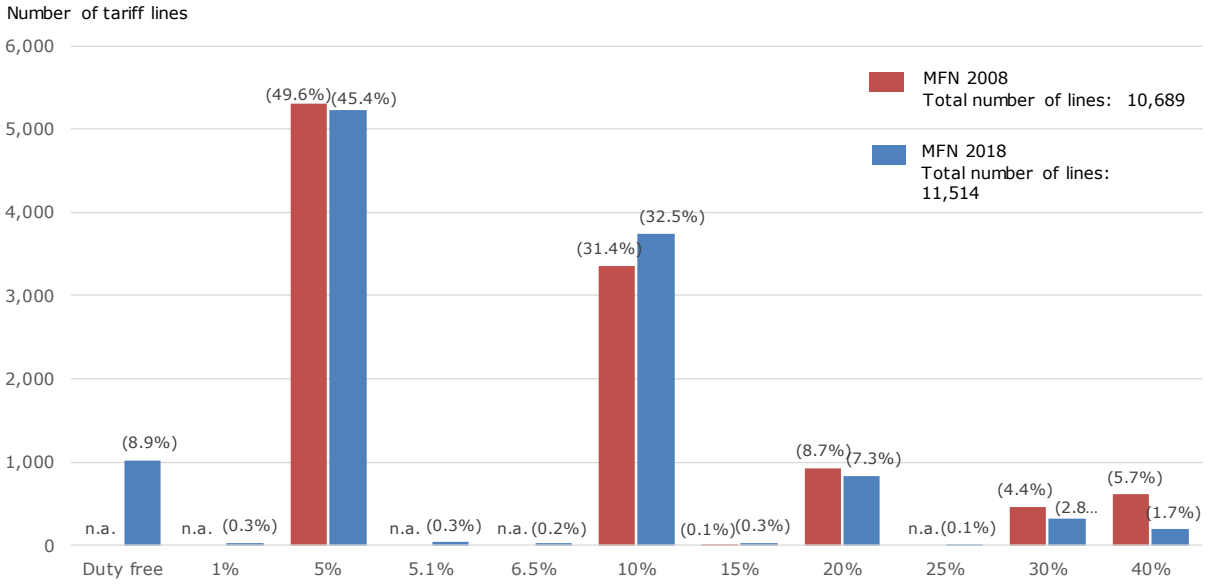
Source: WTO Secretariat calculations, based on data provided by the authorities.

4.1.3.2 Applied tariff

4.18. The simple average (unweighted) applied MFN tariff in 2018 was 8.6%, a decrease from 10.7% in 2014 and 11.0% in 2008. The change is due to changes in nomenclature. Nearly 88% of applied tariffs range from zero to 10%, while the modal or most common rate is 5%; and nearly 9% of tariff lines are duty free (Chart 3.1).

[5] WTO document G/RO/N/96, 24 July 2013.

Chart 4.1 Distribution of MFN tariff rates, 2008 and 2018



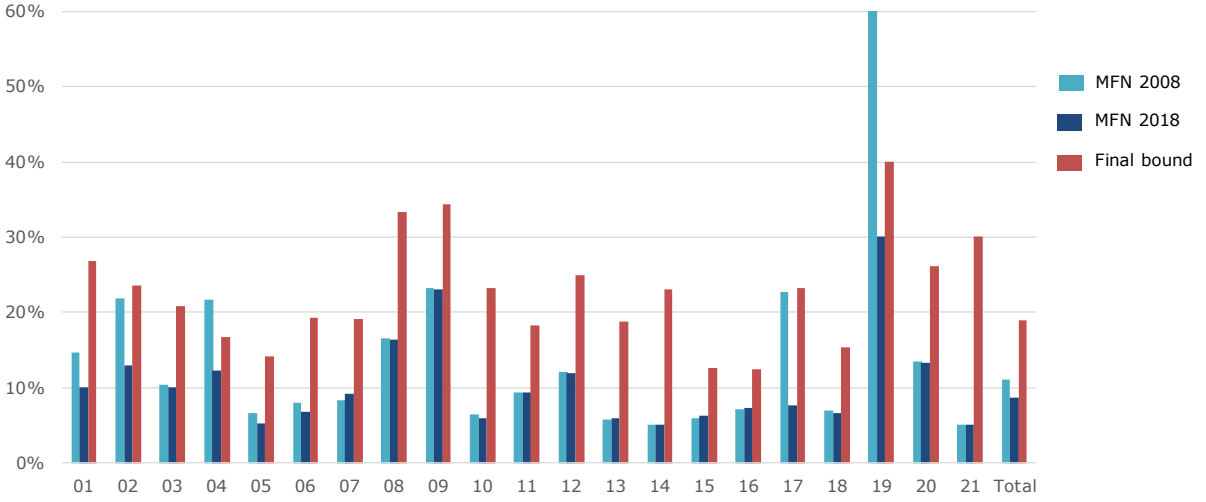
n.a. Not applicable.

Note: The 2008 tariff is based on the HS02 nomenclature; and the 2018 tariff is based on HS17. Figures in brackets refer to the percentage of total lines. Totals do not add up to 100% as prohibited tariff lines are excluded.

Source: WTO Secretariat calculations, based on data provided by the authorities.

4.19. As per WTO sectoral definitions, average tariffs on agricultural products are higher than those on non-agricultural products. Since 2008, the average applied MFN tariff on agricultural products showed a significant decrease from 18.6% in 2008 to 11.2% in 2018. The average applied MFN tariff on non-agricultural products also declined from 10.0% to 8.3% over the same period (Chart 3.2).

Chart 4.2 Average applied MFN and bound tariff rates, by HS section, 2008 and 2018



01	Live animals & products	07	Plastic & rubber	13	Articles of stones	19	Arms & ammunition
02	Vegetable products	08	Hides & skins	14	Precious stones, etc.	20	Miscellaneous manufacturing
03	Fats & oils	09	Wood & articles	15	Base metals & products	21	Works of art, etc.
04	Prepared food, beverages	10	Pulp, paper, etc.	16	Machinery		
05	Mineral products	11	Textiles & articles	17	Transport equipment		
06	Chemicals & products	12	Footwear, headgear	18	Precision instruments		

Note: The 2008 tariff is based on the HS02 nomenclature; the 2018 tariff and final bound rates are based on HS17.

Source: WTO Secretariat calculations, based on data provided by the authorities.

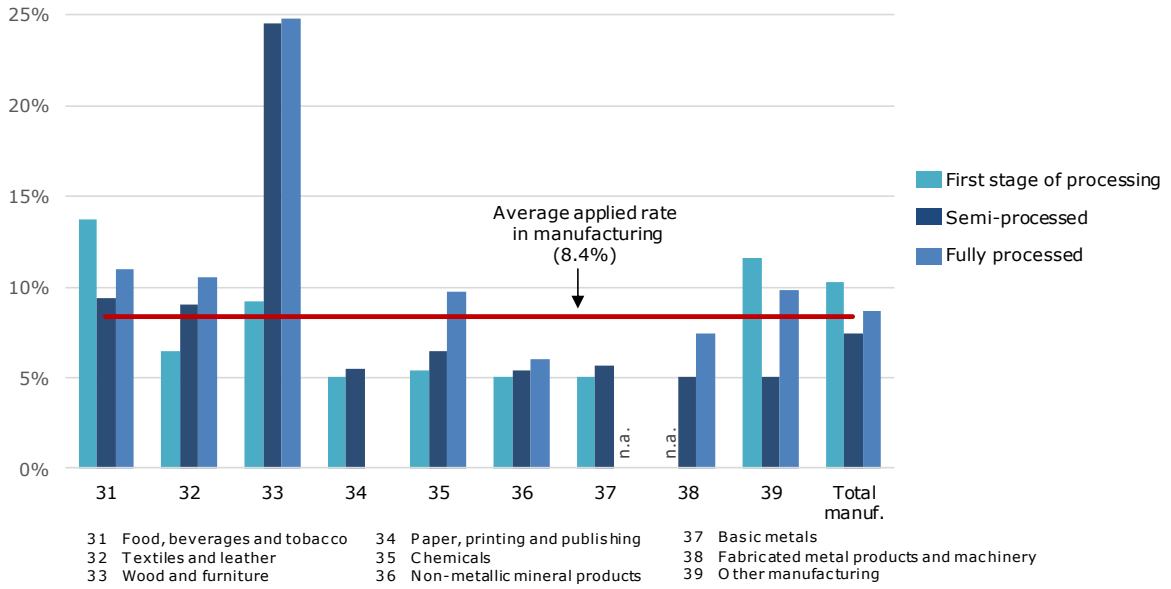
4.20. Zero rates apply to slightly over 10% of agricultural tariff lines and almost 9% of non-agricultural tariff lines (Table A3.1). The highest *ad valorem* rate of 40% applies to, *inter alia*: certain agricultural products (fruit and vegetables, and dairy products); mineral waters, coffee, tea and mate; organic surface-active agents; plastic tubes, pipes and packaging materials; wood products; certain engines; motorcycles; furniture; video games and consoles; and tobacco products.

4.1.3.3 Tariff escalation and dispersion

4.21. According to the ISIC classification, Lao PDR's tariff displays mixed escalation, with the tariff rate on raw materials (first stage of processing) being 10.7%, while on intermediate goods it is 7.5%, rising again to about 8.7% for finished goods. With respect to sectors, textiles and leather, wood and furniture, chemicals and non-metallic mineral products show positive escalation, while food, beverages and tobacco, other manufacturing and total manufacturing display mixed escalation (Chart 3.3).

4.22. Apart from the overall level of the tariff, as reflected in the average applied MFN tariff rate, there are potential efficiency losses depending on the dispersion of these tariff rates across product lines. The greater the differentials in tariff rates, especially within groups of similar and thus substitutable products, the higher the chance that consumer and producer decisions are distorted by the tariff structure. Since 2008, the proportion of tariff lines involving domestic peaks and international peaks have declined considerably (Table 3.1).

Chart 4.3 Tariff escalation by 2-digit ISIC industry, 2018



n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the authorities.

4.1.3.4 Tariff bindings

4.23. Lao PDR has bound its entire tariff at the HS ten-digit level. All bound rates are *ad valorem*. The average bound tariff is 19.0%. The average bound tariff for agricultural products (WTO definition) is 19.6%, while the average bound rate for non-agricultural products (WTO definition) is 18.9%. The relatively small difference (10.4 percentage points) between the simple average applied MFN tariff and the average bound rate, and the fact that the entire tariff is bound, gives the authorities comparatively little scope to raise tariffs; thus making the import regime predictable.

4.24. As at June 2019 the applied MFN rate exceeded the bound rate for 26 lines (Table A3.2). The products affected include, *inter alia*: live animals for breeding, fruits and vegetables, diesel fuels, toothpaste tubes, cellular telephones, vacuum cleaners, bamboo panels, and cellular wood panels.

The authorities stated that the breaches occurred due to the change in nomenclature of the tariff, the Government plans to rectify these before November 2019.

4.1.3.5 Tariff preferences

4.25. Preferential rates are granted for certain articles under the ATIGA, the AANZFTA, the AKFTA, the AIFTA, the ACFTA, ASEAN Japan FTA (AJPEC), the Lao PDR Viet Nam FTA, the Lao PDR Thailand FTA, and the APTA. Preferences under the ATIGA, the AKFTA, the ACFTA, the AIFTA, and the FTA with Viet Nam are significantly lower than the average applied MFN of 8.6% (Table 3.2). Furthermore, the number of duty-free tariff lines under the ATIGA, the AKFTA, the ACFTA, and the Viet Nam FTA are also considerably greater than under the MFN tariff. Lao PDR agreed to eliminate tariffs on essentially all ASEAN products by 2015. For products covered by the Sensitive List, the maximum tariffs were to be set at 5% from 2018. There is also a General Exception List for which there are no ASEAN-related tariff preferences. Lao PDR is also subject to tariff reductions agreed in six FTAs signed by ASEAN which relate to the "normal track" tariff rates: with China, tariff rates will be reduced to zero by 2020; with India by 2021; with the Republic of Korea by 2024; with Japan by 2026; with Australia and New Zealand by 2025; and with Hong Kong, China by 2039.

Table 4.2 Summary analysis of the preferential tariff, 2018

	Total				WTO agriculture		WTO non-agriculture	
	Average (%)	Range (%)	Coverage[a] (%)	Duty-free rates[b] (%)	Average (%)	Duty-free rates[b] (%)	Average (%)	Duty-free rates[b] (%)
MFN	8.6	0-40		8.9	11.2	10.2	8.3	8.7
ATIGA	0.2	0-30	89.2	96.9	1.0	79.9	0.1	99.2
AANZFTA	5.6	0-30	38.5	8.9	6.3	10.2	5.5	8.7
ACFTA	0.4	0-40	89.2	96.1	2.3	74.2	0.1	99.1
AIFTA	3.4	0-30	84.3	8.9	5.4	10.4	3.2	8.7
AJCEP	..	..	..	..	..	..	..	..
AKFTA	2.2	0-40	76.8	85.4	3.8	76.9	2.0	86.6
APTA	8.4	0-40	5.0	8.9	10.8	10.2	8.1	8.7
Lao PDR-Thailand FTA	..	..	..	..	..	..	..	..
Lao PDR-Viet Nam FTA	0.1	0-30	90.3	98.9	0.1	96.2	1.7	99.3

.. Not available.

a % of total number of lines. Only rates that are lower than the corresponding MFN rate are taken into account.

b Duty-free lines as a percentage of total tariff lines.

Source: WTO Secretariat calculations, based on data received from the authorities.

4.1.4 Other charges affecting imports

4.26. In addition to customs duties, imports are also subject to VAT (Section 3.3.1.1), which is applied at a flat rate of 10%. However, according to the Law on VAT of 20 June 2018 (No. 48/NA), several products are exempted from VAT.[6] Certain imports are also subject to an excise tax at varying rates (Table 3.3). VAT and excise are also applicable to domestic goods and services.

[6] "For imported goods: all types of crop seeds, animals for breeding, animal sperm, vaccines, equipment and liquid nitrogen for storing vaccines and animal sperm, animal feed, and raw materials to produce animal feed and vaccines; raw materials used in the production of fertilizers, agro-processing products, organic fertilizers, (scientific) and fertilizers (and) pesticides that are not dangerous to the ecosystem or human and animal health and life; equipment and machinery used in agriculture; raw materials, mineral ores, and equipment and accessories used in production for export; materials (and) equipment that cannot be supplied or produced in Lao PDR, and fixed asset machinery used directly in production; chemical (substances) for research, testing, and scientific analysis of state organizations; tax or postage stamps; aircraft and equipment used for domestic and international air transportation; fuel and other petroleum used in international air transport services; goods for the official use of embassies and international organizations in Lao PDR according

Table 4.3 Excise tax for general goods

Excise tax	Percentage
Inflammable fuel:	
- Premium gasoline	35%
- Regular gasoline	30%
- Diesel	20%
- Aviation gasoline	10%
- Lubricant oil, hydraulic oil, grease and brake oil	5%
Gas for vehicles	10%
Alcohol or alcoholic beverages:	
- Alcohol or alcoholic beverages of 15% proof or higher	70%
- Alcohol, wine and other alcoholic beverages under 15% proof	60%
- Beer	50%
Finished beverages:	
- Soft drinks, soda water, drinking mineral water, fruit juice and other similar beverages	5%
- Energy drinks	10%
Fruit or vegetable juices and other similar beverages	
Cigarettes: shredded tobacco, packaged cigarettes and cigars	60%
Crystal objects or jewellery	20%
All types of carpets	15%
Furniture (sofa) sets costing more than LAK 10 million	15%
Perfumes and cosmetic products	20%
Playing cards and gambling equipment	90%
Rocket fireworks and fire crackers	80%
Vehicles:	
1. Motorcycles:	
- 110 cc or under	10%
- 111-150 cc	15%
- 151-250 cc	20%
- 251 cc or over	25%
- electrical motorcycles get a discount of 20% on the applicable rates above	

to agreements and treaties, and with (pre-)authorization from the relevant ministry; learning and teaching textbooks, and modern learning and teaching equipment to be used in the research centres and laboratories as authorized by the relevant ministry; gold bars to secure the printing of banknotes, banknotes, and paper or metal for the printing of banknotes by the BOL or its authorized persons; animal medicines, and artificial organs for transplantation into animals; traditional medicines, artificial organs for transplantation into humans, human blood, and supporting equipment for patients, the disabled and the elderly; medical tools (and) equipment, and (laboratory) equipment for public services of hospitals and health care centres; vehicles used for professional activities and in the public interest, such as fire engines, ambulances, vehicles equipped with repair facilities, outside television and radio broadcast vehicles, and other professional vehicles; vehicles used for activities of national defence and public security, except those used in administrative activities; selected personal belongings of students, civil servants, or diplomats who accomplished their duties overseas, and of foreigners wishing to permanently reside in the country according to the Law on Customs, except inherited objects and materials ; and goods supplied to assist in projects as defined in agreements or contracts that the Government signed with foreign countries (and international organizations). For domestic supplies of goods and services: un-processed agricultural or preliminary processed products including peeled, ground (and) milled; all kinds of live or dead animals including the whole body or in pieces that are un-processed or preliminary processed in order to make them fresh or imperishable; the supply of afforestation plants of industrial, fruit and medicinal trees; all types of crop seeds, animals for breeding, animal feed, vaccines, and raw materials to produce animal feed and vaccines; raw materials used in the production of fertilizers, agro-processing products, organic fertilizers, (scientific) fertilizers and pesticides that are not dangerous to the ecosystem or to human and animal health and life; goods on aircraft used in international air transportation services; equipment and machinery used in agricultural activities; raw materials, equipment and accessories used in production for export; tax or postage stamps; international transit transportation; learning and teaching textbooks, and modern equipment to serve learning-teaching activities, research centres and laboratories, as authorized by the relevant ministry; authorized newspapers, political magazines, and television and radio programmes that disseminate political policies, serve political duties and are of a non-business nature; education and sport services, such as childcare centres, kindergartens, primary schools, secondary schools, vocational schools, colleges, academies, universities, and sporting and athletic schools; deposit and lending interest, revenue from money transfers, and profit from exchange rate and other financial transactions of other commercial banks or financial institutions as authorized by the BOL; gains from investment in stocks that are registered on the stock exchange, services of the stock exchange, services of stock taking centres, services of institutions serving as an intermediate in stock (exchange) activities, and other services in stock (exchange); the supply of health insurance, life insurance, domestic animal insurance and tree plantation insurance; the examination, treatment and diagnosis of humans and animals; animal medicines (and) artificial organs for transplantation into animals; traditional medicines, artificial organs for transplantation into humans, human blood, and equipment or wheelchairs for patients, the disabled and the elderly; medical tools, equipment, and (laboratory) analytical tools for hospitals and healthcare centres to serve society; goods and services for grant aid projects as defined in agreements and contracts that the Government signed with foreign countries (and international organizations)."

Excise tax	Percentage
2. Motor vehicles: Rates for vehicles range from 25% to 150% based on engine capacity. Detailed excise tax rates are considered and determined in a presidential edict by the Government	
Parts for vehicles	10%
Vehicle accessories	15%
Speedboats, yachts, motorized sports boats including parts and components	15%
Satellite television receivers, audio and visual players, cameras, telephones, audio and visual recorders, musical instruments including their equipment and components	10%
Electrical appliances: air conditioners, washing machines and vacuum cleaners	10%
Billiard and snooker tables, bowling equipment, and football game tables	20%
All types of gaming stations/machines	30%

Source: Tax Law No. 70/NA, 2015.

4.27. Taxes on international trade (including export tax) continue to be a significant source of government revenue (Table 3.4). It appears that revenue from trade taxes is very high, which may provide an incentive to smuggle. Revenue generated from excise taxes and VAT on imports is also high, which would imply targetting imports for revenue. Additionally, certain fees and charges are also applied for services rendered during importation (Table 3.5).

Table 4.4 Tax revenue, 2013-18

	2013	2014	2015	2016	2017	2018
Total tax revenue (LAK billion)	**13,207**	**14,681**	**16,321**	**16,427**	**16,918**	**17,088**
% of GDP	14.1	13.7	13.9	12.7	12.0	11.2
	(% of total tax revenue)					
Profit tax	16.5	12.9	13.5	10.7	11.7	12.1
Income tax	6.8	7.0	7.0	9.9	9.5	9.5
Land tax	1.4	0.8	0.8	0.6	0.7	1.1
VAT	26.8	26.3	30.6	28.5	29.2	30.4
Excise duty	21.5	22.8	19.9	25.1	25.0	28.1
Import duty	9.4	9.6	8.5	10.1	5.7	6.2
Export duty	1.2	2.0	1.3	0.3	0.2	0.2
Registration fees	0.4	0.7	0.4	0.4	0.4	0.3
Other fees	8.0	7.9	8.6	8.5	9.8	5.7
Natural resource taxes	5.5	5.9	3.8	2.9	3.6	..
Timber royalties	0.8	1.7	3.3	0.8	2.0	..
Hydropower royalties	1.7	2.5	2.3	2.3	2.2	..

.. Not available.

Source: BOL.

Table 4.5 Fees on, or in connection with, importation or exportation

Fee or charge for services rendered	Amount of fee or charge	Ministry or agency responsible
Inspection of imported medicines	LAK 20,000 per invoice	MoH
Foodstuffs: - Issuing a permit for imports - Biennial registration of imported products	 LAK 20,000 per invoice LAK 50,000 per product registered	 MoH MoH
Quality inspection of imports of fuel, steel bar and cement	LAK 600,000 per invoice	MOST
Fee for import or export licence - Import licence for vehicles and parts - Import licence for machines, raw materials, semi-final products or other parts for installation, manufacturing, or assembly or processing in factories	 LAK 10,000 per set LAK 40,000 per set	MoIC and relevant competent licensing authorities
Customs Processing Fee for Imports and Exports 1. Certificate of vehicle duty payment 2. Customs declaration form (large) 3. Customs declaration form (attachment form) 4. Customs seal 5. Sticker (D9) 6. Duty stamp (big)	 LAK 2,000 LAK 500 LAK 250 LAK 3,000 LAK 4,000 LAK 600	Customs

Fee or charge for services rendered	Amount of fee or charge	Ministry or agency responsible
7. Duty stamp (medium, small) 8. Stamp for duty-free alcohol or cigarettes 9. Certificate of duty payment for vehicles produced and assembled in the incompletely knocked down (IKD) system 10. Customs declaration form for vehicles for touring (D53) 11. Customs declaration form for guarantees (large) (D86) 12. Customs declaration form for guarantees (attachment form) (D86) 13. Retail customs declaration form (D44) 14. Service charge of customs data management system	LAK 500 LAK 1,500 LAK 2,000 LAK 2,000 LAK 500 LAK 250 LAK 500 LAK 100,000	
Warehouse fees	Fees are collected non-*ad valorem*, depending on the type of good and period of storage	Warehouse authorities

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

4.1.5 Import prohibitions, restrictions, and licensing

4.28. Lao PDR prohibits or restricts the import of certain goods on the grounds of: protection of national security; protection of public order and standards of decency and morality; protection of human, animal or plant life or health; protection of national treasures of artistic, historic or archaeological value; conservation of natural resources; compliance with the provisions of any legislation of Lao PDR; and fulfilment of obligations under the UN Charter. Goods prohibited for imports are listed in Notification No. 0973, Annex 1 (Table 3.6).[7]

Table 4.6 List of import prohibitions

No.	HS code	Goods	Purpose	Regulation	Supervising authority
1	n.a.	Chemicals of high-level danger used in industries	Protection of health and safety of humans and the environment	Decree on Import and Export of Goods No. 114/GoL, dated 6 April 2011	MoIC (Industry Department)
2	8710.00.00 9301 9302.00.00 9306	Bullets and weapons of all kinds (except for explosives used in industries) and war vehicles	Public order and national security	Articles 76 & 77 of Criminal Law No. 12/NA, dated 9 November 2005; Prime Minister's Decision on the Control and Use of Explosives in Lao PDR No. 39/PM, dated 12 July 2001	Ministry of National Defence (Advisory Major Department)
3	1211.40.00 1211.30 1211.90.12 1207.91.00 1302.11 2939.11.00 2939.19.00 2939.91.10	Opium, opium balls, poppy seeds, opium poppies, other finished and dried opium poppies made from coco leaves, marijuana in various forms, cocaine, and their derivatives	Public order and national security	Article 146 of Criminal Law No. 12/NA, dated 9 November 2005; Law on Narcotic Drugs dated 2008; Decree implementing Law on Narcotic Drugs No. 076/PM, dated 20 February 2009	Ministry of Public Security (Narcotic Drug Control Police) Prime Minister's Office (Narcotic Drug Control and Inspection Authority)
4	n.a.	Destructive fishing tools	Sustainable conservation of aquatic fauna and environment	Fisheries Law	MAF (Department of Livestock and Fishery)
5	n.a.	Pornographic media/materials	Protection of morality	Law on Printings No. 05/NA, dated 9 December 2008	MICT (Media Department)

[7] Notification No. 0973/MoIC.DIMEX - Annex 1, 25 May 2011. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=20#1.

No.	HS code	Goods	Purpose	Regulation	Supervising authority
6	3215.19.00 4802.62.90 8443.19.00 8454.30.00	Banknote paper, banknote ink, banknote printers and coin-making machines	Financial stability	Article 4 scope of rights of banks, Law on Bank of Lao PDR No. 05/NA, dated 14 October 1999	BOL (Stock-Monetary Department)

n.a. Not applicable.

Source: Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=20#1.

4.29. Lao PDR operates both automatic and non-automatic licensing for imports. The licensing regime is governed by Decree No. 180/PM of 7 July 2009 on Import Licensing Procedures and Decree No. 114/GoL of 6 April 2011 on Import and Export of Goods. These were notified to the WTO.[8]

4.30. Goods subject to automatic and non-automatic licensing are defined through close consultations between the MoIC and relevant ministries and state agencies. The consultative process is detailed in Decree No. 114/GoL. Defining and supervising the implementation of the import licensing policy for each type of goods is the responsibility of the ministry supervising such goods. The MoIC serves as the focal point informing the public of the list of goods subject to import licensing requirements.

4.31. Automatic licensing is in place for statistical and monitoring reasons only. Goods subject to automatic licensing include: road vehicles, except road vehicles with three wheels; petrol and gas; logs, trunks, bark and transformed timber; unmilled rice, low-standard rice, premium rice, and semi-milled or fully milled rice, whether filtered or not; printing products; minerals and mineral products; and timber exploitation machines, logging machines, and chain saws, including parts and equipment thereof (Table 3.7).

4.32. Non-automatic import licensing procedures are required for reasons of national security; protection of human, animal or plant life or health; or protection of the environment. Goods requiring non-automatic licensing include: gold bars; explosives used in industry; and guns and bullets for training and sports (Table 3.7).

Table 4.7 Goods subject to import licensing

HS code	Products	Reasons	Responsible agencies
Goods subject to automatic import licensing			
8701.20 8701.30.20 8701.90 87.02 87.03 87.04 87.05 87.11	Road vehicles, except road vehicles with three wheels (87.04.31)	For statistical and import monitoring purposes	MoIC (Department of Import and Export)
27.10 27.11	Petroleum and gas	For statistical and import monitoring purposes	MoIC (Department of Import and Export)
4403 4407.10-4407.28 0601	Logs, trunks, bark and rough-processed timber	For statistical and import monitoring purposes	MoIC (Department of Import and Export)
1006	Rice, rice in the husk, husked (brown) rice, semi-milled or wholly milled rice, whether or not polished or glazed	For statistical and import monitoring purposes	Provincial or Vientiane Capital Departments of Industry and Commerce

[8] WTO documents G/LIC/N/1/LAO/1 and G/LIC/N/2/LAO/1, 3 February 2014; and G/LIC/N/3/LAO/1, 11 March 2014.

HS code	Products	Reasons	Responsible agencies
72.13 72.14 72.15 72.16	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel; other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling; other bars and rods of iron or non-alloyed steel; and angles, shapes and sections of iron or non-alloy steel	For statistical and import monitoring purposes	Provincial and Vientiane Capital Departments of Industry and Commerce As per Order No.1364/MOIC.DIMEX of 28 September 2018, import licences are no longer required.
25.23 38.16	Cement, mortar, concrete	For statistical and import monitoring purposes	Provincial and Vientiane Capital Departments of Industry and Commerce As per Order No.1364/MOIC.DIMEX of 28 September 2018, import licences are no longer required.
4901 4903 4905.91.00 4905.99.00 4906	Publications	For statistical and import monitoring purposes	MICT (Department of Publication)
26.01-26.17	Minerals and mineral products	For statistical and import monitoring purposes	MEM (Mining Department)
84.67.81.00 84.67.89.00 84.67.91.10	Timber exploitation machines, logging machines, chain saws including parts and equipment thereof	For statistical and import monitoring purposes	MAF (Forestry Department)
Goods subject to non-automatic import licensing			
93.03.20 93.03.30	Guns and bullets for sporting purposes	For public safety and national security	Ministry of National Defence (National Defence Department)
36.02 36.03	Explosives used in industries: - explosives - explosive equipment - explosive objects - fireworks	For public safety and national security	Ministry of National Defence (National Defence Industry Department)
7108.12.10	Gold bars (only for gold bars internationally recognized as a medium of payment)	For exchange stability	BOL (Monetary Policy Department)

Source: Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=76.

4.33. To obtain an import licence, the importer must apply to the Department of Import and Export of the MoIC, with accompanying documents. The application for a licence contains general information regarding the applicant (name, address, contact details) and the product in question (quantity, value, country of origin, point of importation). The accompanying documents include: copy of a valid enterprise registration certificate or concession certificate (for applicants domiciled in Lao PDR); copy of a valid business registration certificate issued by the competent authority of the relevant country (for applicants residing outside of Lao PDR); and copy of a valid identity card or passport. In addition, a fee varying between LAK 10,000 and LAK 40,000, must be paid, depending on the product (Table 3.5).

4.34. In the case of automatic licensing, valid applications are approved immediately on receipt, to the extent administratively feasible, and within a maximum of 10 working days. In the case of non-automatic licences, applications are processed within 30 working days (licences cannot be granted immediately).

4.35. The licensing regime applies to products originating in and coming from all countries. It is not intended to restrict the quantity or value of imports. An import licence is valid for one year and can be extended for another three months. There is no penalty for non-utilization, or for utilizing only a portion of a licence. Import licences are not transferable.

4.36. If a request for an import licence is refused by the relevant authority, the reasons for the refusal are provided in writing to the applicant. The applicant has the right to appeal to a higher authority and/or to seek recourse from the court of the Lao PDR in accordance with Law No. 7/NA of 9 November 2005 on Handling Petition.

4.1.6 Anti-dumping, countervailing, and safeguard measures

4.37. The Law on Safeguards was promulgated on 7 December 2017. The Law on Anti-dumping and Countervailing Measures was approved by the NA in June 2019 and is expected to be promulgated by the end of the year.

4.1.7 Other measures affecting imports

4.38. Under Article 38 of the Customs Law, imports are permitted under a warehouse regime, which entails warehouses storing goods that are intended to be exported or imported within a certain period of time; customs duty is suspended, and goods are under the control of the Customs Administration while waiting for customs clearance. There are four types of warehouses in the regime:

- a bonded warehouse is a place used to store general goods with normal characteristics;
- a temporary warehouse is a place used to store goods destined for duty-free shops, with a guarantee contract that the goods shall be sold to travellers who are going to other countries and shall be sold in accordance with specific regulations;
- an industrial warehouse is a place used to store goods intended for temporary export and import for assembly, modification, processing or repair and then for re-export; and
- a special warehouse is a place used to store certain types of goods, such as: live animals, controlled goods or goods that are under special control, high risk, dangerous goods that may not be stored in other types of warehouse.

4.39. Under the Law, the Ministry of Finance approves the establishment and development of regulations related to the location of the establishment, their application and control, and the time-period for the storage of goods in each type of warehouse.

4.40. Article 42 of the Customs Law allows for the temporary duty-free import of goods for manufacturing, processing, assembling, modifying or repairing; vehicles to be used for project survey and design; vehicles to be used for tourist visits; equipment to be used for project survey and design; goods for exhibition; and goods for studies and experiments.

4.41. Goods for foreign diplomatic or consular missions, international organizations and agencies of technical cooperation of other governments are also exempt from paying import duties and taxes (Articles 50 and 51).

4.42. Under Article 12 of the Law on Investment Promotion (Sections 2.4 and 3.3.1.2), investors investing in Lao PDR can import materials and equipment, which cannot be supplied or produced in Lao PDR, to form the company's fixed assets, and the import of machinery and vehicles directly used for production receive a duty exemption and pay VAT at the rate of zero. The import of raw materials, equipment and parts to be used in production for export are exempted from duty payment at the time of import, are granted duty exemption at the time of export, and pay VAT at the rate of zero.

4.2 Measures Directly Affecting Exports

4.2.1 Customs procedures and requirements

4.43. The Customs Law is the main legislation governing exports. Under the Law, only companies registered with the Department of Enterprise Registration and Management under the MoIC are allowed to export goods.

4.44. Exporters are required to submit a signed and completed ACDD form. Exporters are also required to provide an invoice, a packing list, transportation documents (bill of lading/airway bill/truck bill) and, if necessary, manifests, licences, permits, certificates of origin and any other related documents such as SPS certificates. The customs clearance process follows the same procedure as that for imports (Section 3.1.1). Once the customs declaration has been processed and export taxes (if applicable) have been paid, the goods are released for export.

4.2.2 Taxes, charges, and levies

4.45. As per Edict No. 002/OP on Export Duties of 2012, a number of products are subject to export duty (Table 3.8); the authorities indicated that the list was last updated by Prime Minister Decree No. 48 of 19 February 2019, which, as at June 2019, was not available in English. The duty applied until early 2019 stood at 5%, 10%, 15%, and 40%. According to the authorities, export duties are levied for revenue purposes. In 2018, export duties contributed around LAK 38 billion to the exchequer (equivalent to 0.2% of total government revenues), a sharp decline from LAK 164.3 billion (equivalent to 1.2%) in 2013. The authorities stated that the fall was due to the preservation policy of the Government in forestry, the depletion of some major mineral concessions, and some private restructuring in the mineral sector.

Table 4.8 Export duties

Heading	Subheading	Description	Export duty rate (%)
06.02		Other live plants (including their roots), cuttings and slips; mushroom spawn	
	0602.20.00	- Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts	40
	0602.30.00	- Rhododendrons and azaleas, grafted or not	40
	0602.90	- Other:	
	0602.90.10	- - Rooted orchid cuttings and slips	10
09.08		Nutmeg, mace and cardamoms	
	09.08.10.00	Nutmeg	10
	0908.20.00	Mace	10
	0908.30.00	- Cardamoms	10
13.01		Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams)	
	1301.20.00	- Gum arabic	10
	1301.90	- Other:	
	1301.90.10	- - Gum benjamin	10
	1301.90.20	- - Gum damar	10
14.01		Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark)	
	1401.10.00	- Bamboos	10
	1401.20.00	- Rattans	40
	1401.90.00	- Other	10
25.05		Natural sands of all kinds, whether or not coloured, other than metal-bearing sands of Chapter 26	
	2505.10.00	- Silica sands and quartz sands	5
	2505.90.00	- Other	5
25.13		Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat-treated	
	2513.10.00	- Pumice stone	5
	2513.20.00	- Emery, natural corundum, natural garnet and other natural abrasives	5
25.14	2514.00.00	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5
25.15		Marble, travertine, ecaussine and other calcareous monumental or building stone of an apparent specific gravity of 2.5 or more, and alabaster, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	
		- Marble and travertine:	
	2515.11.00	- - Crude or roughly trimmed	5
	2515.12	- - Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape:	

Heading	Subheading	Description	Export duty rate (%)
	2515.12.10	- - - Blocks	5
	2515.12.20	- - - Slabs	5
	2515.20.00	- Ecaussine and other calcareous monumental or building stone; alabaster	5
25.16		Granite, porphyry, basalt, sandstone and other monumental or building stone, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	
		- Granite:	
	2516.11.00	- - Crude or roughly trimmed	5
	2516.12	- - Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape:	
	2516.12.10	- - - Blocks	5
	2516.12.20	- - - Slabs	5
	2516.20.00	- Sandstone	5
	2516.90.00	- Other monumental or building stone	5
25.17		Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated; macadam of slag, dross or similar industrial waste, whether or not incorporating the materials cited in the first part of the heading; tarred macadam; granules, chippings and powder, of stones of heading 25.15 or 25.16, whether or not heat-treated	
	2517.10.00	- Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated	5
	2517.20.00	- Macadam of slag, dross or similar industrial waste, whether or not incorporating the materials cited in subheading 2517.10	5
	2517.30.00	- Tarred macadam	5
		- Granules, chippings and powder, of stones of heading 25.15 or 25.16, whether or not heat-treated:	
	2517.41.00	- - Of marble	5
	2517.49.00	- - Other	5
44.02		Wood charcoal (including shell or nut charcoal), whether or not agglomerated	
	4402.10.00	- Of bamboo	15
	4402.90.00	- Other:	15
72.04		Ferrous waste and scrap; remelting scrap ingots of iron or steel	
	7204.10.00	- Waste and scrap of cast iron	10
		- Waste and scrap of alloy steel:	
	7204.21.00	- - Of stainless steel	10
	7204.29.00	- - Other	10
	7204.30.00	- Waste and scrap of tinned iron or steel	10
		- Other waste and scrap:	
	7204.41.00	- - Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings, whether or not in bundles	10
	7204.49.00	- - Other	10
	7204.50.00	- Remelting scrap ingots	10

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

4.2.3 Export prohibitions, restrictions, and licensing

4.46. Under Notification No. 0973, Annex 1, Lao PDR bans the exports of certain products on the basis of protecting national, artistic and cultural heritage and protecting the environment (Table 3.9).[9]

[9] Notification No. 0973/MoIC.DIMEX - Annex 1, 25 May 2011. Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=20#1.

Table 4.9 Export prohibitions

HS code	Goods	Purpose	Regulation	Supervising authority
9705.00.00 9706.00.00	Archaeological objects including Buddha statues, angel statues and holy objects, and national heritage objects with historical or cultural values of 50 years old or more	For the protection of national artistic and cultural heritage, and the "protection of valuable national artistic, historical and archaeological heritage" in compliance with Article XX(f) of GATT 1994	Article 15 of the Customs Law; National Heritage Law; Article 2 Edict on the Preservation of National Cultural, Historical and Natural Heritage	Ministry of Information, Culture and Tourism (Heritage Department)
2834	Bat guano/manure	For the protection of natural resources	Article 29 of the Agriculture Law, No. 01/98.NA, dated 10 October 1998; Order of the Minister of Agriculture and Forestry on the Control and Use of Bat Guano in the Country, No. 0613/MoAF.05, dated 8 July 2005	MAF (Agriculture Department)

Source: Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=20#2.

4.47. Lao PDR also operates automatic and non-automatic licensing for exports. For goods subject to export licensing, Decree No. 114/GoL on Export and Import of Goods provides the legal basis for such controls. Specific goods subject to export licensing are stipulated in Notification No. 0076/MOIC.DIMEX on the List of Goods subject to Automatic and Non-automatic Import-Export Licensing, of 2012 (Table 3.10).[10] Automatic export licensing is in place for statistical reasons, while non-automatic licensing is in place for public safety and national security reasons, environmental protection, and exchange rate stability. According to Decree No. 114/GoL, the licensing procedures set out in Decree No. 180/PM on Import Licensing Procedures are also applicable to export licensing (Section 3.1.5).

Table 4.10 Goods subject to export licensing

HS code	Product	Reason	Responsible agencies
Goods subject to non-automatic export licensing			
4403 4407.10-4407.28 0601	Logs, trunks, bark, rough-processed timber and semi-finished timber from natural forests	For monitoring the conformity of the implementation of the Chain of Custody System (CoC)	MoIC (Department of Import and Export)
7108.12.10	Gold bars (only for gold bars internationally recognized as a medium of payment)	For exchange rate stability	BOL (Monetary Policy Department)
Goods subject to automatic export licensing			
4403 4407.10-4407.28 0601	Logs, trunks, bark, rough-processed timber and semi-finished timber from plantations	For monitoring the conformity of the implementation of the CoC System	MoIC (Department of Import and Export)

[10] Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=76.

HS code	Product	Reason	Responsible agencies
1006	Rice, rice in the husk, husked (brown) rice, semi-milled or wholly milled rice, whether or not polished or glazed	For statistical purposes	Provincial and Vientiane Capital Departments of Industry and Commerce
2601-2617	Minerals and mineral products	For statistical purposes	MEM (Mining Department)

Source: Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=76.

4.2.4 Export support and promotion

4.48. The Department of Trade Promotion (DTP) in the MoIC is responsible for export promotion activities. The DTP in collaboration with the Lao National Chamber of Commerce and Industry (LNCCI) and business associations and groups, promotes Lao products at home and abroad. The objectives of the DTP are to support entrepreneurs, promote and develop products for the domestic and export market through exhibitions and fairs (both domestic and international); provide product information to entrepreneurs who are trying to enter the domestic and international markets; and facilitate entrepreneurs producing and developing products in compliance with the various needs of the domestic and international markets.

4.49. The main activities undertaken by the DTP include: conducting studies and drafting strategies and plans on marketing and product development, and implementing these plans; providing training and technical recommendations on marketing and product development; disseminating information on relevant policies and legislation; consolidating, studying and identifying potential products in order to pursue the National Export Strategy, and developing lists of exporters to effectively access international markets by collaborating with the LNCCI and other sectors involved in trade promotion and product development; supporting and managing activities related to marketing and product development, including trade fairs, exhibitions, information services, and the introduction of new products to both domestic and international markets; following up, monitoring, and evaluating the implementation of various marketing and product development projects for domestic and international markets and exports; and guiding and advising trade and economic offices overseas.

4.50. Additionally, the DTP consolidates information on markets, analyses findings and inputs for the National Export Strategy and for organizations, enterprises and others involved in marketing promotion and product development inside and/or outside the country, and promotes, creates and develops brand-names for value-added Lao products that meet domestic and international demand.

4.51. Under Law No. 02/NA on Investment Promotion, of 2009, and the Decree on the Implementation of the Investment Promotion Law No. 119/PM, of 2011, Lao PDR provides incentives for enterprises operating in promoted activities or regions.[11] These incentives are not contingent upon local content or export performance requirements. Incentives include exemption from the payment of customs duty for imports of raw materials, equipment, machinery, spare parts and vehicles that are directly used for production (except for all types of fuel), when investing in promoted activities and prescribed concession activities; and exemption from the payment of export duty for exporting general products.

4.52. Furthermore, certain subsidies previously granted under the abrogated regulations are still being utilized. These include: exemption from import duties on capital and raw materials which do not exist or are insufficient domestically, exemption from any applicable export duties on exported products, and exemption or reduction of import duties and taxes on raw materials and semi-finished products imported for manufacturing. These were provided to encourage domestic investment in strategic businesses and poor (mountainous) regions, to promote the growth of a value-added industrial base and human resource development, and to develop infrastructure as part of long-term development.

[11] WTO document G/SCM/N/253/LAO, 19 July 2013.

4.2.5 Export finance, insurance, and guarantees

4.53. According to the authorities, the Government does not provide any funding for export finance, insurance or guarantees.

4.3 Measures Affecting Production and Trade

4.3.1 Incentives

4.3.1.1 Taxation

4.54. Lao PDR's tax regime is characterized by a relatively low tax-to-GDP ratio. It is highly dependent on indirect taxes (VAT and excise), a significant portion of which are taxes on imported goods. Total tax revenue as a share of GDP declined from 14.1% in 2013 to 11.2% in 2018 (Table 3.4). The most significant decline was in profit tax, while income tax, VAT and excise tax rose. The contribution of customs duties to total tax revenue was significant.

4.55. Since its accession, Lao PDR amended the Tax Law in 2016 and the VAT Law in 2018 (Sections 1.2.5 and 3.1.4). Under the Tax Law, profit tax (corporate tax) is applied at a rate of 24% to both domestic and foreign businesses.[12] Under the previous Law, foreign businesses were liable for 20%, while domestic businesses paid tax at a rate of 35%. The Law on Investment Promotion provides special tax incentives for investors in Lao PDR, which allow for reduced tax rates for a company that has an investment agreement with the Government (Section 3.3.1.2). The standard rate of VAT is 10%. VAT is applied to a wide range of products, including electricity, water, fuel, and all imported products, unless they receive an exemption from the Government. The highest rate of income tax is 24%; however, employees whose employer has a contract signed with the Government (e.g. investors with concession agreements) pay the Personal Income Tax rate as agreed in that contract.

4.56. Lao PDR levies customs duties on all types of imported and exported commodities at varying rates from 5% to 40%. Excise tax is collected on certain types of goods, including fuel (5% to 35%)[13], alcohol (25% to 70%)[14], carbonated drinks and invigorating drinks (5% to 10%), tobacco products (15%-30% for 2016-17, 25%-45% for 2018-19, and 35%-60% for 2020 onwards) and cosmetics (20%). Import of equipment, means of production, spare parts, and other materials used in the operation of foreign investors' projects or in their productive enterprises are taxed at a uniform flat rate of 1% of the imported value. Raw materials and intermediate components imported for the purpose of processing and then exported are exempt from such import duties with approval from the relevant ministries.

4.57. Stamp duty rates vary depending on the type of instrument. Property tax and land taxes vary depending on the location and type of the land. The calculation of land tax is based on both the location and the size of the land, and is levied at annual rates per square metre. Prizes or lottery wins exceeding LAK 5 million are subject to income tax at a rate of 5%. A natural resource tax applies to the oil and gas industry and to businesses involved in the exploitation of rare and precious resources, including oil shale/petroleum and natural gas, metallic/non-metallic minerals, construction materials, peat, anthracite, hydro-electric power, and land concessions. Tobacco, coffee, tea, and flower seeds are also subject to the natural resource tax. The applicable rates vary from 5% to 25% of the sale or export price, or are based on a tax per cubic metre. For wood, the taxes vary depending upon the type of wood.

[12] Companies registered on the Lao Stock Exchange benefit from a 5% reduction of the normal rate for a period of four years from the date of registration on the Stock Exchange. After this period, the normal profit tax rate applies. A 26% profit tax rate applies to companies whose business is to produce, import, and supply tobacco products.

[13] According to the authorities, since 2018, the excise tax on fuel has increased to 9%-39%; however, no official decree to this effect was made available to the Secretariat.

[14] According to the authorities, the excise tax on alcohol ranges from 25%-50%, and is expected to increase to 75% in 2020. However, no official decree to this effect was made available to the Secretariat.

4.3.1.2 Incentives

4.58. Incentives for both foreign and domestic investors are offered mainly under the Law on Investment Promotion (Section 2.4). The Law defines principles, regulations and measures regarding domestic and foreign investment promotion and administration, in order to enable convenient, expeditious, transparent and proper investments, which are protected by the Government to ensure the rights and benefits of investors, the State, collective, and people, enabling regional and international integration, and contributing to the continuous growth of national socio-economic development in line with green growth and sustainability. The Law is administered by the Committee for Investment Promotion and Management and the One-Stop Service for Investment.

4.59. Incentives provided under the Law are divided into three categories: incentives for business sectors; incentives by zone and incentives on duty and tax. Incentives related to land use and other incentives are also provided.

4.60. Business sectors identified for incentives include:

- those using, and involved in, modern technology, scientific research, R&D, innovation, environmentally-friendly methods, and efficient use of natural resources and energy;
- clean agriculture, non-toxic agriculture, seed production, animal breeding, industrial crops and plant plantation, forestry development, environment and biodiversity protection, and activities promoting rural development and poverty reduction;
- environmentally-friendly agro-processing industry, and handicraft industry specializing in national traditional and unique handicrafts;
- development of environmentally-friendly and sustainable ecotourism, and the cultural and historical tourism industry;
- education, physical sports, human resource and skills labour development, vocational training institutions or centres, and production of educational and sports equipment;
- development of modern hospitals, and pharmaceutical and medical equipment factories, and traditional medicine production and treatment;
- investment in, service provision for, and development of public infrastructure solving urban traffic congestion and over-populated residential area issues, and development of infrastructure supporting agriculture and industry, cargo transportation, transit and international linkage services;
- policy banks and micro-finance institutions focussing on poverty reduction and communities with limited access to finance; and
- modern commercial centres promoting domestic products and world-renowned brands, exhibition centers and fairs for domestic industrial, handicrafts and agricultural products.

4.61. To be eligible for incentives, an investment in any of the above areas requires a minimum investment capital of LAK 1,200,000,000 (one billion and two hundred million); or needs to employ at least 30 Lao PDR skilled labour or use 50 Lao PDR workers with an employment contract of at least 1 year.

4.62. Incentives granted by zones are also divided into three categories, these are: Zone 1: Poor and remote areas with socio-economic infrastructure unfavourable to investment; Zone 2: Areas with socio-economic infrastructure favourable to investment; and Zone 3: Special economic zones (SEZs).

4.63. Business and zone incentives are provided in conjunction with each other. If investing in zone 1, investors are exempt from profit tax for a period of 10 years, with an additional exemption of five years if the investment is in categories 2, 3, 5 and 6 of the above defined business areas. In zone 2 the exemption is for four years with an additional exemption of three years if the investment

is in business categories 2, 3, 5 and 6. Furthermore, Investors investing in above mentioned areas are also exempt from rental or concession fee of state land as follows: for zone 1: exemption for ten years with additional five years for investment in business categories 2, 3, 5 and or 6; zone 2: exemption for five years, with an additional three years for investment in categories 2, 3, 5 or 6. SEZs are granted specific incentives.

4.64. SEZs are determined periodically by the Government. In addition to the incentives specified in the Law on Investment Promotion, the Decree on Special Economic Zones, No. 188/Gov, Vientiane Capital, of 2018, provides for the following tax and customs incentives: investment in sectors specified in Article 9 of the Law are exempted from profit tax for an additional two years. Additionally, upon the expiration of the profit tax exemption period, for five years, investments in business activities specified in Article 9, Points 3, 4, 5 and 6 of the Law pay profit tax at 35% of the profit tax rate specified in the Tax Law and, thereafter, pay profit tax in accordance with the Tax Law; construction of factories for 100% production for export is exempted from VAT, and receives incentives for the use of electricity and water in the production process by paying VAT at 50% of the VAT rate specified in the Law on VAT; and for the construction and development of infrastructure to support business operations of investors in sectors that are not 100% production for export, investors pay 50% of the VAT rate as specified in the VAT Law. Imports of raw materials, equipment and spare parts for production, processing or assembling in SEZs for domestic sale follow the laws and regulations on tax and customs.

4.65. The Law on Investment Promotion also provides for customs duty and VAT incentives. Imports of materials and equipment which cannot be supplied or produced in Lao PDR, and are used to form the company's fixed assets, and imports of machinery and vehicles used in the production process are exempt from import duties and VAT (i.e. pay VAT at a rate of zero). Imports of raw materials, equipment and parts to be used in the production of export goods are also exempted from import and export duties and VAT. Domestic raw materials used to produce finished and semi-finished products are also VAT-exempt. The VAT rates are the same for both domestic and imported products.

4.66. Under the Law, investors are permitted to borrow from commercial banks and other financial institutions operating in Lao PDR and overseas. Incentives are also provided to investors who re- invest their net profit to increase or expand their business activities. In such cases, businesses receive a one-year profit tax exemption in the following accounting year, based on the portion of their re-invested net profit. Investors suffering losses can carry forward such losses to be deducted against the profits of the following three years.

4.67. Additionally, with regard to concession investments, investors have the right to lease or have concession over a piece of state land to conduct their investment activities, and may transfer their concession after having invested and completed at least 45% of the approved project. Investors also have the right to lease or have a concession of a piece of state land outside of the concession area for their office and residential needs. Under the Law, the term of the concession cannot exceed 50 years.

SEZs

4.68. Under the Law on Investment Promotion and the Decree on Special Economic Zones, SEZs refer to zones operating under specific administrative mechanisms to create favourable conditions to attract investments which apply high, innovative technologies to produce commercial agricultural products and clean products, while conserving natural resources and energy in a sustainable manner and being environmentally-friendly. SEZs are established by government decision. They can be industrial zones, export processing zones, or zones for industries/firms specializing in technology and information development, services, trade, or tourism. The decision to create an SEZ is made by the Government on the recommendation of the Committee for Investment Promotion and Management. The SEZ's objectives, concession term and investment incentives must be clearly defined. The term of the land concession term for an SEZ depends on the type, size, investment value, conditions, and economic and technical feasibility studies of the business, but it cannot exceed 50 years. Incentives in terms of tax, duty and VAT are also specific to each zone. According to the authorities, SEZs are responsible for about 2% of Lao PDRs total exports. The 8th Five-Year NSEDP[15]

[15] MPI (2016), *8th Five-Year NSEDP (2016–20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

emphasizes local and foreign investment promotion in focal areas. The focus is on developing SEZs and unique economic zones (UEZs) to be economically viable and sustainable. This is to be done by building a model industrial complex and completing a new city; these would steer the country's economic development and accelerate the development of SEZs. In addition, the Government aims to promote investment in processing industries using more modern technology, and create a favourable investment environment equivalent to or greater than those in surrounding countries, for instance, by providing a one-stop investment service for faster processing, having a shorter lead time for investment licence applications, and providing more accurate investment information. The NSEDP also envisages opening more economic zones that meet the criteria for SEZ establishment as indicated in the approved SEZ Development Strategies 2011–20, and building strong basic infrastructure as necessary to link potential SEZs with each other. Focus is on the effective application of the Government's policies (following the "small administration units and large society" approach).

4.69. Currently, there are 11 SEZs in Lao PDR. The focus industries and the level of incentives vary among the zones (Table A3.3)

4.3.2 Standards and other technical requirements

4.70. The main legislation governing standards and technical regulations is the Law on Standardization, 2014, which is administered by the Ministry of Science and Technology (MOST). The MOST is mandated to: research strategies, policy plans, laws, regulations and plans relating to standardization, and propose them to the Government for consideration; issue regulations, decisions, orders and instructions on standardization; build technical infrastructure for testing and quality certification; manage and conduct market surveillance of products and goods in the market, to check for compliance with the laws and regulations; establish a database and information management system and disseminate information for public awareness on standardization; supervise the implementation of standardization throughout the country; organize registration and provide services relating to standardization; issue, suspend or withdraw certificates relating to standardization; consider and resolve appeals relating to standardization; strengthen capacity building for public and private employees on standardization; coordinate with concerned sectors and local authorities regarding the implementation and management of standardization; take responsibility for international cooperation on standardization; and summarize and report regularly to the Government on standards implementation. The MOST is also the National Enquiry Point for Lao PDR, while the Foreign Trade Department in the MoIC is the notification authority.

4.71. Lao PDR became a signatory to the ASEAN Consultative Committee on Standards and Quality (ACCSQ) in 1998, and joined the International Organization for Standardization (ISO) in January 2007. It also became a signatory to the International Electrotechnical Commission Asia-Pacific Regional Centre (IEC-APRC) Affiliate Country Programme in 2002, and is preparing to become a member of the Asia Pacific Legal Metrology Forum (APLMF). It joined the ASEAN mutual recognition agreement (MRA) for Electrical and Electronic Equipment in 2002.

Standards development

4.72. To develop a standard, any individual, legal entity or organization, jointly with the National Standard Council (NSC), submits a proposal to the MOST. The latter considers the proposal for developing a Lao Standard based on: science and technology and meeting socio-economic development needs; comparison with foreign, regional and international standards, to ensure that it is consistent with the characteristics and actual situation of the country, and ensure conformity with foreign, regional and international standards; and ensuring consistency with the laws and regulations of Lao PDR, and international agreements and treaties to which Lao PDR is a party.

4.73. If the proposal is approved, the MOST designates the relevant National Technical Committee to draft the standard. The Committee researches and drafts the Lao Standard in cooperation with the proposing body, the suppliers, and consumers. The Committee is required to post the draft Standard on the website of the MOST and other printed media for at least 60 days, for public comment. The Committee then reviews and improves the draft Standard based on reasonable technical recommendations. It submits it to the NSC for consideration and adoption. The NSC, which is under the MOST, comprises representatives from the Government and the private sector. It examines proposed the new standard or technical regulation, which has been examined and

considered in specific technical committees.[16] The Lao Standard is adopted in principle by the NSC only if two thirds of the NSC members attend the meeting. The NSC submits the Standard to the MOST for official adoption and promulgation. Approved technical regulations, standards, or conformity assessment procedures are published in the Official Gazette and other media.

4.74. Lao PDR mainly uses the ISO/IEC Guides 21-1 and 21-2:2005 as the national guide to adopting international standards as national standards or technical regulations. Presently, there are 441 Lao PDR national standards, mainly on foods, electrical appliances, and test methods[17], of which none have been adopted as technical regulations. Most Lao PDR standards are aligned with international standards. The authorities stated that implementation remains a key issue.

Conformity assessment and product certification

4.75. The Department of Standardization and Metrology (DOSM) is a governmental body under the MOST, established by Ministerial Decree #0836 /MST on 21 December 2011. The DOSM is the country's leading authority on standardization, metrology, accreditation, conformity assessment and related activities. It is committed to tackling the technical challenges of developing a national quality infrastructure that is based on international standards and conformity assessment procedures. It plans to promote the adoption and implementation of international standards to take advantage of export opportunities within ASEAN countries in the short and medium term, and within WTO Member countries in the long term, as well as supporting domestic industry.[18] The work of the DOSM covers a broad scope of issues, from product safety to safety of construction materials, chemical products, electric and electronic products, and toys.

4.76. According to the authorities, Lao PDR recognizes the results of conformity assessment conducted by the relevant bodies in exporting countries if they are similar to Lao technical regulations and standards, including for construction materials, textiles and chemicals (Regulation No. 1226/PMO-NAST on Quality Inspection of Goods). The quality attestation should be accompanied by a certificate from a testing laboratory accredited by the national standardization body in the exporting country. Furthermore, in practice, goods meeting international standards, such as those established by the ISO and the IEC, are cleared for import. Lao PDR also implements MRAs on conformity assessment through recognizing test reports issued by testing laboratories accredited by the National Accreditation Bodies of ASEAN members that are signatories to the MRAs of the International Laboratory Accreditation Cooperation (ILAC). Lao PDR has requested technical assistance to build capacity and fully establish the basis to assess equivalence.

4.77. The authorities stated that Lao PDR's long-term goal is to participate in MRAs of the ILAC and the International Accreditation Forum (IAF).

4.78. Chapter 2 of the Law on Standardization addresses conformity assessment. Under the provisions of the Law, a self-declared conformity assessment is carried out by the supplier or the manufacturer, and is commonly known as First-party conformance; Second-party conformity assessment is carried out by a purchaser or legal entity, with the supplier's consent; Third-party conformity assessment is carried out by an independent entity or organization that is not the supplier, the producer or the user of the product or service. Assessment of conformity for standards is on a voluntary basis, while that for technical regulations is on a compulsory basis under the direction of the relevant government authority using accredited laboratories where required; if the supplier/manufacturer is not satisfied, the determinations related to conformity assessment can be appealed to the MOST and, if unresolved, may be submitted to the courts for review. Under the Law, conformity assessment must comply with MRAs, multilateral agreements, international agreements and treaties to which Lao PDR is a party.

4.79. The National Accreditation Bureau (LNAB), which is a part of the DOSM, is the major accreditation body in Lao PDR. It comprises members from relevant ministries and sectors, such as: the MoIC, the MoH, the MAF, the MPWT, the LNCCI, and individuals and other legal entities that have specific competencies. Responsibilities of the LNAB include: providing formal recognition of

[16] Decision No. 235/PMO-NAST on the Organization and Activities of the National Standards Council, 3 February 2010.

[17] Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=SearchMeasures/standard.

[18] ISO. Viewed at: https://www.iso.org/member/537437.html.

technical competence in accordance with international accreditation standards, procedures and guidelines to testing and calibration laboratories, quality management certification bodies, inspection bodies and proficiency testing bodies; complying with ISO/IEC 17011; and providing accreditation services for the accreditation of laboratories, certification and inspection bodies in accordance with the appropriate international ISO/IEC standards and guidance documents issued by the ILAC and the IAF. It is also responsible for: developing regulations, instructions and other documents regarding the conditions for granting and maintaining accreditation; participating in regional and international conformity assessment bodies and producing guides and recommendations for conformity assessment procedures in the Lao PDR; and entering into negotiations with regional and international accreditation bodies to conclude agreements for the mutual recognition and acceptance of each other's conformity assessment procedures.

4.80. The LNAB is also mandated to: monitor and inspect accredited laboratories, inspection bodies, and conformity assessment and certification bodies, in compliance with international standards and practices; suspend, withdraw or cancel accreditation if a violation occurs; and coordinate and carry out inter-comparison activities among laboratories within the country.[19] The LNAB maintains a published State Register of accredited laboratories and certification bodies, provides technical assistance on conformity assessment procedures to relevant government authorities at the central and local levels, and promotes public awareness of conformity assessment.

4.81. Lao PDR operates a food safety management system, which involves concerned agencies and parties that supervise, monitor, control and inspect processes, including the management of cleanliness of food production and the elimination of contaminants, residues, disease-causing organisms, and additives in food, in a systematic way, according to the standards, laws and regulations related to food, to ensure the hygiene, health, and safety of consumers. It also operates a quality management system of coordination activities within concerned agencies and parties that systematically supervise, monitor, control and inspect processes to ensure the compliance, quality, and safety of those processes. Specifically, under the Food Law, 2004, as revised in 2013, the MoH is responsible for food safety management. Within the Ministry, the following line agencies are involved: the Food and Drug Department (FDD), which is responsible for food safety policy, strategy, legislation and standard regulation development, monitoring their implementation, reporting product registration, and food safety education and training for the food industry and the public; and the Bureau of Food and Drug Inspection and the Provincial Food and Drug Section, which implement food safety legislation through the surveillance of markets, food-processing plants, hotels, and restaurants, and check for compliance with the Food Law and its regulations. The Bureau is also responsible for handling complaints and border control. Food and drug quality control provincial minilabs are responsible for testing laboratories, which monitor food quality, safety and contaminants according to the MoH standards.

4.82. An environmental management system to supervise, monitor, control and inspect processes including to control and limit pollution, emissions in the processes to ensure the performance with standards and the laws and regulations related to the environment. Lastly a management system for manufacturing, trade, construction, transportation, communications, education, public health and other services, which are to be implemented in accordance with the laws and regulations of relevant sectors and with international, regional, and foreign management standards systems.

4.83. The Law on Standardization of 2014 provides for product certification and management system certification. The Ministry of Ministry of Science and Technology awards product certification marks based on proposals of the National Standards Council, which is then published in the official gazette. The Ministry of Ministry of Science and Technology can amend or revoke the product certification marks based on proposals from by the NSC.

4.84. The Law allows suppliers to affix the product certification mark to products, product labels, containers, and packaging products, and attachments shall be deemed to have used that certification mark to products. Advertising in any form that cites the product certification mark as representing that the product or goods comply with standards shall also be deemed to have used that product certification mark.

[19] The LNAB cooperates with the National Accreditation Committee. The LNAB's assessment team reports directly to the Committee on the issuance of accreditation certificates. The DOSM's director is not involved in the decision-making process with regard to the issuance of accreditation certificates.

4.85. The MOST also issues regulations on mandatory certification marks for products related to public security, safety, hygiene, health, and the environment and goods that are on the sensitive List, in coordination with the concerned agencies and parties and the NSC. The use of the mandatory product certification mark becomes effective 90 days after the day such regulation is promulgated.

4.86. Certification of a management system is the recognition of concerned sectors and parties regarding systematic activities for the supervision, follow-up, control and inspection of processes of suppliers to achieve quality and efficiency. Such marks are awarded for the food safety system, the quality system, the environmental system and other system certification for, *inter alia,* manufacturing, trade, construction, transportation, communications, education, public health and other services.

4.87. Under the Law, each type of management system certification must comply with the procedures issued by the agencies and parties concerned, in accordance with regional or international standards. Sectors and parties that grant management system certificates in Lao PDR must be accredited by a recognized accreditation body. The Science and Technology Sector and other concerned sectors and parties that grant certificates determine each type of management system certification mark. Marks are submitted to the National Technical Committee for comments before they are used officially. The authorities stated that 30 standard marks had been issued as at June 2019.

Labelling

4.88. Regulation No. 519/MOH of 2009 for packaged food, issued by the MoH, covers the content of labels of goods sold to consumers. Such labels should include, *inter alia*: the name of the product, the source of the product, ingredients, food additives, nutrition data, and the production date.

4.3.3 Sanitary and phytosanitary requirements

4.89. The main pieces of legislation covering the SPS regime are: the Food Law No. 04/NA, 15 May 2004, amended in 2013; the Livestock Production and Veterinary Law No. 03/NA, 25 July 2008; the Law on Plant Protection and Quarantine (Amended), No. 13/NA, 15 November 2016; Law No. 03/NA on Fisheries, 9 July 2009; Law No. 01/98NA on Agriculture, 10 October 1998; the National Policy on Food Safety No. 028/PM, 3 February 2009; Decree No. 228/GoL on Animal Disease Control and Prevention, 31 May 2012; Decree No. 229/GoL on Implementing Plant Protection Law, 31 May 2012; Decree No. 230/GoL on the Control of the Movement of Animals, Animal Product and Related Item, 4 June 2012; Decree No. 363/PM on Notification and Enquiry of Trade Related Information, 19 August 2010; Ministerial Regulations No. 0719/MAF on the Management and Use of Planting Material and Seeds in Lao PDR, 3 December 1997; Technical Norms No. 0313/MAF on Livestock Management in Lao PDR, 21 January 2000; Regulation No. 586/MOH on the Control on Production, Exported-Imported Safe Food, 12 May 2006; Regulation No. 518/MOH on the Basic Principles in the Application of Sanitary and Technical Measures for the Food Safety Management, 18 March 2009; Ministerial Decision No. 2860/MAF on Control of Pesticides in Lao PDR, 11 June 2010; Ministerial Decision No. 0870/MAF on Animal Slaughtering and Animal Products, 18 March 2011; Ministerial Decision No. 605/MOH on Adopting Codex Alimentarius Standards as Priorities, 27 April 2011; Regulation No. 0039/MAF on Principles in the Application of SPS Measures in Plant and Animal Administration, 11 January 2012; and Decision No. 297/MOH on Food Inspection, 24 February 2012.[20]

[20] In addition, the following decisions and decrees also apply: Decree on the Implementation of Plant Protection, No. 229/GOL, 31 May 2012; Ministerial Decision No. 0719/MAF on the Management and Use of Planting Material and Seeds in Lao PDR, 3 December 1997, is still effective, and the MAF issued an additional Ministerial Decision on the Management and Use of Planting Material and Seeds No. 3919, 12 December 2012; Ministerial Decision No. 2860/MAF on the Control of Pesticides in Lao PDR, 11 June 2010 was amended into the Decree on the Control of Pesticides No. 25/GOL, 24 August 2017, and Ministerial Decision on the Management of Pesticide Businesses, No. 0238, 14 February 2019; and Ministerial Decision on the Approval of Uniforms and Inspection of Pesticide Inspectors, No. 1232, 23 April 2019.

4.90. Responsibility for the implementation of the above legislation lies with the MAF[21] and the MoH.[22] The implementation of food safety and animal and plant health policies is carried out by provincial and local authorities in the 16 provinces and in Vientiane Capital, by the provincial Health Offices and the provincial Agriculture and Forestry Offices. The MoH is responsible for food safety for human consumption, except for fresh produce and feed, which come under the responsibility of MAF (Food Law, 2013 Article 40). Lao PDR has designated the Division of Agriculture and Forestry in the Ministry of Agriculture and Forestry as the SPS enquiry point, while the Multilateral Trade Policy Division in the MoIC is the notification authority.

4.91. According to the authorities, with regards to food safety and animal and plant health, the basic principles of the SPS Agreement, such as necessity, non-discrimination, transparency, science-based regulations, risk assessment, harmonization, and equivalence, have been incorporated in national laws and regulations. Furthermore, as a member of the World Health Organization (WHO), the Codex Alimentarius Commission, the World Organisation for Animal Health (OIE), and the International Plant Protection Convention (IPPC), Lao PDR's National Policy on Food Safety No. 028/PMO adheres to the standards, guidelines and recommendations developed by these organizations, and complies with the SPS and TBT Agreements. In addition, key components of the Policy include the implementation of food safety through laws, regulations and standards; the use of risk analysis (with stakeholder participation limited to risk communication and risk assessment – where data is accessible – for an objective science-based evaluation of risk); the adoption of an Integrated Food Chain Approach; the promotion of greater international cooperation in the area of food safety; and the strengthening of human and institutional capacities. Specific regulations are in place for the production, import and export of safe food, for the labelling of pre-packaged food, for food additives, and for bottled drinking water. The FDD also developed the Manual on Good Manufacturing Practices (GMPs) and Hazard Analysis and Critical Control Points (HACCP), and a specific GMP for drinking-water processing.

4.92. Codex standards apply to both imported and domestically-produced goods, and full implementation of them took place at the end of the transition period (1 January 2015).

4.93. At the time of its accession, Lao PDR was seeking technical assistance to develop a risk assessment methodology. Lao PDR would ensure adequate participation of stakeholders in the risk analysis process through a rapid alert system within ASEAN, the INFOSAN network of the WHO, and the operation of the SPS and TBT Notification Unit and the SPS Enquiry Point. In the absence of national standards, Codex standards are applicable with respect to, *inter alia*, food residues and contaminants, and substances such as sweeteners, colorants, and preservatives. Furthermore, Lao PDR accepts the standards and certification of countries that have adopted Codex standards. As such, the SPS certification of such countries is accepted by Lao PDR. Additionally, Lao PDR's general policy follows international standards and guidelines, and applies Codex as the minimum required standard. However, where a country adopts different standards, scientific justification for these is required. To check for compliance with Codex standards, Lao PDR follows the SPS Committee Decision on Equivalence[23] in addition to the provisions of Article 4 of the SPS Agreement and Guidelines on the Judgement of the Equivalences of Sanitary Measures Associated with the Food Inspection and Certification Systems (CAC/GL 53-2003). Applications of GMPs and HACCP or HACCP-like system are also considered in the assessment process. With a view to ensuring quality, effectiveness, and safety aimed at protecting consumers' health, the authorities amended the Food Law and notified this to the WTO.[24] The Law defines principles, regulations and measures on the management, monitoring and inspection of food and food business.

4.94. For imported food products, the documents required are: Certificate of Analysis (COA), Health Certificate (HC), GMP Certificate, and HACCP Certificate, issued by the competent authority of the exporting country or by a private party that is accredited or endorsed by the competent authority. Testing samples are also required. For domestically-produced products, national standards based on Codex standards, guidelines and recommendations must be adhered to. Furthermore, domestic

[21] The Department of Agriculture for plant health and the Department of Livestock and Fisheries for animal health,

[22] The MoH is responsible for food safety. Within it, the FDD and the Department of Hygiene and Disease Prevention share responsibility for implementation. The two Departments work under the supervision of the Food and Drug Advisory Committee. The Committee is made up of representatives of the MoIC, the MAF, and the MoH, and is chaired by a representative of the FDD.

[23] WTO document G/SPS/19/Rev.2, 23 July 2004.

[24] WTO document G/SPS/N/LAO/1, 6 June 2013.

producers are required to prove compliance every 180 days through testing analysis.[25] The procedures for food inspection for imported goods and domestic production are defined in Decision No. 297/MOH on Food Inspection. Under the Decision, the same risk assessment-based inspection procedures apply to both imported and domestically-produced products, and a risk assessment system, with all food products categorized according to their risk levels, is in place. This implies that the frequency of inspection is defined by three food risk categories: A – high-risk foods; B – medium-risk foods; and C – low-risk foods. High-risk foods are subject to more frequent inspections. Consignments accompanied by HCs issued by competent authorities of exporting countries and test reports from accredited laboratories in exporting countries are subject to a lower frequency of inspections. The Codex General Guidelines on Sampling are incorporated into the Decision. Alternatives to certification are considered wherever possible, in particular where the inspection system and requirements of an exporting country are assessed as being equivalent to those of Lao PDR. Bilateral or multilateral agreements, such as MRAs or pre-certification agreements, also allow for dispensing with certification and/or the issuance of certificates. Lao PDR notified to the WTO the Decision on Food Export-Import and Transit.[26] Under the Decision, for the import or transit of food, all food businesses are required to provide relevant documents by submitting them to the FDD or the Food and Drug Authority in any province at least five working days prior to the actual importation or transit. Imports of product containing genetically modified organisms (GMOs) is allowed, as long as this information is clearly stated on the product label.

4.95. With respect to animal health, the Law on Livestock Production and Veterinary Matters and the Law on Fisheries provide general provisions for animal quarantine. Additionally, the Ministerial Decision on Animal Slaughtering and Animal Products, the Decree on the Control of the Movement of Animals, Animal Products and Related Items, and the Decree on Animal Disease Control and Prevention incorporate the key SPS principles, including transparency requirements, which require all proposed regulations to be notified and published before their adoption and enforcement. On the determination of affected regions, Lao PDR strictly follows OIE standards, guidelines and recommendations. The Decree on Animal Disease Control and Prevention addresses the principle of regionalization, including the establishment of a framework for disease-free and pest-free or low pest or low disease areas. However, Lao PDR does not have any quarantine facilities at the border checkpoints, due to financial and human resource constraints. At the checkpoints, importers are required to provide relevant documents, and are subject to physical inspections. Lao PDR, therefore, relies on exporting countries to undertake quarantine inspections on a case-by-case basis.

4.96. Lao PDR does not have a specific policy on Bovine Spongiform Encephalopathy (BSE). Disease control policies are generally developed on a case-by-case basis. In case of an outbreak of BSE, Lao PDR follows the OIE recommendations and guidelines when taking BSE quarantine measures and/or imposing trade restrictions. Regarding the policy on pathogen-reduction treatments (PRTs), Lao PDR allows the use of PRT on poultry to reduce contamination by salmonella. At present, there are no specific restrictions on the use of PRTs. Lao PDR generally follows OIE recommended practices on salmonella control. It temporarily suspended the import of pork and pork products from China due to an outbreak of African Swine Fever (ASF) in Liaoning province, in line with OIE recommendations, and notified this to the WTO.[27]

4.97. The amended Law on Plant Protection and Quarantine, and its implementing regulation, the Decree on Implementing Plant Protection Law, address plant health. The legislation incorporates guidelines on plant inspection and certification; and the principle of the establishment of a framework for disease-free and pest-free or low pest or low disease areas. Lao PDR follows IPPC guidelines in the implementation of SPS measures. Plant inspection is conducted to analyse the quality of plants and the existence of any chemical residues, pests and diseases, in order to ensure safety for plant health and consumption. Lao PDR does not require plant inspection for imported plants. However, an importer must provide plant HCs issued by a competent body of the exporting country. The Decision on Control of Pesticides in Lao PDR covers: (i) registration of pesticides; (ii) management of the production, import, export, distribution, transportation, storage and transit of pesticides; (iii) use and disposal of pesticides; (iv) packaging, labelling and advertising of pesticides; and (v) management and inspection of pesticides. Furthermore, Lao PDR follows Codex standards in setting and testing maximum residue levels (MRLs). Under the Decision, an import permit from the

[25] However, in reality, due to limited human and financial resources, food inspections are usually conducted in cases of safety alerts or requests by consumers or other sources.

[26] WTO document G/SPS/N/LAO/2, 6 December 2017.

[27] WTO document G/SPS/N/LAO/3, 2 October 2018.

Department of Agriculture (or the Agriculture and Forestry Office in the provinces and Vientiane Capital) is required for each shipment of pesticides, for monitoring purposes. Prior registration of pesticides with the Department or Office is also required, except for botanical pesticides not packed for sale; and pesticides imported for the purposes of research, trial or exhibition, under the condition of getting provisional registration from the agriculture authorities. The registration is valid for two years.

4.98. At the time of its accession, on account of the rudimentary nature of its SPS regime, Lao PDR was receiving technical assistance. The MAF, in collaboration with the MoH and the MOST, received technical assistance from the Trade Development Facility under a multi-donor trust fund. The key components of the project were (i) strengthening the SPS institutional, legal and regulatory framework; (ii) determining risk-based policies and control measures for SPS; and (iii) strengthening the role of the private sector in the SPS regime.

4.99. The Decree on Notification and Enquiry of Trade Related Information requires that, before adoption of any SPS measures, all interested parties, both domestic and foreign, are given 60 days for comments on the draft measures. It also requires that all adopted SPS measures be published 180 days before their enforcement, except in urgent circumstances. Lao PDR publishes all SPS-related laws and regulations, including SPS-related import conditions, on the Lao PDR Trade Portal (www.laotradeportal.gov.la), although most of these are only in the local language.

4.100. At the time of its accession, Lao PDR stated that the country's legal framework on food safety, animal and plant health would be fully implemented by 1 January 2015. This has been done.

4.3.4 Competition policy and price controls

4.101. The main legislation governing competition policy is the Law on Competition, 2015, which came into force in January 2016. The Law is administered by the Lao Competition Commission (LCC), which was established in 2018. It applies to all economic agents, including SOEs.

4.102. The Law addresses unfair competition, which encompasses misleading conduct; violation of business secrets; coercion in business operation; defamation of other business operators; imposing obstacles to business operations; false advertisement; unfair sales promotion; discrimination by business associations; and any other practices as stipulated in relevant laws and regulations.

4.103. The Law also prohibits the restraint of competition, which covers any agreement aimed at the restraint of competition; abuse of dominant market position; market monopoly; and a combination of the above, aimed at the restraint of competition. Under the Law, practices considered as "agreements aimed at the restraint of competition" include: fixing the price of goods and services; fixing the market share and market allocation; fixing the quantity of production; restraining the development of technology or the quality of goods and services; imposing conditions on the purchasing or selling of goods and services; preventing other business operators from entering the market and impeding the market access of other business operators; driving other business operators out of the market; bid rigging; and other practices as stipulated in the relevant laws and regulations.

4.104. Articles 30-36 of the Law cover abuse of dominant market position and market monopolies. These are defined as: unfairly fixing the prices of purchasing or selling of goods and services; selling goods and services at below production cost and selling goods of poor quality; refusing to sell goods and services to customers; imposing the conditions of tied selling-buying of goods and services; imposing different prices or conditions of purchasing and selling the same kind of goods and services; and other practices as stipulated in the relevant laws and regulations.

4.105. Combination aimed at restraint of competition looks at mergers and acquisition, transfer of enterprises and joint-ventures. According to the Law, the following are prohibited: holding the market share in the relevant market over the threshold defined by the LCC; restraining market access and the development of technology; and creating a negative impact on consumers, other business operators and on national socio-economic development.

4.106. The Law allows for exemptions, if these result in the advancement of technologies and techniques; the improvement of the quality of the goods and services; and the strengthening of the

competitiveness of SMEs. Exemptions are also granted for the abuse of dominant market position and market monopoly if the LCC determines that the practice is contributing to national socio-economic development or national security or strategy. Combination aimed at the restraint of competition is also permitted if one of the enterprises involved in the combination is in a position of bankruptcy, or if the combination results in export growth or technological or technical advancement.

4.107. The LCC is a non-standing committee, and acts as advisor to the Government. It is independent in terms of technical aspects, and is responsible for monitoring, inspecting and performing its mandated tasks in cooperation with relevant agencies and local authorities. It comprises the Vice Minister of Industry and Commerce as Chairman and Standing Commissioner; representatives of the Ministry of Finance, the MPI, the MAF, the Ministry of Justice, the MPT, National Institute for Economic Research, the Institute of Finance and Banking, the LNCCI, the Lao Bar Association; and the head of the Secretariat of the LCC. The LCC is appointed by the Prime Minister based on a recommendation by the Minister of Industry and Commerce. The LCC Secretariat is housed in the MoIC.

4.108. The functions of the LCC are to consider and adopt plans, programmes and projects concerning competition, based on proposals from the LCC Secretariat; to propose the adoption of legislation concerning competition, and advocate and disseminate such legislation; to apply administrative measures against individuals or legal entities who breach the Law or relevant regulations; to issue orders, inspection decisions and apply measures against violators, based on the decision of relevant agencies as stipulated in the Criminal Procedure Law; to submit criminal referrals to the Office of the Public Prosecutor for prosecution in accordance with justice processes; and to collaborate and cooperate with foreign countries, and regional and international organizations concerning competition affairs.

Price controls

4.109. The price of most goods in Lao PDR is determined by the market. However, the 2010 PM Decree on the Administration of Goods and Fees of Services (Art.4) specifies that: prices are determined by the market mechanism; the State shall respect the right of business operators to set up prices and price competition; and price administration measures are only to be applied "in case of necessity". Two instruments may be used: a price surveillance list and a price control list (Table 3.11). The price surveillance list comprises a number of basic products used in the economy. The purpose is to have information on fluctuations in prices. The authorities indicated that, so far, there has been no market intervention on the basis of this list, but information is used in policy orientation. The price control list, for products which are essential to the economy, has high importance for socio-economic reasons or in sectors where market deficiencies can develop. For these items, the Government calculates minimum and maximum prices. They can be considered as information tools and recommendations, as the Government does not intervene in the market either with subsidies or as a buyer (rice). Although the Government can fine business entities that do not respect these prices, they rarely do so. Furthermore, certain essential utilities are subject to price administration (Table 3.12).

Table 4.11 Price controls and surveillance

HS number	Product description
Controls	
2710, 2711	Fuel and gas (maximum prices)
7213-7215	All kinds of steel for construction (maximum prices)
2523	Cement (maximum prices)
1006	Rice (minimum prices)
Surveillance	
39,18, 4409, 6904, 6905, 6907, 6908	Roof, floor and wall tiles
7907	Roofing made of zinc
4407	Sawn wood
3208-3210	All kinds of house paint
3917	PVC pipes
8701	Tractors
8413	Water pumps
8432, 8433	Harvesting or threshing machines
31	Fertilizer
2309	Animal feed

HS number	Product description
8437	Milling machinery (of cereals and vegetables)
8437.20	Milling machinery (of rice)
8712	Bicycles
8711	Motorcycles
n.a.	Student clothing
n.a.	Writing tools
n.a.	Raw materials for factories
30	Medicines
1701, 1702	Sugar
2103.10.00	Soya sauce
2103.90.30	Fish sauce
2922.42.20	Monosodium glutamate
1507, 1511, 1512, 1513	Vegetable oil
1101, 1102, 1106	Flour
0201, 0202, 0203, 0207, 0209, 0210, 1602	Meat (cattle, pork and poultry)
03	Sea fish and freshwater fish

n.a. Not applicable.

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

Table 4.12 Price administration on essential utilities (services)

Sector/subsector	Measure
Electricity (CPC 1710)	Tariff is based on Notification No. 302/MoIH, dated 24 June 2005
Water supply (CPC 1800)	Tariff is based on Decision No. 494/VT, dated 1 September 2009

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

4.110. Price controls for rice (minimum prices) are in place to support farmers' incomes. Maximum prices are applied to fuel and gas, as well as to domestically-produced and imported construction steel and cement. The maximum price is guided by the consumer price index, and is calculated by the suppliers, who make allowances for all costs and a profit margin. The proposed prices are approved by the Internal Trade Department of the MoIC. The Department also monitors adherence to the approved maximum price.

4.111. According to the authorities, price surveillance is for monitoring purposes only, where price increases in certain goods could have extensive repercussions for households. The authorities stated that the Government does not intervene in the market, and that the measure essentially implied inspection by officials from the Internal Trade Department or the Provincial Offices of Industry and Commerce. The inspectors check that traders display the prices of their products appropriately, and they conduct spot checks to ensure adherence to the pricing regulations.

4.3.5 State trading enterprises, SOEs, and privatization

4.112. Lao PDR does not have any state-trading enterprises as defined under Article XVII of the GATT, and has notified this to the WTO.[28]

4.113. The Government sees the private sector as central to the country's future prosperity.[29] As such, the role of the State had been scaled down, with the number of SOEs dropping from 800 in 1990 to 37 in 2002 (Tables 3.13 and 3.14). It was estimated that the 37 SOEs employed less than 15,000 people and accounted for approximately 4% of GDP in 2002.[30] Private and public enterprises compete under the same terms and conditions. Public enterprises are not entitled to special trading rights or privileges. Acccording to the authorities, the State plays a minor role in the economy, except for the provision of public services. Furthermore, the authorities stated that there were 187 enterprises in Lao PDR, of which 135 had the Government as the majority shareholder, and 122 were entirely owned by the State.

[28] WTO document G/STR/N/15/LAO, 18 December 2014.

[29] ADB, *Lao People's Democratic Republic: Country Partnership Strategy (2017-20)*. Viewed at: https://www.adb.org/documents/lao-pdr-country-partnership-strategy-2017-2020.

[30] The authorities stated that the information stated in Table 3.14 was not accurate; however, corrected or more recent information was not available.

Table 4.13 SOEs involved in the importation and exportation of goods

Name of SOE	Responsible agency	Sectors	Registered activities
Lao Trade Import-Export Company	MoIC	Construction and technical equipment	Import of construction materials and electrical equipment; export of wood and handicraft products
Lao International Import-Export	MoIC	Construction and technical equipment	Import of construction materials and electrical equipment; export of wood and handicraft products
Technical Equipment Supply Enterprise	MoIC	Construction and technical equipment	Import of technical equipment, including telecommunication equipment
Lanexang Development Co. Ltd.	MoIC	Construction and technical equipment	Import of construction materials, spare parts, and electrical equipment; export of wood and handicraft products
Construction Materials, Surveys and Analyses Co.	MoIC	Construction and technical equipment	Import of construction materials and technical equipment
Lao International Trade Service Company	MoIC	Construction and technical equipment	Import of technical equipment, including various consumption goods; export of handicraft products
Lao State Fuel Company	MoIC	Energy	Import of gasoline, diesel, lubricants and gas
Barite Exploration Co.	MEM	Mining	Operation ceased
Lao Cotton State Enterprise	Lao Women's Union	Textiles	Export of clothing and other cotton-made products
Pharmaceutical Factory No. 2	MoH	Public health	Import of chemical products; export of medicines
Pharmaceutical Factory No. 3	MoH	Public health	Import of chemical products; export of medicines
State Printing Enterprise	MICT	General printing	Printing equipment
Agricultural Machinery Company (Tha Ngone)	MAF	Agriculture and forestry	Operation ceased
Development of Agro-Forestry Industry Co. (DAFI)	Ministry of National Defence	Agriculture and forestry	Operation ceased
State Enterprise for Agriculture and Industry Development	Ministry of National Defence	Agriculture, forestry, and manufacturing	Operation ceased
Bolisat Phattana Khet Phoudoi (Mountainous Area Development Company)	Prime Minister's Office	Agriculture, forestry and rural development	Operation ceased

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

Table 4.14 Other SOEs

Names	Responsible agency	Products or services
Lao National Tourism	Prime Minister's Office	Tourist services
Education Printing Enterprise	Ministry of Educationand Sports	Education printing services
Education Equipment Printing	Lao Youth Union	Educational equipment
Electricité du Laos	MEM	Electricity
National Lottery Co.	Ministry of Finance	Lottery
Lao Labour Services Co.	MLSW	Employment services
Banque pour le Commerce Extérieur du Laos	BOL	Banking service
Lao Development Bank	BOL	Banking service
Agricultural Promotion Bank	BOL	Banking service
Lao Water Supply Co.	MPWT	Water supply
La Poste du Laos	National Authority of Post and Telecommunication	Postal service
Lao Airlines	MPWT	Airline service
Design Communication Institute	National Authority of Post and Telecommunication	Communication and design
Road and Bridge Construction No. 8 Co.	MPWT	Construction

Names	Responsible agency	Products or services
River Transportation Co.	MPWT	Transportation
River Construction and Transportation Co.	MPWT	Construction
Communication and Design Co.	National Authority of Post and Telecommunication	Communication and design
River Survey and Design Co.	MPWT	Survey and design
Consultant Services Co.	Ministry of Finance	Consultant service
Enterprise Telecommunication du Lao (ETL)	National Authority of Post and Telecommunication	Telecom service

Source: WTO document WT/ACC/LAO/45, 1 October 2012.

4.114. According to the authorities, at the time of Lao PDR's accession to the WTO, the 37 enterprises considered important for national security, defence, and economic and social development would remain majority state-owned until the Government considered it feasible to reduce its share. At the same time, Lao PDR was implementing a programme, supported by the World Bank, to restructure SOEs in order to increase their efficiency. The authorities stated that the restructuring process did not necessarily include privatization, but could lead to it.[31] The restructuring programme was initiated for certain enterprises, i.e. Electricité du Laos (EDL); Lao Airlines; Lao National Tourism; Banque pour le Commerce Extérieur Lao (BCEL); Enterprise of Telecommunication Lao (ETL); and for the supply of water (decentralization of the Vientiane Municipality Authority). No fixed timetable was set for the restructuring of these enterprises. A World Bank assessment in 2008 showed that 7 out of the 13 SOEs envisaged by the Government to be restructured increased their revenue by between 7% and 17%. Furthermore, in 2008, 106 SOEs increased their revenue (revenue before tax) by USD 248 million, which is a 20% increase compared to 2007. However, the restructuring plan has not been expanded, and there appears to be no specific plan or implementation guideline or timeline.

4.115. At the time of accession, the authorities stated that, due to the restructuring programme, 25% of the shares of EDL and 30% of the shares of BCEL had been sold to the public through an initial public offering (IPO). The newly-reconstituted EDL-Gen (with a 75% shareholding by EDL) and BCEL have been listed on the Lao Stock Exchange (LSX) since January 2011. EDL was transformed into a joint venture with a foreign investor; the State has a share of 49%; and the foreign investor, 51%.

4.3.6 Government procurement

4.116. Procurement by public sector entities is a vital aspect of Lao PDR's financial management, as expenditure by such entities is responsible for a considerable amount of budgetary allocations. However, public procurement data was not available.

4.117. The Law No. 30/NA on Public Procurement, 2017, and the associated regulations are the main pieces of legislation governing public procurement in Lao PDR. Prior to the enactment of the Law, government procurement was regulated by Prime Minister Decree No. 03/PM on Goods, Works, Maintenance, and Services, 2004, and Regulation No. 063/MOF, 2004.

4.118. The objectives the Law are to define "the principles, regulations and measures regarding the management, monitoring and performance of public procurement to ensure such activity is carried out properly and in a unified manner countrywide, in order to secure the effective, efficient, economic, transparent accountability and fair use of government funds in contribution to national socio-economic development".

4.119. The Law specifies the rules, methods, procedures and structure for managing and implementing all public procurement transactions, regardless of the source of the funds. It is not

[31] The restructuring of SOEs was divided into three phases which include 13 SOEs. Phase 1 includes EDL; Lao Airlines; Bolisat Phattana Khet Phoudoi; Pharmaceutical Factory No. 3; and Lao Water Supply Co. Phase 2 includes Lao State Fuel Company, and Road and Bridge Construction No. 13. Phase 3 includes Development of Agro-Forestry Industry Co. (DAFI), Lanexang Development Co. Ltd, and Agricultural Machinery Company.

clear if the Law also applies to procurement transactions under projects financed by development partners. However, it does not apply to procurements pertaining to national stability and security.

4.120. Under the provisions of the Law, the Procurement Monitoring Office in the Ministry of Finance is responsible for administering the procurement of all ministries, governmental agencies, the provinces and Vientiane Capital, and SOEs. Tenders are published in English in the Vientiane Times, the Ministry of Finance website and the Official Gazette.

4.121. The Law allows for various procurement methods, depending on the type and magnitude of the procurement. Details of procurement thresholds, procedures and implementation guidelines for each procurement method were not available. For works, goods and services, the following methods may be used: open bidding; limited bidding; requests for quotations (price comparison); and direct contracting. Open bidding are tenders formally announced through mass media or electronic systems, without limitation of participants. In national open bidding, only local individuals and legal entities are allowed to participate in the tenders; international open bidding is open to both local and foreign individuals and legal entities. Limited bidding is applied when tenders require high expertise or specific techniques that only a limited number of contractors, suppliers and/or service providers can provide. As such, tenders are announced by project owners or procuring entities directly to contractors, suppliers and/or service providers for price competition. Requests for quotations are applied for the procurement of small works, routine maintenance, supplies of office equipment, and other services within set budgets. They are solicited by way of direct invitations or through appropriate electronic systems to no less than three participants. Direct contracting refers to an agreement between project owners and contractors, procuring entities, suppliers and/or service providers without a competitive procurement process. As per the provisions of the Law, direct contracting is only permissible for: single sources of products linked to IPRs; specific equipment and goods from contractors, suppliers and/or service providers for maintenance or replacement; extensions for additional works, goods and/or services and consulting services of a similar nature whose value does not exceed 20% of the original contract; government projects and activities in isolated areas with poor infrastructure or very limited interest from bidders; within budgets set under regulations; and in cases of *force majeure* or urgency. Article 45 of the Law also provides for domestic preferences in government procurement. Details of conditions under which preferences are given and the preference margins were not available.

4.122. With regard to consultancy services, the permissible methods of procurement are the following: (i) quality-based selection is used for selecting consulting firms when the procuring entity requires relevant multi-disciplinary expert services at the same time, and focusses primarily on the technical levels of those services; (ii) quality- and cost-based selection is used for selecting consulting firms when the procuring entity takes into consideration the quality and the cost in conformity with the level of technical complexity of the required services; (iii) budget-based selection is used for selecting consulting firms when the procuring entity has a fixed budget with clear objectives; the procuring entity is required to specify the budget, thus requiring consulting firms to submit their technical proposals in conformity with it; (iv) least-cost selection of consultants is used to select consultants for short-term, routine and continuous work, namely for maintenance and regular inspection; (v) selection based on the consultants' qualifications is when participants' competence and experience are assessed to select consultants meeting the quality and standard in accordance with the evaluation method; and (vi) single-source selection of consultants is a non-competitive process, as it is for work that represents a natural continuation of previous tasks carried out by the same firm; or when only one consultant is qualified or has the specific conditions and experience for the tasks to be assigned; or in urgent circumstances as declared by the project owners.

4.123. The Law stipulates that all procuring entities have a tender committee, which is responsible for reviewing procurement plans and bidding documents, assessing and awarding contracts, supervising contract implementation, and addressing procurement complaints, based on the competencies of the entity and the committee. Tender committees are appointed by ministers, heads of agencies or governors, mayors, chiefs of districts, chiefs of municipalities, or relevant assignees.

4.124. Bid evaluation is a two-step process. The preliminary examination looks at the completeness of the bids or proposals, and is duly signed by the authoritative persons (may be done by letter of appointment or power of attorney); and at the validity of bid securities and any proposals for

discounts. Detailed examination of bids or proposals looks in detail at the financial statements, technical specifications, qualifications, quality, contract implementation time-frame, experience, personnel, vehicles and equipment, and price. When bids and proposals are deemed to comply with procurement procedures, ministers, heads of agencies or governors, mayors, chiefs of districts, chiefs of municipalities, or concerned assignees approve the evaluations.

4.125. If bidders are unsatisfied with the procurement process, they may file a written complaint to the project owners or procuring entities for resolution within 15 days. If the resolution is not to the bidders' satisfaction, matters may be submitted to relevant government agencies, including the civil courts.

4.3.7 IPRs

4.126. Lao PDR attaches great importance to IPR protection, to attract foreign investment and foster domestic growth. The IP system forms an integral component of the national strategy that was drawn up for socio-economic development. In the 8th five-year NSEDP, which sets the goal to graduate from LDC status by 2020, the development of science and technology is stressed as a key driver of economic growth and development, leading to industrialization and modernization. The NSEDP envisages a triangular policy of science, technology, and innovation (STI). To promote the development of science and technology, the NSEDP prioritizes development of policies, legislation, and programmes which promote national innovation, R&D, IP, and technology transfer, among others.[32] While the magnitude of these four spheres were highlighted in the NSEDP, considerable significance is placed on the development of R&D, by allocating an annual budget to it and planning to develop research institutes.[33] The development of these four inter-twined areas is aimed at supporting each other. For instance, increased capacity in R&D is expected to develop the national innovation system. According to the NSEDP, the Government has realized enhanced research and services on issues relevant to IPRs, such as licensing, trademark registration, IP dispute resolution, and quality control on import commodities.[34] Lao PDR is a member of the ASEAN, which put in place the Intellectual Property Rights Action Plan 2016-25 and the IPRs Enforcement Action Plan; these have the overall objective of transforming ASEAN into a highly innovative and competitive region, with the collaboration of its members. ASEAN focusses on building capacity in Lao PDR.[35] Furthermore, during its accession process to the WTO, Lao PDR made a commitment to build capacity during its transition period, to fully enforce a TRIPS-consistent legal regime upon expiration of the transition period on 31 December 2016.[36] The authorities stated that this has taken place.

4.127. The main legislation governing IPR is the Law on Intellectual Property, 2011, which was recently amended to further align the legislation with international standards.[37] The Law constitutes the principal legal framework for IPRs in Lao PDR, and covers the major areas of IPRs: industrial property, new plant varieties, and copyright and related rights. It allows for parallel imports under all conditions. Lao PDR is a member of the World Intellectual Property Organization (WIPO) since 1995. In addition, it is a contracting party to several treaties administered by WIPO, including the Paris Convention (1998), the Patent Cooperation Treaty (2006), and the Berne Convention (2012).

[32] MPI (2016), *8th Five-Year NSEDP 2016-20 (Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane),* June. Viewed at: https://www.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2016/10/8th_NSEDP_2016-2020.pdf.

[33] UNESCO (2018), *Mapping Research and Innovation in Lao PDR*. Viewed at: https://unesdoc.unesco.org/ark:/48223/pf0000262884.

[34] MPI (2016), *8th Five-Year NSEDP 2016-20 (Officially approved at the VIIIth National Assembly's Inaugural Session, 20–23 April 2016, Vientiane),* June. Viewed at: https://www.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2016/10/8th_NSEDP_2016-2020.pdf.

[35] ASEAN, *Intellectual Property Rights Action Plan 2016-25*. Viewed at: https://www.aseanip.org/Portals/0/ASEAN%20IPR%20ACTION%20PLAN%202016-2025%20(for%20public%20use).pdf?ver=2017-12-05-095916-273; and ASEAN IPR Enforcement Action Plan. Viewed at: https://www.aseanip.org/Portals/0/ASEAN%20IPR%20Enforcement%20Action%20Plan.pdf?ver=2018-01-04-150134-093.

[36] WTO document WT/ACC/LAO/45, 1 October 2012.

[37] It entered into force on 8 June 2018. European Patent Office. Viewed at: https://www.epo.org/searching-for-patents/helpful-resources/asian/asia-updates/2018/20180613.html.

After its accession to the WTO, Lao PDR signed the Madrid Protocol, which entered into force in March 2016.[38]

4.128. The Law is administered by the MOST. This is the central governmental body responsible for formulating and implementing IP legislation and regulations, among other functions, and is also in charge of coordinating with other relevant sectors. Within the MOST, the Department of Intellectual Property (DoIP) is dedicated to the enforcement and implementation of the IP regime. It has eight bodies, including the following Divisions: Patents; Trademarks and Environment; Plant Protection; Copyright; Development and Promotion; Dispute Settlement; Foreign Policy and Foreign Relations; and Service Centre.[39] The Dispute Settlement Division's role is to issue administrative sanctions, though it remains inchoate. The development of such a function is deemed crucial, as judges have limited knowledge of IP.[40] Lao PDR also has provincial IP offices, which the central agency coordinates. Recently the MOST, along with a donor partner, launched an IP portal. The portal will provide information on IPR registration, registered IPRs, and online application facilities. The content of the portal will be available in English language, once it is fully-operational.[41]

4.129. Under the NSEDP, Lao PDR has made some progress towards increasing the effectiveness of its STI policy and its IPR framework. In this regard, it developed and amended some of its legislation and policies. A number of relevant laws, including the Law on Science and Technology, the Law on Technology Transfer, the Electronic Transaction Law, and the Biotechnology Safety Law, were put in place.[42] The National Strategic Plan on Science and Technology Development (2013-20) and Vision 2030 were drafted. A specific innovation strategy is under development. Work is also ongoing to establish Technology Innovation Support Centres (TISCs)[43], and the Government aims to establish science promotion and technology transfer centres by 2020.

4.130. As an LDC, Lao PDR avails of extended transitional periods under the TRIPS Agreement. In other words, it has no obligation to fully implement the provisions of the Agreement other than those pertaining to national treatment and MFN treatment until 1 July 2021, or when it ceases to be an LDC. It is also not obliged to protect or enforce patents for pharmaceuticals until 1 January 2033, or when it graduates from LDC status.[44] Lao PDR also benefits from Article 66.2 of the Agreement, under which, developed country Members are required to provide incentives to companies in their territories for the purpose of promoting and encouraging technology transfer to LDC Members.[45]

Industrial property

4.131. Under the provisions of the Law on IP, industrial property encompasses patents, utility models, industrial designs, trademarks, trade names, layout designs of integrated circuits, geographical indications, and trade secrets. The Law recognizes protection for all the above; it does not require registration for trade names or trade secrets for these to receive protection. Both national and foreign individuals and legal entities are eligible to apply for protection of industrial property. An application for protection must be filed with the MOST or an international IP registration organization to which Lao PDR is a party. Under the Law, inventions, utility models, industrial

[38] WIPO. Viewed at: https://www.wipo.int/treaties/en/ShowResults.jsp?country_id=98C.

[39] OECD (2017), *Investment Policy Reviews: Lao PDR*. Viewed at: https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-lao-pdr-2017_9789264276055-en#page1; and MOST (machine-translation). Viewed at: https://www.most.gov.la/index.php/la/2012-01-04-07-14-46/2012-01-04-07-24-47.

[40] OECD (2017), *Investment Policy Reviews: Lao PDR*. Viewed at: https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-lao-pdr-2017_9789264276055-en#page1.

[41] MOST portal. Viewed at: https://dip.gov.la/; USAID. Viewed at: https://www.usaid.gov/laos/press-releases/feb-21-2019-united-states-and-laos-launch-new-intellectual-property-web-portal; and HKTDC. Viewed at: http://emerging-markets-research.hktdc.com/business-news/article/ASEAN/LAOS-Phase-One-of-Intellectual-Property-Registration-Portal-Goes-Live/raasean/en/1/1X4W6LDW/1X0AGO2Y.htm.

[42] Lao Official Gazette. Viewed at: http://laoofficialgazette.gov.la/index.php?r=site/list&legaltype=16&old=0; and UNESCO (2018), *Mapping Research and Innovation in Lao PDR*. Viewed at: https://unesdoc.unesco.org/ark:/48223/pf0000262884.

[43] OECD (2018), *SME Policy Index: ASEAN 2018,* Chapter 15 LAO PDR ASPI Country profile. Viewed at: https://www.oecd-ilibrary.org/docserver/9789264305328-19-en.pdf?expires=1554134909&id=id&accname=ocid54015567&checksum=0481C651F0D8D66D71234F00676464D4.

[44] WTO documents WT/ACC/LAO/45, 1 October 2012; IP/C/64, 12 June 2013; and IP/C/73, 6 November 2015.

[45] WTO. Viewed at: https://www.wto.org/english/tratop_e/trips_e/techtransfer_e.htm.

designs, and trademarks may also receive prior art protection for official exhibitions, subject to filing within six months. An application and accompanying document may be filed in either the Lao or English language.[46] A formality examination is conducted, the application is published, substantive examination takes place, and protection is granted or registered.[47] One of the significant changes instituted by the amended Law is the introduction of an opposition procedure, or refusal claim, by a third party to applications before their possible registration.[48] Under the Law, failure to commercially exploit industrial property rights is grounds for the competent court to terminate the rights. Also, where an industrial property right or plant variety is held invalid by the People's Court, the MOST cancels or eliminates such IP.[49]

Patents and utility models

4.132. The Law provides for eligibility requirements for patents and utility models. An invention is eligible for patent protection if three conditions are met, namely, novelty, inventive step, and industrial applicability. The test for utility model protection differs, as follows: (i) it must be new or novel within one year prior to filing an application; and (ii) it must have an easier inventive step than that required for patents. Inventions and utility inventions[50] which are not novel, or of which the subject matter does not offer a technical solution, are excluded from patentability. Diagnostic, therapeutic and surgical methods for the treatment of humans or animals are not patentable either. Likewise, plants and animals other than micro-organisms and essentially biological processes for the production of plants or animals are not patentable, provided, however, that such subject matter may constitute an element of an invention or utility invention. Lao PDR may also refuse to grant a patent or utility model on the grounds of public order, i.e. inventions or utility inventions which are contrary to the culture and fine traditions of the nation[51] or to its security and peace.[52]

4.133. Under the Law, use without authorization of the right holder may be authorized on four grounds: (i) situations of national emergency or circumstances of extreme emergency; (ii) non-commercial use by the Government; (iii) anti-competitive practices, albeit subject to judicial process; and (iv) failure to work. The Law provides that such authorization takes place predominantly for the supply of the domestic market, and only if voluntary licensing has been attempted first. The latter may be waived in cases of national emergency or public non-commercial use. Such authorization is considered on individual merits, and is non-exclusive and non-transferrable. The right holder is paid adequate remuneration, has the right to propose terms for compensation, may request the MOST to reconsider the value of the compensation or unreasonable circumstances, and receives immediate notice of any decision to grant such authorization or regarding the compensation.[53] According to the authorities, there have been no such cases in Lao PDR since the implementation of the IPR regime.

4.134. Procedurally, an invention or utility invention is published in the official industrial property gazette in the nineteenth month after the filing date of the application. A third party may lodge an opposition or a refusal claim, to an application, within 90 days of the date of publication. The term of protection for patents is 20 years, and that for utility models is 10 years, from the date of filing, with annual fees and service charges imposed. A patent or utility model owner has the right to, *inter alia,* initiate a suit for acts of infringement happening after the publication or during the pendency of the application only after the grant of the patent, or if the infringer had notice of the patent application. Patent and utility model applicants can also claim a priority date; for both, the

[46] A translation into the Lao language is required within 90 days of filing. Lao Services Portal, Articles 12, 26, 27, 30 and 37 of the Law on IP (2018). English translation of the Law. Viewed at: http://www.laoservicesportal.gov.la/images/download/Legal_20190102100107 28.pdf.

[47] Of all registrable areas, only layout design is not subject to substantive examination. Articles 38, 39, and 40 of the Law on IP (2018).

[48] European Patent Office. Viewed at: https://www.epo.org/searching-for-patents/helpful-resources/asian/asia-updates/2018/20180613.html.

[49] Articles 45 and 139 of the Law on IP (2018).

[50] The Law employs the terms "utility innovation" and "utility invention" for the subject matter of utility models. Articles 3 and 39 of the Law on IP (2018).

[51] Social order and morale, damage to human, animal or plant life or health, or causing serious prejudice to the environment.

[52] Articles 13, 14, and 21 of the Law on IP (2018).

[53] Article 64 of the Law on IP (2018).

priority period is 12 months.[54] According to the Lao Intellectual Property Database, 646 patent applications had been filed by end-March 2019.[55]

Trademarks and trade names

4.135. Both goods and services are eligible for trademark registration. The amended Law expands the coverage of protection for trademarks to three-dimensional picture and motion images.[56] The Law explicitly stipulates that the nature of the goods or services is not grounds for denying registration of a trademark. However, marks that are identical or similar to a well-known mark, consist of a geographical indication (GI) identifying a place other than the place of origin[57], or contain national emblems or an emblem of an international organization, are not eligible for trademark registration. Trademark applicants may claim a priority date based on one or more applications previously filed either with the MOST or in another country or office in accordance with international treaties to which Lao PDR is a party. The priority period for trademarks is six months from the priority date. The term of protection of trademarks is ten years from the date of filing instead of the date of registration, and are renewable indefinitely. While the Law does not clearly provide for actual use of a mark as a condition for the filing of an application for registration, it sets forth some provisions for the non-use of a trademark under which a third party may request the MOST to cancel or revoke the registration of such trademark. Non-use of a trademark means that a trademark has either not been used for five consecutive years, or it has been merely token used or not used in good faith.[58] While a trademark application is still being processed, the application is published. A third party may file an opposition within 60 days of the date of such publication.[59] As at early-April 2019, 46,452 filings for trademarks had been submitted.[60]

4.136. A trade name is defined as "a name of an enterprise which is used for business operations". It is protected without the owner having the obligation to file or register it, and whether or not it forms part of a trademark. The term of protection of a trade name is unlimited, until the owner stops using it.[61]

Industrial designs, layout designs of integrated circuits, and trade secrets

4.137. The Law on IP requires that an industrial design must be new and ornamental, to receive an industrial design certificate. One of the requirements for filing an application for the registration of a layout design of an integrated circuit is that the application must be submitted before its commercial exploitation anywhere in the world by the right holder, or within two years from the date of commercial exploitation. It confers on the right holder the right to prevent others from reproducing, importing, selling, or otherwise distributing it for commercial purposes. However, in line with the relevant provision of the TRIPS Agreement and the Treaty on Intellectual Property in Respect of Integrated Circuits, reproduction of a layout design by a private party for the sole purpose of evaluation, analysis, research, teaching or parallel creation is permitted.[62] The Law is also aligned with the relevant provision of the TRIPS Agreement in respect of "innocent infringement". An applicant may claim a priority date for an industrial design, the period for which is six months from the priority date. This is subject to the same refusal claim or opposition procedure by a third party as mentioned above under the trademark section. The term of protection of an industrial design is

[54] Articles 29, 39, 48, 49, and 56.5 of the Law on IP (2018).
[55] Lao Intellectual Property Database. Viewed (machine-translation) at: http://online.dip.gov.la/ipsearch/public/home;jsessionid=32102F803CF8D8631D9BD86725F140FB?0.
[56] European Patent Office. Viewed at: https://www.epo.org/searching-for-patents/helpful-resources/asian/asia-updates/2018/20180613.html.
[57] It is also a ground for refusal if a mark consisting of a GI falsely represents to the public that the goods originate in another territory.
[58] The provision is not very strict, since the right holder can challenge a request for cancellation by providing justified reason of non-use such as *force majeur*. Article 65 of the Law on IP (2018).
[59] Articles 16, 23, 29, 39, and 51 of the Law on IP (2018).
[60] Lao Intellectual Property Database. Viewed (machine-translation) at: http://online.dip.gov.la/ipsearch/public/home;jsessionid=32102F803CF8D8631D9BD86725F140FB?0.
[61] Articles 19 and 54 of the Law on IP (2018).
[62] The Law stipulates that the right holder shall not exercise his/her right in respect of an identical original layout design that was independently created by a third party.

15 years, and of a layout design of an integrated circuit, 12 years, from the date of filing of the application for registration.[63]

4.138. Under the Law, trade secrets are defined as secret information that has commercial value. The term of protection of a trade secret is infinite or until it loses its secrecy. The Law does not require registration for the protection of trade secrets. The proprietor of the trade secret has the right to prevent trade secret information lawfully in his/her control from being disclosed to, acquired by, or used by others without his/her consent in a manner contrary to honest commercial practices. However, there are two exceptions: the discovery of the information by reverse engineering or similar means, and the acquisition of the information without an obligation of confidentiality or trust. Furthermore, the Law also extends protection for test or other data against both unfair commercial use and disclosure, with the exception that such data may be disclosed to the extent necessary to protect the public. Regarding the protection of test data against unfair commercial use, the Law enshrines the view that the originator of the data be given a period of five years during which no person other than the person who submitted the data, without the latter's permission, rely on such data.[64]

GIs

4.139. The Law provides for a minimum level of protection for GIs. While providing protection to goods in general, particular attention is given to the quality, reputation, or other characteristics of the goods, focussing on natural and human factors.[65] Under the Law, six categories of indications are ineligible for registration. These include indications that are likely to mislead or confuse consumers; that have become customary names; lead to misunderstanding; or are not, or cease to be, protected in their country of origin. In particular, GIs for products of rice, coffee, tea, and wine that are identical to customary names of these varieties in Lao PDR, or GIs homonymous with a protected GI for mentioned goods, are ineligible for registration. A third party may file an opposition to a GI application within 60 days from the date of publication of the application. If an applicant fails to perform under the requirements of the registration of the GI, a third party may request the MOST to suspend the exploitation of the registered GI. If such an applicant continues to fail to comply with the requirements within a given time, the MOST may suspend the exploitation of the GI. The term of protection of GIs is unlimited, effective from the date of receipt of the registration certificate, with one-time fee and service charge of approximately US 300. The Law confers the right to the owner of a registered GI to prevent others not only from applying the GI but also GI in a trademark. Among others, the owner of a registered GI has the rights to bring legal proceedings against infringers, and to be compensated for damages caused by others.[66] The authorities stated that three applications for GIs had been registered as at June 2019.

Plant varieties

4.140. Lao PDR intends to join the International Union for the Protection of New Varieties of Plants (UPOV); as such, the amended Law provides for new plant variety regulations.[67] However, capacity constraints are proving to be a hindrance. To register a plant variety, it must be new, distinct, uniform, and stable. Denomination is also considered, though not required. The Law provides for national treatment. However, those without a residence or business premises in Lao PDR must appoint a representative who has such premises. A breeder applicant may claim a priority date when submitting an application for the grant of protection for the same variety, subject to a 12-month period. S/he may file an application for breeder's right and, in the case of two persons having jointly bred a new variety, such persons can jointly apply. A third party may oppose the registration of a plant within 90 days of it being published in the Official Gazette.[68]

4.141. Acts of production, reproduction, conditioning for propagating, offering for sale, selling or distribution, importing, exporting, and stocking of harvested material obtained through the unauthorized use of propagating material of the protected variety requires the authorization of the

[63] Articles 15, 17.3, 29, 50, 52, and 59 of the Law on IP (2018).
[64] Articles 20, 61, and 62 of the Law on IP (2018).
[65] Natural factors, such as conditions of soil, air, water, the ecological system, natural conditions, and human factors, including the skills and experience of manufacturers, and traditional methods.
[66] Articles 18, 25, 39, 53, 60, and 67 of the Law on IP (2018).
[67] CanCham. Viewed at: https://canchamthailand.org/laos-reforms-intellectual-property-law/.
[68] Articles 69, 75, 76, and 79 of the Law on IP (2018).

breeder, unless the breeder has had reasonable opportunity to exercise his/her right in this regard. The term of protection of plant varieties is 25 years for trees and vines, and 20 years for other varieties, from the date of granting of the breeder's right. Additionally, the Law also accords a breeder applicant protection for the period between the publication of the application and the grant of the right, under which the breeder is entitled to equitable remuneration from any person who undertakes acts which, once the right is granted, require the breeder's authorization.[69] Breeders' rights are not applicable in cases of private or non-commercial use, experimentation, and for the purpose of developing new varieties. The exception to the latter is varieties whose production requires the repeated use of the protected variety. The Law also provides for exhaustion, nullity, and cancellation of breeders' rights. A public interest-based restriction applies to the breeder's right where it is necessary for meeting an urgent public need.[70]

Copyright and related rights

4.142. With regard to copyright and related rights, protection is available to every work in the literary, scientific, and artistic domains, and each of which consists of a list of works to be protected. Computer programmes, data compilations, and collections of literary or artistic works are also protected. The Law also extends protection to derivative works, without prejudice to the rights of the author of the original work. Lao PDR has chosen not to protect official texts of a legislative, administrative and legal nature, and official translations of such texts. The Law lists performers, producers of phonograms, and broadcasters and broadcasting organizations as the groups of persons who are entitled to enjoy protection of related rights.[71]

4.143. Notification of a copyright or related right may be recorded with the MOST to serve as evidence for future violation or dispute. A notification takes place by lodging an application with the MOST and, in turn, the MOST issues a receipt, provided the application meets the requirements. The Law confers perpetual moral rights, including to performers, and exclusive economic rights to the author or owner of the copyright, under which the owner may undertake a wide variety of acts delineated in the Law. Likewise, the Law also grants a number of rights to owners of related rights. Regarding limitations and exceptions to the rights of the author, the Law employs the notion of "fair use", under which it details the acts permitted. Similarly, the Law states that limitations and exceptions applicable to copyright apply to related rights, *mutatis mutandis*.[72]

4.144. The Law follows the minimum term of protection, which is the life of the author plus 50 years for the copyright owner, commencing from the date of creation. In case of joint authorship, the 50 years begins from the death of last surviving author. The term is 25 years from the date of creation for works of applied art and photographic works. The term of protection for performers and producers of phonograms is 50 years from the end of the calendar year in which the fixation was made or otherwise published. The term of protection for broadcasters and broadcasting organizations is 50 years from the end of the calendar year in which the programme was first broadcast. The Law also allows for collective management organizations (CMOs) to be formed by agreement among owners of copyright and related rights, in accordance with the Law, and under the management of the MOST. Generally, such organizations play roles in respect of managing the rights in question, licensing, remuneration, royalties, exploitation, and representation. Such CMOs have certain rights and obligations.[73]

Enforcement

4.145. The Law provides for administrative measures and remedies, border measures, and criminal procedures for IPR infringement. It empowers not only the IP administration authorities but also several other external authorities to inspect the implementation of IPRs. It also provides for several forms of inspection. Lao PDR is not listed in the United States Trade Representative's (USTR) Special 301 Report or in the 2017 Out-of-Cycle Review of Notorious Markets. However, IP enforcement still

[69] Articles 82, 83, and 84 of the Law on IP (2018).
[70] Notifications may be issued allowing the exploitation of a protected variety without authorization of the right owner, but the right owner is entitled to remuneration. Articles 86–91 of the Law on IP (2018).
[71] Articles 92-95 of the Law on IP (2018).
[72] Articles 97, 98, 101, 102, 107, 115, and 116 of the Law on IP (2018).
[73] Articles 113, 114, 118-120 of the Law on IP (2018).

faces challenges. Concerns expressed hinge on civil judicial enforcement, and customs administration.

4.146. Pursuant to Lao PDR's commitment made during its accession to the WTO, the Law on IP provides for customs officers to inspect and seize counterfeit goods and pirated works *ex officio*. The aggrieved parties may also request Customs to seize the suspected goods, and file an application for dispute resolution at the border; specific regulations are to be put in place for this.[74] However, counterfeit goods remain available in the Lao marketplace, due to the lack of a formal trademark registration system in place at Customs[75], and perhaps also due to a lack of public awareness of the harmful impact of counterfeit trademark goods.[76] In the past, corruption in the customs clearance process reportedly also functioned as a barrier to investment in general and, consequently, to IPR protection. However, the Government has taken steps to address this issue, by implementing a digital payment system for importers, expanding the ASYCUDA system to 24 offices throughout the country, and introducing a risk management-based approach to the inspection process.[77] Under the Trade Facilitation Road Map and Action Plan for 2017-22, the Government committed to requiring officers at the border checkpoints and Customs to inspect imported goods that infringe IPRs.[78]

4.147. The People's Court has jurisdiction over all violations of IPRs Lao PDR. Other means of dispute resolution are also available.[79] Remedies available to a plaintiff involve orders by the Court, ordering: the infringer to abstain from infringement; the suspension of customs procedures; the seizure of goods to prevent the entry into the channels of commerce of infringing imported goods; declaring a judgement of infringement; the infringer to pay adequate damages; infringing goods to be destroyed or otherwise disposed of; and materials and equipment predominantly used in the production of infringing goods be disposed of outside the channels of commerce. Regarding destruction and disposal provisions, the Law recognizes the "proportionality" principle, and the insufficiency of the simple removal of the trademark unlawfully affixed to counterfeit trademark goods. The Law stipulates the "right of information", "indemnification of the defendant", and "provisional measures".[80] However, the lack of guiding decrees, especially on dispute resolution and administrative remedies, make enforcement less effective.[81] The lack of capacity of judges, arbitrators and specialized courts are considered as other areas in need of improvement.[82] Efforts have been made to train the judges on IPRs.[83]

4.148. If intentional or unintentional violation of the Law on IP occurs, the violator is fined 1% of the value of the damages occurred. For a second time or repeated violation, the fine is 5% of the value of damages occurred for each violation. The Law also stipulates that infringement of copyright or related rights, trademarks, industrial property rights, and plant variety protection is punishable. Additionally, a competent court may subject a violator to additional measures, including suspension or withdrawal of his/her business licence and seizure of the infringing goods, property, or equipment involved in the offence.[84]

[74] HKTDC. Viewed at: http://emerging-markets-research.hktdc.com/business-news/article/ASEAN/Intellectual-Property-Protection-in-Laos/asean/en/1/1X4W6LIR/1X0ACX45.htm.
[75] HKTDC. Viewed at: http://emerging-markets-research.hktdc.com/business-news/article/ASEAN/Intellectual-Property-Protection-in-Laos/asean/en/1/1X4W6LIR/1X0ACX45.htm.
[76] USTR (2018), *National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf.
[77] USTR (2018), *National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: https://ustr.gov/sites/default/files/files/Press/Reports/2018%20National%20Trade%20Estimate%20Report.pdf.
[78] Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=searchMeasures/view&id=305.
[79] Forms of dispute resolution include reconciliation, mediation, administrative remedy, remedy through the Economic Dispute Resolution Committee, and international settlement.
[80] Articles 142-144 of the Law on IP (2018).
[81] OECD (2017), *Investment Policy Reviews: Lao PDR*. Viewed at: https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-lao-pdr-2017_9789264276055-en#page1.
[82] OECD (2017), *Investment Policy Reviews: Lao PDR*. Viewed at: https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-lao-pdr-2017_9789264276055-en#page1.
[83] WIPO. Viewed at: https://www.wipo.int/edocs/mdocs/aspac/en/wipo_ipr_ju_tyo_18/wipo_ipr_ju_tyo_18_1.pdf.
[84] Articles 162, 165, 167, and 168 of the Law on IP (2018).

5 TRADE POLICIES BY SECTOR

5.1. During the review period, trade-related policy and regulatory developments affected several activities. Agriculture continues to play an important role in the economy, maintaining food security, and developing the rural economy. However, manufacturing remains a relatively low priority activity in terms of its contribution to the economy, employment and merchandise exports, covering food and beverage processing, construction materials, garments, and cigarettes. Tariff protection for agriculture dropped considerably but remains higher than the overall applied MFN average and the average for manufacturing. Mineral and hydropower resources continued to drive growth. The energy structure remains simple but has been substantially developed and improved, making it an electricity exporter albeit one fully dependent on rising hydrocarbons imports. Electricity tariffs based on the consumer category involve a cross-subsidization element. During the review period, the services sector continued to play a significant role in supporting economic growth; Lao PDR's seven RTAs involve GATS plus commitments on trade in services. Despite the financial sector expansion, its market penetration remains relatively small; regulatory strengthening was undertaken to, *inter alia,* enhance its resilience. Telecoms penetration remains relatively low except for mobile telephony; in addition to the establishment of the Lao Telecommunication Regulatory Authority, the legislation was updated in certain areas, including telecommunications competition and licensing. Lao PDR's landlocked situation impacts its foreign trade-related transport costs, and action is being taken to upgrade road networks and build a rail network. Air transport continued to expand and support rising levels of tourism; insertion of its aviation sector into international markets was pursued. Distribution services remain the major services activity; initial steps were taken in the regulation of e-commerce. Tourism remains dependent on regional arrivals; several tourism-related policies remain in place.

5.1 Agriculture, Forestry, and Fisheries

5.1.1 Features

5.2. Agriculture continues to play an important, albeit declining, role in the economy, maintaining food security, and developing the rural economy, therefore also addressing poverty. Its GDP contribution (including forestry and fishing) dropped progressively from 20.4% (2012) to 17.9% (2018) due, *inter alia,* to weather conditions (e.g. heavy flooding in 2018) and fast growth in electricity and construction activities (Table 1.2). Agriculture's share in total employment is estimated to have dropped from 71.3% in 2010 to 61.3% in 2017 (Table 1.2).[1] Despite its low labour costs, the sector suffers from a low labour productivity level, estimated at four to ten times lower than non-agricultural sectors in 2010, by international and regional standards.[2] Reportedly, agriculture faces challenges in meeting domestic and external demand, due to issues of farm productivity, lack of domestic value-added, produce quality, and fragmentation of value chains; efforts are being undertaken to address this (Section 4.1.4).[3] At the same time, poverty among agricultural smallholders and the vulnerable rural population remains one of the highest concerns.[4]

[1] According to the authorities, most of the labour force remained in the agriculture sector due to limited capacity to shift to modern technological production. MPI (2016), *8th Five-Year NSEDP (2016-20)*, (*Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; FAO. Viewed at: http://www.fao.org/laos/fao-in-laos/laos-at-a-glance/en; and UNDP in Lao PDR (2015). *Country Analysis Report: Lao PDR Analysis to inform the Lao People's Democratic Republic – United Nations Partnership Framework (2017-21),* 13 November. Viewed at: http://www.la.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2015/Country%20Analysis%20Report%20Lao%20PDR%202015.pdf.

[2] Asia News Network. Viewed at: http://www.asianews.eu/content/laos-make-agriculture-more-productive-and-profitable-world-bank-support-73238.

[3] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; and Asia News Network. Viewed at: http://www.asianews.eu/content/laos-make-agriculture-more-productive-and-profitable-world-bank-support-73238.

[4] FAO (2016), *Country Programming Framework (CPF) for Lao PDR 2016–21 (final draft),* May. Viewed at: http://www.fao.org/3/a-br864e.pdf.

5.3. Most cultivated land is dedicated to rice (Section 4.1.5).[5] Tobacco and coffee are the most important non-rice cash crops. Other crops include maize, rubber, cassava, vegetables, sweet potatoes, sugarcane, peanuts, and industrial tree crops (such as rubber, eucalyptus and acacia). Two main farming systems dominate the sector: the lowland rain-fed and/or irrigated farming systems of the Mekong flood plains and its tributaries, and an upland swidden agriculture system.[6] A third, smaller system consists of horticultural crops and coffee cultivated on the Bolovens Plateau. In 2010, around 80% of the rural population was still subsistence farmers, depending heavily on rice-based agriculture, raising livestock and relying on the collection of food from the wild for nutrient-rich foodstuffs. In the course of the 7th NDSEP (2011–15) (Section 2.2.2), commercial plantations, mainly coffee, cassava, maize and sugarcane, constantly expanded due, *inter alia*, to the granting of land concessions (Section 4.1.4), whereas cultivation of food crops (corn, taro, and food vegetables) continued to grow moderately.[7] Commercial crops considered to have market potential, market demand and satisfactory prices for farmers benefit from government support (Section 4.1.4) and attract private domestic and foreign investment, including enterprises investing in agriculture and agro-processing for export. Organic agriculture appears to be rapidly growing in parts of the country, and to have large regional market potential (Section 4.1.2).[8]

5.4. During the review period, the share of agriculture in total merchandise exports rose significantly from 14.1% (2013) to 21.3% (2017), seemingly due to the orientation of sectoral policies and private investment in commercial crops (Section 4.1.2). Most agricultural goods are consumed domestically.[9] Between 2013 and 2017, the value of total agricultural exports rose substantially, from USD 530.2 million to USD 1 billion, with bananas, coffee and cane sugar accounting for 16.1% (11.6% in 2013), 9.4% (14.7% in 2013) and 8.8% (6.6% in 2013) of total agricultural exports. Imports grew from USD 169.5 million to USD 631.6 million, with cane sugar and rice representing 11.9% (10.7% in 2013) and 7.1% (2.6% in 2013) of total agricultural imports in 2017 (Tables A1.1 and A1.2). In the early 2010s, the principal trade obstacles to agribusiness development seemingly included: entrepreneurs' and producers' inexperience in accessing markets; institutional constraints on export diversification and growth; decentralized authority for trade; and logistics issues (e.g. high transport costs and poor condition of the road network).[10]

5.5. Although Lao PDR has been self-sufficient in rice, a staple food, since the early 2000s, it remains a net food importer, and food security remains a policy objective (Section 4.1.2).[11] During the review period, Lao PDR remained a food aid recipient. According to WTO notification data, between 2012 and 2014, it received 15,600 tonnes of food aid; in 2017, the World Food Programme (WFP) Country Strategic Plan supported the Government's vision of "a prosperous country, with a healthy population, free from food insecurity, malnutrition and poverty".[12] Traditional farming systems emphasize wet season rice production to achieve rice self-sufficiency, with minimal crop

[5] FAO. Viewed at: http://www.fao.org/laos/fao-in-laos/laos-at-a-glance/en; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[6] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[7] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[8] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[9] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[10] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[11] Lao PDR still purchases rice from neighbouring countries for domestic market supply; reportedly, in 2017, the prices of food staples in Lao PDR were about 10%-20% higher than in Thailand and Viet Nam. Asia News Network. Viewed at: http://annx.asianews.network/content/laos-exports-imports-rice-hit-same-value-2017-58404.

[12] WTO document G/AG/W/42/Rev.18, 8 February 2016; and WFP (2018), *Laos Country Strategic Plan (2017-21),* November. Viewed at: https://www1.wfp.org/operations/la01-laos-country-strategic-plan-2017-2021.

diversification.[13] A secondary priority is to accumulate livestock, the most important farm asset after land and a harvested crop.

5.1.2 Policy, regulatory and institutional developments

Policy and institutional framework

5.6. During the review period, Lao PDR's main agricultural policy framework was largely based on the 7th and 8th NDSEPs (Section 2.2.2), the Strategy for Agricultural Development, 2011-20, the Agriculture Development Strategy (ADS) to the year 2025, Vision 2030, and the National Export Strategy (NES).[14]

5.7. The 2010 ADS, aimed at ensuring the successful gradual transition from subsistence into commercial smallholder production, contains strategies for addressing most current global agricultural development issues, including: increasing smallholder productivity; increasing the role for agro-enterprises in agricultural economic development; climate change mitigation and adaptation; connecting to markets; and ensuring economic, social, and environmental sustainability.[15] A detailed Agricultural Master Plan (AMP) and Agricultural Investment Plan (AIP) were developed to implement the ADS over the five-year period 2011-15. These Plans became integral parts of the 7th NSEDP. Between 2015 and 2019, budgetary outlays for ADS implementation amounted to USD 61.1 million, of which 48.8% was directed to food crops/security, 31.2% to rural development/poverty reduction, 15.1% to commodities, and 4.7% to forestry management.

5.8. Under the 7th NDSEP, emphasis was placed on: systematically developing all aspects of agriculture and forestry in line with industrialization and modernization priorities in areas that had favourable conditions for ensuring food security; promoting commodity production for domestic use and export; improving productivity; and enhancing end-product quality.[16] In the course of that NDSEP, commercial agricultural production was promoted unevenly due, *inter alia,* to the limited number of qualified officials in charge of implementation in the local areas, which translated into weak production coordination with market demand.[17] The policies and measures on commercial production had not been clearly determined, and there was limited agriculture extension services and an undersupply of veterinaries and SPS services.

5.9. Under the ADS and Vision 2030, the authorities updated the existing sectoral objectives framework based on lessons learned.[18] To attain the numerous production and investment targets, several policy tools are envisaged, including: a low-interest credit policy for targeted groups producing rice and cash crops of national and local priority, using machinery or shifting to industrialization; subsidies to guarantee rice and priority cash crop prices, ensuring at least 30% profit for producers; a reduction of customs duties on agriculture inputs not produced domestically; reduced electricity and irrigated water fees for producers; free animal vaccination and treatment in areas with high risk of disease outbreak; the development and amendment of legislation on cultivation and livestock, so as to be in line with agreements and treaties to which Lao PDR is a party, particularly legislation related to SPS measures (WTO SPS Agreement); and the improvement

[13] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[14] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[15] MAF (2010), *Strategy for Agricultural Development 2011 to 2020* (final draft), 15 September. Viewed at: https://ali-sea.org/aliseaonlinelibrary-dashboard/get/file/Strategy-for-Agriculture-Development-2011-2020-Laos.pdf and http://thereddesk.org/countries/policies/strategy-agricultural-development-2011-2020-lao-pdr; MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[16] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[17] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[18] MAF (2015), *Agriculture Development Strategy to 2025 and Vision to the year 2030,* May. Viewed at: http://www.maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf.

of stakeholder coordination (i.e. the Government, producers and entrepreneurs). The ADS, *inter alia,* provides for nine Agricultural Food Crop Production Action Plans and 62 related projects, as well as for seven Livestock and Fishery Development Action Plans and 58 projects.[19]

5.10. The 8th NDSEP is, *inter alia,* aimed at: developing solid and sustainable agriculture and forestry sectors, by raising productivity through the use of modern technology; ensuring sufficient food supply and nutrition of any kind for the entire population, with ten provinces focussed on rice production; increasing commercial crops and organic agricultural production to meet domestic processing and export needs; and transforming natural livestock farming to generate cattle equivalent to 30% of total production.[20] Numerous production/consumption targets (e.g. rice, meat, fish, eggs, coffee, sugar cane, cassava, fodder and feed products), implementing policies (e.g. clean and organic agriculture, raising productivity through yield growth, developing and managing agricultural land for rice crops, vegetables and livestock, land registration and the prohibition of the conversion of irrigated rice fields to other purposes, financial and banking support, and transport facilitation services), activities, projects (e.g. irrigation, upgrading the existing agriculture extension, and development centres) are set in all areas.

5.11. Lao PDR is a priority country for support by the FAO. As such, it benefits from the CPF covering the six years from 2016 to 2021, to achieve four key objectives of the 8th NSEDP: fostering agricultural production and rural development (including Good Agricultural Practices (GAPs), increasing agricultural productivity, and competitiveness development of stakeholder capacities for improving Agricultural Value Chains (AVCs)); improved food security and nutrition for the most vulnerable people; the protection and enhancement of forests and other ecosystems; and the improvement of capacity to respond to food and agricultural threats and emergencies and the impact of climate change.[21]

5.12. Lao PDR's 2010 NES emphasizes the production of organic products (specifically rice, vegetables, fruit, okra and coffee) of uniform quality, for domestic consumption and export.[22] It proposes the following: establish organic standards among producers for the local market, focussing initially on urban areas, hotels and restaurants, and, later on, subregional export markets; establish farmer networks for sharing information and agreeing on quality standards, including developing a local organic logo; promote the setting up of organic markets in urban areas; link farmers' organizations to domestic and subregional and regional agriculture commodity traders through frequent meetings and technical exchange visits; and use organic production gardens as tourism sites and training centres. This Strategy is being implemented for both organic and clean agricultural products through the Luang Prabang Food and Trade Linkages Project operating in Luang Prabang Province.

5.13. In line with its commitment under the United Nations Convention of Biological Diversity (CBD), Lao PDR's National Biodiversity Strategy and Action Plan (NBSAP) (2016-25), a multi-sectoral Strategy and Plan with national coverage and the second of its kind, provides broad recommendations to contribute to global, and achieve national, biodiversity targets.[23] The 2016 National Agro-Biodiversity Programme and Action Plan II (NABP II 2015-25) supports three major development goals: achieving food security; reducing poverty; and enhancing government capacity

[19] The Agricultural Food Crop Production Action Plans relate to the development of agriculture land, infrastructure clean agriculture, production management and support, plant protection and quarantine, food crop research, commercial crop production, plant variety and technological research for commercial cultivation, and personnel development for plant protection and quarantine. The Livestock and Fishery Development Action Plans cover: the improvement of productivity in livestock and fishery production; the improvement and development of sanitary measures for animal products; livestock and fishery production research; livestock and fishery commodity production research; livestock and fishery production extension; livestock production, veterinary and fishery management and administration improvement; and commercial livestock and fishery production promotion. MAF (2015), *Agriculture Development Strategy to 2025 and Vision to the year 2030,* May. Viewed at: http://www.maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf.

[20] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[21] FAO (2016), *CPF 2016-21 (final draft),* May. Viewed at: http://www.fao.org/3/a-br864e.pdf.

[22] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[23] FAOLEX database. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC163645; and CBD. Viewed at: https://www.cbd.int.

to ensure the sustainable management and use of natural resources.[24] It acts as a framework for a coordinated, multi-sector approach to better manage, utilize and conserve agro-biodiversity in order to support the three aforementioned goals. It is to improve the conservation and utilization of agro-bio-diversity (ABD), which is to be measured through five indicators: national on-farm genetic diversity, ABD-related green value chains, increasing the export of ABD products, increasing the use of endemic plant and animal genetic materials in national breeding programmes, and breeding climate resilient crop/animal varieties.

5.14. The MAF and its departments are entrusted with policy formulation and implementation in coordination with other institutions. It has a central role in coordinating all relevant stakeholders to improve and develop production to ensure food security.[25] The MAF's mandate includes taking primary responsibility for coordinating and facilitating agricultural production by smallholder producers, and working with agribusiness associations.[26]

Regulatory framework

5.15. Since WTO accession, the main legal framework governing agricultural and rural development remained unchanged. It consists of the: Law on Agriculture; Decision No. 0209/MAF on Farming Management in Lao PDR, 6 February 2013 (in Laotian language only); Decision No. 1666/MAF of the Minister of Agriculture and Forestry on Organic Agriculture Standards, 30 December 2005; Roles, Tasks and Responsibilities of the Department of Agriculture and Agriculture Extension, DAE (File No. 0356/MAF), 29 May 1992; and Roles, Tasks and Authority of the Department of Animal Husbandry and Veterinary Science, DAHSV (File No. 0353/MAF), 22 May 1992.[27] A June 2012 initiative to amend the Law on Agriculture has not been completed yet.[28]

5.16. The Law on Agriculture establishes principles for the development, management and preservation of agricultural activities. Land, divided into "land for cultivation" and "land for raising animals", is allocated by the State in conformity with "targets" (Arts 11 and 12).[29] It, *inter alia*, envisages the provision of loans at concessional interest rates (Art. 50), the domestic production of suitable and modern agricultural tools and vehicles (Art. 54), and the setting of minimum prices for certain agricultural products necessary for people's lives (Art. 63).

5.1.3 Border measures

5.17. During the review period, tariff protection for agriculture dropped considerably; however, it remains higher than the overall applied MFN average (8.6%, late 2018) and the average for manufacturing. In late 2018, the simple average stood at 11.5% (18.7% in 2008, 18.3% in 2014) and 11.2% (18.6% in 2008, 19.4% in 2014) at HS and WTO-definition levels, respectively (Tables 3.1 and A3.1). Thus, in late 2018, there was an average gap of 11 (HS) or 8.4 (WTO-definition) percentage points between the average MFN applied and bound rates in agriculture. Export-oriented items, such as coffee and tea (25.6%), and fruits, vegetables and plants

[24] FAOLEX database. Viewed at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC170813.

[25] The MAF's departments include: the Department of Livestock and Fisheries (DOLF); the Department of Agriculture (DOA); the Department of Forestry (DOF); the Department of Inspection (DOIN); the Department of Irrigation (DOI); the Department of Planning and Cooperation (DOPC); the Department of Forest Inspection (DOFI); the Department of Agricultural Extension and Cooperatives (DAEC); the Department of Agricultural Land Management (DALaM); the Council for Science and Technology (CST); and the National Agricultural and Forestry Research Institute (NAFRI). MAF (2015), *Agriculture Development Strategy to 2025 and Vision to the year 2030,* May. Viewed at: http://www.maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf.

[26] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[27] FAOLEX database. Viewed at: http://www.fao.org/faolex/country-profiles/general-profile/en/?iso3=LAO.

[28] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[29] Law on Agriculture. Viewed at: http://extwprlegs1.fao.org/docs/pdf/lao18996.pdf.

(13.2%), were subject to the highest average MFN applied rates and the peak rate of 40% (Table A3.1).[30]

5.18. Imports of agricultural products, livestock and food usually require a permit issued by the MAF or the MoH (food) in advance of importation, to ensure that these products do not pose a threat to human, animal or plant health (Section 3.1.5). According to Lao PDR's sole WTO notification on replies to the questionnaire import licensing requirements in 2014, unmilled rice, low standard rice, premium rice, semi-milled or fully milled rice whether filtered or not are the only agricultural items that remain subject to automatic import licensing requirements since 2012 (Section 3.1.5 and Table A2.1).[31] Lao PDR did not reserve its right to impose Special Safeguards (SSGs); consequently, no SSGs were applied during the review period.[32]

5.19. Since WTO accession, a few agricultural products remain subject to automatic export licensing (rice, rice in the husk, husked (brown) rice, semi-milled or wholly milled rice, whether or not polished or glazed), and export duties at 10% (e.g. nutmeg, mace, cardamoms, certain gum-resins, and bamboo plaiting materials) and 40% (certain live plants) of the f.o.b. value until early 2019 (Section 3.2.3); the list of items subject to export duties was last updated by Prime Minister Decree No. 48, 19 February 2019 (not available in English).[33] Lao PDR notified the WTO Committee on Agriculture that no export subsidies were provided to agricultural products during the calendar year 2013, and this remains the case.[34] Lao PDR recently signed agricultural and crop production agreements on conditions of food safety and SPS measures with neighbouring countries, including Thailand, Viet Nam, and China.[35]

5.20. State involvement in agriculture seemingly remains in place.[36] In 2012, at least three SOEs (Development of Agro-Forestry Industry Co. (DAFI), State Enterprise for Agriculture and Industry Development, and Bolisat Phattana Khet Phoudoi (Mountainous Area Development Company)) were operating in this area; according to the authorities, these SOEs were dissolved and, although it is unclear how many SOEs actually exist in the agriculture sector, it seems that there are not more than ten, and their role is negligible.

5.1.4 Domestic support measures

5.21. Lao PDR uses some tax and non-tax policy instruments to raise agricultural output, productivity and competitiveness. According to Lao PDR's sole WTO notification on domestic support commitments, of April 2018, covering the fiscal year (FY) 2016, the current total aggregate measure of support (AMS) stood at zero; the reason for not submitting this WTO notification for earlier years was due to a lack of human resources.[37] Since WTO accession, rice remained the only item subject to market price support (see below and Section 4.1.5); this support stood at USD 2.7 million in FY 2016. Total domestic agricultural support notified by Lao PDR (including green box, development programmes subject to special and differential (S&D) treatment, and *de minimis* support not subject to reduction commitments) stood at USD 25.1 million (USD 8.9 million excluding green box and S&D assistance). *De minimis* support consisted of market price support (rice) and non-product-specific support of USD 7.4 million (irrigation subsidies (below)). Green box support stood at

[30] The 40% rate is currently levied on coffee, tea, mate, bananas, pineapples, guavas, mangoes, mangosteen, lettuce, chicory, celery, spinach, manioc, etc. At the time of WTO accession, it was indicated that high tariffs were maintained on a number of products that affected the livelihood of most of the people of Lao PDR. WTO document WT/ACC/LAO/45, 1 October 2012.

[31] During the WTO accession process, the authorities indicated that the import restrictions previously imposed on rice – non-automatic licensing and indicative annual import plan – had been abolished. WTO documents WT/ACC/LAO/45, 1 October 2012, and G/LIC/N/3/LAO/1, 11 March 2014.

[32] At its WTO accession process, Lao PDR intended to maintain the possibility to apply SSG measures for some products, to limit unforeseen risk and mitigate adverse effects on vulnerable poor farmers. WTO document WT/ACC/LAO/45, 1 October 2012.

[33] Presidential Decree No. 002/PO, 27 April 2012, lists the products subject to export duties cited in WTO document WT/ACC/LAO/45, 1 October 2012, Article 12 of the Customs Law.

[34] WTO document G/AG/N/LAO/1, 5 February 2014.

[35] Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=766.

[36] WTO documents WT/ACC/LAO/45, 1 October 2012, and G/STR/N/15/LAO, 18 December 2014.

[37] WTO document G/AG/N/LAO/2, 9 April 2018.

USD 14.4 million, or 62.5% greater than Lao PDR's total product- and non-product-specific AMS; it mainly consisted of infrastructural services (60.6%), and extension and advisory services (27.1%).[38]

Tax incentives

5.22. In line with Art. 49 of the Law on Investment Promotion Law (Section 2.4.1), similar to industry, handicraft and services activities, in addition to the exemption from import duties for the importation of raw materials, equipment, spare parts and vehicles which are directly used for production, some investment in agriculture benefits from corporate profit tax exemption for a period of one to ten years, depending on the location zone (Section 3.3.1.2).[39] No data on forgone tax revenue (tax expenditure) relating to these tax incentives was available from the authorities.

Land concessions

5.23. The granting of land concessions to agribusiness investors constitutes an important policy mechanism for promoting agribusiness development.[40] Similarly to other activities (Section 4.2.2), the State allocates and promotes the use of agricultural land for production by granting the right to use or lease with the objective of raising land productivity and progressively transforming it into intensive agriculture.[41] The land concession system is administered through several laws and decrees, by different government agencies, resulting in a complex web of rules and regulations.[42] The process for approving land concession projects related to agriculture is in accordance with the amended Law on Investment Promotion (Section 2.4.2). The approval of land concessions for agricultural activities is operated through a single window, and requires approval from the Committee for Investment Promotion and Management, at central or provincial level. Both domestic and foreign agribusiness investors are required to obtain authorization from the MAF prior to registering a land concession-based agribusiness with the MPI.[43] Most agribusiness mega-projects that include land concessions are cultivating a monocrop, namely Eucalyptus spp., rubber, cassava, coffee, oil palm, bananas or sugar cane. By the early 2010s, an estimated 1.5 million ha of land had been allocated to local and foreign investors and agro-enterprises that operated as large-scale commercial farms (plantations) to, *inter alia,* produce cash crops for export (coffee, cassava, sugar cane and rubber). Receipts from land concessions ranged from LAK 59.85 billion (2013) to LAK 89.77 billion (2017), representing 1.7% and 3.3% of non-tax government revenue, respectively.[44] As at June 2019, 990 agriculture projects had been approved. The authorities indicated that they had suspended the granting of all new land concessions in agriculture, to review their policy and prepare a survey of all cultivatable areas, so as to determine the land which could be used for land concessions.

Inputs and irrigation

5.24. Lao PDR considers that suitable and modern agricultural tools, vehicles and machinery are necessary to improve the productivity of agricultural production. According to the relevant

[38] Expenditures on green box measures – principally the funding of research, pest and disease control, training, and extension and advisory services – averaged some LAK 56.7 billion (USD 5.6 million) per year during the period 2001-03. All support was well below the 10% *de minimis* level. WTO document WT/ACC/LAO/45, 1 October 2012.

[39] MPI. Viewed at: http://www.investlaos.gov.la/index.php/why-laos/tax-and-duty-incentives.

[40] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[41] Article 11 of the Law on Agriculture. Viewed at: http://extwprlegs1.fao.org/docs/pdf/lao18996.pdf.

[42] The application procedures for land investment/concession in agricultural activities are available online. MPI. Viewed at: http://www.investlaos.gov.la/index.php/concession-tactical-activities/agricultural-activities; reportedly, as at the early 2010s, high transaction costs, extra-legal surcharges and facilitation fees were not unusual. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[43] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[44] BOL (2018), *Annual Economic Report 2017,* Vientiane. Viewed at: https://www.bol.gov.la/together_use/Annual%20Report%202017_Eng.pdf.

legislation, it would promote their domestic production and, if necessary, ensure timely and sufficient imports.[45]

5.25. Infrastructure, including the irrigation system, research centres, seed production centres, plant and animal disease laboratories, and technical extension service stations, were developed and have gradually been expanded. The irrigation system, reservoirs and water pump stations enable two-season cropping; irrigation projects, *inter alia,* serve rice production for food security.[46] Support continues to be provided for irrigation (construction and pumping (see below)).[47] As at 2016, the number of agricultural and forest extension service centres throughout the country had increased to 264, of which 1 was under the management of the Department of Agriculture Extension and Cooperatives, and 80 were managed at provincial level, 145 at district level, and 38 at *Kum Ban* level.[48]

5.26. According to the 2018 WTO notification (above), lower-than-normal market electricity rates for low-income or resource-poor farmers represented an input subsidy of USD 1 million in FY 2016. The authorities indicated that farmers participating in modernization schemes could also benefit from half of the normal electricity rate, and the use of this subsidy was currently being determined; the distribution of fertilizer and seeds, if subsidized, is granted in the context of development projects (Section 4.1.2 and above).

Concessional loans

5.27. According to the 8th NSEDP (Section 4.1.2), appropriate policies for farmer credit loans are needed to reduce production costs, increase negotiating power in supplying and pricing, and act as collateral to access financial resources from financial institutions.[49] The State encourages people to take out short-, medium- and long-term loans, with concessional interest rates, to undertake agricultural production.[50] These concessional loans are reserved for nationals and, according to the authorities, are provided by the state-owned Nayoby Bank (NBB) at about half the market rate, and target only the 47 poorer districts in the country; the state-owned Agricultural Promotion Bank (APB) provides agriculture credit only at the market rate.[51] Short-term loans of a maximum of LAK 20 million per group/family member, and for not more than 12 months, are provided for: cultivation of seasonal crops such as rice; livestock breeding; vegetable crops; rotation; animal husbandry; small-scale production tools; soil fertility; pesticides; fertilizers; and animal feed. Mid-term loans of a maximum of LAK 30 million per person of a group/family are provided for long-term projects, such as fishing ponds, fruit planting, large livestock production, paddy cultivation, etc. Long-term loans not exceeding LAK 30 million per person of a group/family are also available for long-term projects, such as industrial plantations, large animal husbandry, etc.

[45] Article 54 of the Law on Agriculture. Viewed at: http://extwprlegs1.fao.org/docs/pdf/lao18996.pdf.

[46] MAF (2015), *Agriculture Development Strategy to 2025 and Vision to the year 2030,* May. Viewed at: http://www.maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf.

[47] At the time of the WTO accession process, the MAF spent an average of LAK 86.4 billion (USD 8.5 million) per year on irrigation. WTO document WT/ACC/LAO/45, 1 October 2012.

[48] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[49] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; the United Nations in Lao PDR (2015), *Country Analysis Report: Lao PDR, Analysis to inform the Lao People's Democratic Republic–United Nations Partnership Framework (2017-21),* 13 November. Viewed at: http://www.la.undp.org/content/dam/laopdr/docs/Reports%20and%20publications/2015/Country%20Analysis%20Report%20Lao%20PDR%202015.pdf; MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[50] Article 50 of the Law on Agriculture. Viewed at: http://extwprlegs1.fao.org/docs/pdf/lao18996.pdf.

[51] Agricultural Promotion Bank. Viewed at: https://www.apb.com.la/; and Eliste, P., and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English). World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

According to the 2018 WTO notification on domestic support commitments (above), credit at lower-than-normal market interest represented a budgetary expenditure of USD 709,750 in FY 2016.

Minimum prices

5.28. Lao PDR may ensure minimum prices for certain agricultural products necessary for people's lives.[52] A minimum farmgate price for rice (in husk), based on production costs and calculated annually, remains in place (Section 4.1.5). The authorities indicated that prices are defined by the market, and they do not intervene in the functioning of the market; however, they have the responsibility to ensure price stability and to protect the rights and interests of business operators and consumers under the 2010 PM Decree on the Administration of Goods and Fees of Services (Section 3.3.4). They also confirmed that there has not been any form of market intervention to support the farmgate prices so far.

5.29. In line with the 2008 Prime Minister Decision on National Stock Holding, the Government implements, on a pilot basis, a stock holding scheme, for rice only, in cooperation in with millers (Section 4.1.5).

Other

5.30. A May 2018 agreement for a USD 25 million Lao PDR Agriculture Competitiveness Project between the World Bank and the Ministry of Finance (MoF) is to assist 28,000 farming households in 224 villages to improve yields and product quality, increase labour productivity and crop sales, and link farmers with agribusinesses.[53] Expanding access to high-quality seeds, irrigation, advisory services and markets will reduce transaction costs and enable higher returns for farmers. More than 140,000 people are to benefit from these efforts to make rice, maize, and vegetables more productive and profitable.

5.1.5 Rice

5.31. Rice, Lao PDR's biggest agricultural commodity in terms of farmers involved in its production, cropland area allocated, and food consumption, remains a top policy priority.[54] It also generates important economic spill-over effects, supporting jobs in the milling, trading, and food catering sectors nationwide. Almost all of Lao PDR's 783,000 farm households produce paddy on 75% of their arable land. According to FAO statistics, paddy rice (whole rice grain with the hulls) production rose from about 3.5 million tonnes in 2012 to 4.0 million tonnes in 2017, below the 7th NSEDP target of 4.2 million tonnes.[55] With expanding production, Lao PDR has basically achieved rice self-sufficiency at the national level (Section 4.1.1).[56] Rice production is becoming increasingly concentrated in regions with a natural comparative advantage, such as the plains in the south.

5.32. Rice markets in Lao PDR are closely linked to the wider regional market for glutinous rice, but are not necessarily linked to the world rice market, which is primarily a market for non-glutinous indica rice (White Long Grain LEGroup).[57] Lao PDR borders on two of the largest rice-exporting

[52] Article 63 of the Law on Agriculture. Viewed at: http://extwprlegs1.fao.org/docs/pdf/lao18996.pdf.

[53] Asia News Network. Viewed at: http://www.asianews.eu/content/laos-make-agriculture-more-productive-and-profitable-world-bank-support-73238.

[54] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf; and World Bank (2018), *Commercialization of Rice and Vegetables Value Chains in Lao PDR: Status and Prospects,* 20 June. Viewed at: http://documents.worldbank.org/curated/en/577801535723026712/pdf/Commercialization-of-Rice-and-Vegetables-Value-Chains-in-Lao-PDR-Status-and-Prospects.pdf.

[55] FAO data. Viewed at: http://www.fao.org/faostat/en/#data/QC; MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[56] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[57] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at:

countries in the world (Thailand and Viet Nam), with highly-competitive milling and transport infrastructures. While the country has lower production costs of paddy than its competitors, its prices become increasingly uncompetitive as the rice is priced ex-rice mill (see below), and is delivered to the regional markets or overseas destinations to be milled abroad and sold on domestic or international markets.[58] Lao PDR only exports a small proportion (about 5%) of its rice production, and relies on cross-border trade with its neighbours.[59] According to national data, rice exports (including re-exports) stood at USD 31.2 million in 2017 (USD 12.4 million in 2013); and imports (including for re-export/in transit, see below) stood at USD 44.7 million in 2017 (USD 2.6 million in 2013). Furthermore, based on the total rice surplus in the country, in 2012, it was estimated that informal exports of paddy may have reached at least 100,000 tonnes per year, equivalent to USD 25 million to USD 30 million.[60]

5.33. Concerns over rice availability continue to play a major role in government policies (Sections 4.1.2). However, as at 2012, it appeared that inconsistencies in government policy concerning cross-border trade limited an expansion of the rice sector.[61] At the beginning of 2015, the FAO collaborated with the World Bank in the formulation of the Government's strategic action and investment plan to implement a national rice policy.[62]

Border measures

5.34. Since WTO accession, the MFN applied tariff on all forms of rice (HS 10.06) has remained unchanged at 5%; the bound rates are at 30% for "rice in the husk suitable for sowing", 90% for parboiled rice, and 80% for the rest. This allows for significant scope for raising MFN applied rates. However, Lao PDR has not raised the MFN, and most of the imports are under preferential tariff treatment, especially the ATIGA (Section 2.3.2.1). Domestic and international trading of rice seems highly regulated. All individuals involved must be licensed, and the licences are specific to the purpose of the trade (e.g. movement at district or provincial level).[63] Whenever products are moved between districts or provinces, a permit must be obtained at the District Department of Industry and Commerce (DICO) or the Provincial Department of Industry and Commerce (PICO). Rice remains subject to import and export licensing requirements (Section 4.1.3).[64] Reportedly, the provincial and national (the Domestic Trade Department of the MoIC) authorities are involved in rice exportation procedures, to check whether rice balances are sufficient before any trade is allowed. A first assessment by the PICO and then a written request to the MoIC for final clearance are required. Trade bans under the direct responsibility of provincial governors (PGs), who have a mandate to ensure political stability through local rice availability and to keep prices under control, are in place

http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[58] As at 2012, a clear majority of Lao PDR's commercial mills were small, and operated with obsolete milling equipment. Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[59] World Bank (2018), *Commercialization of Rice and Vegetables Value Chains in Lao PDR: Status and Prospects,* 20 June. Viewed at: http://documents.worldbank.org/curated/en/577801535723026712/pdf/Commercialization-of-Rice-and-Vegetables-Value-Chains-in-Lao-PDR-Status-and-Prospects.pdf.

[60] By comparison, official exports of milled rice only amounted to 2,204 tonnes in the 2010/11 season. These figures suggest that rice exports may equal coffee exports, and are a significant labour-intensive export (given that most of the country's exports – from the mining and hydropower sectors – are capital-intensive). Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[61] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[62] FAO factsheet. Viewed at: http://www.fao.org/3/av023en/AV023EN.pdf.

[63] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[64] Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=1396.

at the provincial level for socio-economic reasons.[65] These bans are limited to the territory of the province and, in principle, do not concern foreign trade except border trade.[66] The central Government, which has exclusive responsibility for trade matters, monitors the situation to avoid provincial authorities using their powers to maintain stability in an abusive manner.

5.35. The authorities indicated that there is no direct state involvement in rice production, milling or domestic/external trading except for the provision of services required under development programmes.

Domestic support measures

5.36. Irrigation remains an important support tool for rice production (Section 4.1.4 and below). It includes: a direct input subsidy through reduced tariffs for electricity used in irrigation, and other operation and maintenance costs; and a full subsidy for the cost of irrigation system development. Notwithstanding the energy subsidy, it seems that there is a difficulty collecting electricity charges from farmers, which means that the actual magnitude of the subsidy is even larger.[67] The MAF is responsible for the production of rice seed.[68]

5.37. To support farmers' incomes, a minimum (floor) price for glutinous rice continues to be determined, and is recommended annually by the Government to serve as an optional reference for sale and purchase between farmers and mill houses; reportedly, its external reference price is derived from data released by the University of Arkansas (United States).[69] For example, pursuant to MoIC Announcement No. 1502/MIC, 14 August 2016, a price floor for purchasing glutinous rice paddy from producers at the farm-gate or village level was set at LAK 2,500/kg (USD 300/tonne); the Announcement also set a price ceiling for rice sold by rice mills and rice mill associations, and for the purposes of stockpiling, at no more than LAK 3,000/kg (USD 360/tonne).[70]

5.38. A rice reserve policy remains in place since 2008. It consists of three components, namely: the National Rice Reserve (NRR), under the responsibility of the MoIC's Domestic Trade Department (DTD); seed reserves, under the responsibility of the MAF; and emergency rice distribution programmes, under the MLSW.[71] In 2009, the NRR started operating as a public-private partnership

[65] Reportedly, as at 2012, PG-initiated trade bans could focus on rice or result in a complete border closure. Second, they could be simply export bans or, alternatively, affect both exports and imports. Finally, bans could impact not only international trade but also inter-provincial trade. Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[66] While exports of rice are legally permitted, quotas set at the provincial level could restrict the flow of rice across borders. According to the MoIC's Announcement on 11 July 2013, a baseline quota of 350 kg/head/year (after deduction of wet/dry paddy ratio and rice reserves) seems to be set for each province, to ensure sufficient quantities for reserves. World Bank (2018), *Commercialization of Rice and Vegetables Value Chains in Lao PDR: Status and Prospects,* 20 June. Viewed at: http://documents.worldbank.org/curated/en/577801535723026712/pdf/Commercialization-of-Rice-and-Vegetables-Value-Chains-in-Lao-PDR-Status-and-Prospects.pdf.

[67] As at 2012, it seems that only around 30% of irrigation-related electricity charges were collected. Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[68] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[69] At the time of the WTO accession process, the authorities indicated that the minimum farm-gate price for glutinous rice had been well below the external/international reference price almost every year. They considered that such minimum price did not affect imported rice, and had no impact on the import and export regime of Lao PDR. WTO document WT/ACC/LAO/45, 1 October 2012.

[70] World Bank (2018), *Commercialization of Rice and Vegetables Value Chains in Lao PDR: Status and Prospects,* 20 June. Viewed at: http://documents.worldbank.org/curated/en/577801535723026712/pdf/Commercialization-of-Rice-and-Vegetables-Value-Chains-in-Lao-PDR-Status-and-Prospects.pdf.

[71] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at:

(PPP), whereby the MoIC provides subsidized credit (Section 4.1.4) to millers through state banks and the millers keep a specified minimum rice stock. More specifically, under the 2008 Prime Minister Decision on National Stock Holding, the Government provided rice mill owners with credit at an interest rate of 5% for a two year-period, for them to collect rice and stock it. The money is used by millers to contract farmers to deliver a certain quantity of rice at the price negotiated by private operators, so as to ensure inputs. The millers commit to retaining 40% of their purchase as an emergency reserve. The Government does not intervene in these transactions except for requesting the sale of the stock in times of scarcity but this has not occurred since 2010.

5.39. For FY 2010/11, the total value of budget transfers to rice producers was estimated at around LAK 74.2 billion (around USD 9.3 million), of which 5.5% related to extension training services, 24% to farmer subsidized credit (Section 4.1.4), 44.5% to irrigation development, 2.8% to irrigation operation and maintenance, and 23.1% to irrigation electricity subsidies.[72] Although some productivity gains were achieved, major constraints persist, including a weak extension service, difficulties in accessing farm credit, post-harvest operations, rice quality, on-farm storage, and the structure and performance of the milling sector.[73]

5.1.6 Forestry

5.40. During the review period, forestry and logging registered negative growth, reflecting policy developments in production and trade (Table 1.2 and below). Lao PDR gained international attention for its efforts to raise forest cover; between 2010 and 2015, it increased by 1.3% annually. Consequently, although the forests diminished dramatically from an estimated 70% of the overall land surface in the mid-1960s, it has some of the highest forest cover on the Southeast Asian mainland, with 46.7% of the country's total territory in 2015 compared to 40.2% in 2010.[74] Under the Forestry law (see below) forests are classified into three categories: protection forests; conservation forests; and production forests.[75] At present, 51 National Production Areas, covering 3.1 million ha, are divided into 324 sub-areas.[76] There are 139 protected forests, covering 7.99 million ha, of which: 49 are national protected areas (7.48 million ha); 5 are provincial protected areas (141,633 ha); and 85 are district protected areas (366,838 ha). In addition, there are 176 conservation areas, covering 4.89 million ha, of which: 24 are national conservation areas (3.77 million ha); 59 are provincial conservation areas (626,499 ha); and 93 are district conservation areas (420,678 ha). There are also 2 connection areas (77,170 ha). According to FAO data, between 2013 and 2017, non-coniferous wood fuel production dropped slightly by 1.7% (to 5.8 million m^3), while saw log and veneer log output rose by 90% (to 3.8 million m^3).[77] As a result

http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[72] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf.

[73] Eliste, P. and Santos, N. (2012), *Lao People's Democratic Republic Rice Policy Study,* (English), World Bank Working Paper 78130, Washington D.C. Viewed at: http://documents.worldbank.org/curated/en/221721468046152681/pdf/781300WP0LaosR0Box0377325B00PUBLIC0.pdf; and World Bank (2018), *Commercialization of Rice and Vegetables Value Chains in Lao PDR: Status and Prospects,* 20 June. Viewed at: http://documents.worldbank.org/curated/en/577801535723026712/pdf/Commercialization-of-Rice-and-Vegetables-Value-Chains-in-Lao-PDR-Status-and-Prospects.pdf.

[74] Reportedly, the main driver of deforestation has been changes in land use, with forests being converted to agriculture, hydropower, mining and plantations. The main drivers of degradation have been legal and illegal logging, especially salvage logging and pioneering shifting cultivation. Underlying drivers are poverty, weak governance and corruption, poor law enforcement and limited capacities, unclear, often contradictory legislation, and the international demand for timber, rubber, food, electricity and minerals. As at 2015, at least 1.1 million ha of land had been allocated to concessions for infrastructure projects or agribusiness. Koch, S. (2017), *The struggle over Lao PDR's forests: New opportunities for improved forest governance?* Pacific Geographies #47 January/February 2017, 21 January. Viewed at: https://www.giz.de/de/downloads/PG47_Page_04_13_KOCH.pdf.

[75] They include all forest types: dense forests, degraded forests, cleared forest land and village use forests. Forestry Law No. 06/NA, 24 December 2007. Viewed at: https://www.laotradeportal.net/index.php?r=site/display&id=68.

[76] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[77] FAO data. Viewed at: http://www.fao.org/faostat/en/#data/FO.

of the 2016 ban on exports of logs and sawn wood (see below), the share of wood product (of which more than two thirds are in the rough or semi-processed) exports dropped to 0.5% of total exports (2.3% in 2013).

Policy framework

5.41. During the review period, the 8th NSEDP, the 2005 National Forest Strategy to the Year 2020, and the (Intended) Nationally Determined Contributions (NDCs) set the policy framework and several targets in this area, including the commitment to increase forest cover to 70% by 2020 through sustainable forest management, and reforestation and afforestation measures.[78] The particularly comprehensive Strategy, *inter alia,* covers issues such as: forest use; land use; log royalties and reforestation fees; the wood-processing industry; biodiversity; and institutional and implementation arrangements. The 8th NSEDP is, *inter alia,* aimed at continuing to focus on sustainable recovery, effective management, forest development, and forest and forest resource protection, to ensure that Lao PDR is green and sustainably developed. The Plan also refers to improvements in the reducing emissions from deforestation and degradation (REDD+) mechanism, by preparing readiness for carbon credit trading in 2020 as well as the improvement of the Forest and Forest Resources Development Fund, in place since 2005.[79]

Regulatory and institutional framework

5.42. During the review period, the main legal framework governing forestry remained relatively unchanged.[80] Between 2012 and 2016, regulations on the auction of seized timber, strengthening the strictness of timber operations, and the exportation/importation of timber were issued. The Forestry Law was last amended in 2007 to strengthen the sustainable management of forests, and, in the same year, the Wildlife Law was also enacted to provide a stronger legal framework for biodiversity conservation.[81] The Forestry Law lays out measures and regulations for the sustainable management, conservation, development, use and inspection of forest resources and forest land. It also details the requirements for the management and use of the three categories of forests (see above) and lays out operators' rights and obligations, including possession and use rights, benefit

[78] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; MAF (2005), *Forestry Strategy to the year 2020 of Lao PDR,* July. Viewed at: http://theredddesk.org/sites/default/files/fs_2020.pdf; and Koch, S. (2017), *The struggle over Lao PDR's forests: New opportunities for improved forest governance?* Pacific Geographies #47 January/February 2017, 21 January. Viewed at: https://www.giz.de/de/downloads/PG47_Page_04_13_KOCH.pdf.

[79] The revenue sources of the Fund include: contributions from businesses in forestry, non-timber forest produce, and wildlife; contributions from the state budget, individuals, juridical entities, collectives, local and international social organizations, and international institutions including financial institutions; and other revenues including interests or dividends from investors or shareholders. Revenue is deposited in the BOL or other business banks. Fund spending includes: conservation and protection of watersheds and protected areas; tree planting and forest rehabilitation for the protection of watersheds and the environment; conservation and protection of wildlife; and dissemination of laws, regulations, and technical matters related to forestry activities. Prime Minister's Office No. 38/PM, Decree on the Forest and Forest Resources Development Fund, 21 February 2005.

[80] The main regulatory framework includes the Forestry Law. Viewed at: https://www.laotradeportal.net/index.php?r=site/display&id=68; Order No. 2071/MOIC, DIMEX on the auction of the Government's seized timbers nationwide, 14 November 2016; Prime Minister's Order No. 15/PM on Strengthening the Strictness of Timber Harvest Management and Inspection, Timber Transport and Business, 13 May 2016; Prime Minister's Decision No. 41/PM on the Authorization for Provinces and the Capital to Consider and make Decisions on Exportation of Planted Timber in the Form of Logs and Sawed Timber, 26 March 2014; Decree No. 001/PR on the Sharing of Revenue from Timber Harvested in the Production Forest Areas, 31 December 2012; Decision No. 0451/MOIC.DIMEX on the Procedures for Timber Import, 1 March 2012; Decree No. 333/PM on Forest Protection, 19 July 2010; and Instruction No. 2143/MOIC.DIMEX on Procedures to Certify Wooden Products Before Loading to Container, 25 November 2016. FAO. Viewed at: http://www.fao.org/faolex/country-profiles/general-profile/see-more/en/?iso3=LAO&countryname=Lao,People'sDem.Rep.&area=Forestry&link=aHR0cDovL2V4dHdwcmxlZ3MxLmZhby5vcmcvY2dpLWJpbi94bWwuZXhlP2RhdGFiYXNlPWZhb2xleCZzZWFyY2hfdHlwZT1xdWVyeSZ0YWJsZT1hbGwmcXVlcnk9QVJFQTpGTyBBTkQgSVNPOkxBTyBBTkQgVDpBTEwgTk9UIFJPOlkgQU5EIFJFUEVBTEVEOk4gQU5EIFNVUEVSUzpOIEFORCBaOihMIFIgTSkgTk9UIFo6UCZzb3J0X25hbWU9QHNwcmZGTyZsYW5nPXhtbGYmZm9ybWF0X25hbWU9QFhTSE9SVCZwYWdlX2hlYWRlcj1FWE1MSCZwYWdlX2Zvb3Rlcj1FWE1MRg==.

[81] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

responsibilities, transfer rules, customary rights of local people, and leasing rights. It also articulates several prohibited acts and the powers and duties of forest management. However, as at 2012, implementation and enforcement seemed weak, and targets went unrealized (see below).[82] As at June 2019, a new Forestry Law was under preparation. The agencies performing inspections are the MAF, the Provincial or Vientiane Capital Agriculture and Forestry Offices, the District or Municipal Agriculture and Forestry Offices, and the village Forestry Units.

5.43. Lao PDR's forests remain state-owned and -managed. Under the Forest Law, logging is permitted in production forests only; however, it appears that other regulations allow for loopholes, and the logging quota allocation lacks transparency.[83] The Law also states that it is illegal to cut, purchase, sell or transport any natural timber from protected forests or trees considered special species due to near extinction.[84] PM Decree No. 46/PM, 2001, provides incentives and measures for all timber industries to source timber from plantations; no information on these incentives was available from the authorities.[85] PM Order No. 18/PM, 2002, states that FDI in the timber industry is only allowed to utilize wood from their own plantations. To combat illegal logging, the setting up of a tracing system, allowing the control of the origin of the wood, is required. Royalties, assessed and paid prior to removing logs out of the forest, and reforestation fees are levied.[86] As at 2015, when they were last revised, royalty rates of NTFPs ranged from 4% to 50% of their sale value.[87] Timber royalty revenue peaked at LAK 545.91 billion (3.3% of total tax revenue) in 2015, and dropped to LAK 335.45 billion (about 2% of total tax revenue) in 2017 and LAK 38 billion (0.2% of total tax revenue) in 2018, reflecting production developments.[88]

Border measures

5.44. The applied MFN tariff rates on forest and forestry products continue to range from 5% to 40%, whereas the bound tariff ranges from 20% to 50% (Table A3.1). Whereas wood in the rough is subject to a 20% customs tariff, sheets for veneering, wood continuously shaped, and plywood are charged the highest import duties of 40%.

5.45. Since 1999, all timber from natural forests must be processed in Lao PDR.[89] Unfinished wood products, such as logs, timber, sawn timber, tree roots, semi-finished wood products and ornamental plants, are not permitted to be exported. The log export ban does not apply to plantation timbers. Special permits, such as the debt repayment and development permits, are seemingly often used to allow for an exception to the timber export ban. Therefore, the effective enforcement of the 1999

[82] Reportedly, many of the related laws provide loopholes allowing for actions that are otherwise prohibited under the statute. Clauses like "unless approved by the Government" or "unless determined in special cases to be in the interest of the national community" line many of the texts, and provide room for selective interpretations of domestic forest policies. The legal framework seems not always clear on what constitutes illegal logging. Forest Legality Initiative. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[83] Contrary to PMO No. 17, where commercial logging can only occur within the territorial boundaries of Lao PDR's 51 National Production Areas, with approved pre-harvest inventory and sustainable forest management plans in place, PMO No. 30 (Section 12) (Prime Minister's Order on Strengthening Forest and Wood Business Management, No. 30, 2007) only requires a logging survey in advance of harvesting development areas, and PMO No. 25 (Section I/3) (Prime Minister's Order on the Management of Fforest Activities and Wood Business, No. 25/PM, 2004) only requires government endorsement. All three orders are thought to be still in force. Forest Legality Initiative. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[84] At present, these species include, but are not limited to: May Dou Lai (*Pterocarpus macrocarpus sp.*), May Kha Nhoung (*Dalbergia cochinchinensis*), May Padong (*Shorea hippocras*), May khamphi (*Dalbergia bariensis*), May Longleng (*Cunninghamia sinensis*), and May Champa Pa (*Michelia champaca*).

[85] Forest Legality Initiative. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr.

[86] MAF (2015), *Agriculture Development Strategy to 2025 and Vision to the year 2030,* May. Viewed at: http://www.maf.gov.la/wp-content/uploads/2016/01/MDS-2025-and-Vision-to-2030-Eng.pdf.

[87] Presidential Ordinance on Royalty Rate of Natural Resources No. 001/PO, 15 December 2015. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site%2Fdisplaylegal&id=175#a2.

[88] BOL (2018), *Annual Economic Report 2017,* Vientiane. Viewed at: https://www.bol.gov.la/together_use/Annual%20Report%202017_Eng.pdf.

[89] Forest Legality Initiative. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr.

policy seems to have largely failed.[90] Following an August 2015 Notice (No. 1360) prohibiting the export of raw logs, a May 2016 Prime Ministerial Order (PM15) banned the export of logs and sawn wood to help control the country's high deforestation rates and boost the domestic wood production industry through commercial plantations.[91] Furthermore, the Prime Minister's Office Notification on the Management and the Export of Forestry Products and Wooden Charcoal For Export No. 1355/PSPM.SO, 9 September 2016, stipulates eligible and prohibited forestry products and wooden charcoal for export.[92] As a result, exports of wood in the rough (HS 4403) and semi-processed wood (HS 44.06, HS 44.07, and HS 44.09) dropped from USD 86 million (2013) to USD 25 million (2016); the traditional destinations of most of these exports are China, Viet Nam and Thailand.[93]

5.46. The Forestry Law (Art. 52) allows the granting of permits for the export of logs and planted trees of otherwise prohibited species, sawn timber, tree stumps and trees. Planted trees that are not listed for prohibition and special species may be exported. Export restrictions on unprocessed forestry products are operated through a licensing regime. According to Lao PDR's latest WTO notification in 2014, logs, trunks, bark and transformed timber are the only forestry items that remain subject to non-automatic import licensing requirements since 2012 (Section 3.1.5).[94] Under the Forestry Law, at the wood product export stage, the provincial section of the Department of Customs under the MoF collects a 30% export duty; and export duties at a rate of 15% continued to be levied on bamboo charcoal (including shell or nut charcoal), whether or not agglomerated, until early 2019.[95] The list of items subject to export duties was last updated by Prime Minister Decree No. 48, 19 February 2019 (not available in English).

Illegal activities

5.47. Illegal logging and timber trade seemingly persist, but the current Government intends to address these issues. Logging outside the designated concession areas appears to continue due to a lack of enforcement and systematic corruption.[96] However, the situation regarding forest governance seems to have slightly improved as, after years of little or no progress in terms of REDD+, the country prepared a proposal to receive performance-based payments, which was accepted into the Forest Carbon Partnership Facility (FCPF) Carbon Fund.[97] Despite the export ban and restrictions, nearly all logs are transported across the border to Viet Nam or China for further processing. Lao PDR is currently negotiating a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the European Union.[98] By entering into a VPA with the European Union, Lao PDR aims to improve opportunities to access high-value markets, diversify and increase revenue from timber exports, reduce illegal logging and associated trade,

[90] Forest Legality Initiative. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr.

[91] Prime Minister's Order No. 15/PM, Enhancing Strictness on the Management and Inspection of Timber Exploitation, Timber Movement and Timber Business, 13 May 2016.

[92] This Notification, *inter alia,* prohibits black charcoal exports, allows bamboo exports, and sets conditions for white charcoal and certain planted wood. Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=1093.

[93] Data from the UNSD Comtrade database.

[94] At the time of the WTO accession process, logs, trunks, bark, rough-processed timber and semi-finished timber from plantations were subject to automatic import licensing, whereas those from natural forests were subject to non-automatic licensing. WTO documents WT/ACC/LAO/45, 1 October 2012, and G/LIC/N/3/LAO/1, 11 March 2014.

[95] Art. 52 of the Forestry Law. Viewed at: https://forestlegality.org/risk-tool/country/lao-pdr; WTO document WT/ACC/LAO/45, 1 October 2012; and Edict of the President of the Lao PDR No. 002/OP on List of Goods and Export Duty Rates, 27 April 2012.

[96] Inefficient forestry management can be regarded as an implicit subsidy for logging. WTO document WT/TPR/S/364/Rev.2, 27 March 2018.

[97] In REDD+, the + includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. It is an international effort under the United Nations Framework Convention on Climate Change (UNFCCC).

[98] The 2005 FLEGT Action Plan, an EU initiative, provides a framework for the development of VPAs to ensure that timber and timber products exported come from legal sources. VPAs are legally-binding trade agreements, committing the two parties to trading only in verifiable legal timber and other forest products. Koch, S. (2017). *The struggle over Lao PDR's forests: New opportunities for improved forest governance?* Pacific Geographies #47 January/February 2017, 21 January. Viewed at: https://www.giz.de/de/downloads/PG47_Page_04_13_KOCH.pdf.

provide opportunities for technology transfer (particularly to the secondary timber processing industry), enhance transparency, and improve governance.[99]

5.2 Mining and Energy

5.48. Mineral and hydropower resources drove growth. As at 2017, mining and hydropower accounted for 38% and 9% of total incoming FDI (Section 1.3.2), respectively, which, in turn, affected the composition of export growth.[100] Minerals (mainly copper) and electricity exports expanded their share of total exports from 35.8% in 2013 to 43.9% in 2017 (Table A1.1); similar to forestry (Section 4.1.6), mining and electricity exports are largely directed to regional markets, a situation that differs from conventional global patterns, in which trade occurs across regions. In 2015, mining and energy (and water) activities were estimated to employ up to 8.9% (6.7% in 2010) of the labour force.[101] In light of this concentration, there was concern over possible "Dutch disease", whereby resource-driven economic growth makes non-resource exports less competitive.[102]

5.2.1 Mining

5.49. The mining sector, with a variety of mineral commodities including barite, copper, gold, iron ore, lead, and silver, remains a critical sector, a driving force of the economy, and a non-negligible source of revenue from taxes, royalties and fees (see below). Between 2012 and 2018, the share of mining and quarrying in GDP dropped steadily from 12.6% to 6.8% (Table 1.2), due, *inter alia,* to the global economic crisis and low world prices of minerals for some years. As at 2014, about 15,381 people were employed in the sector, which represented about 0.3% of the total working population.[103] Between 2013 and 2017, the share of mining-related products to total exports dropped from 50.9% to 27.5%; in 2017, they consisted of copper ores and concentrates (15.6%), copper and articles thereof (7.6%), and precious stones and metals (4.3%) (Table A1.1).[104] Since 2011, the number of operating firms seem to have been significantly reduced, due, *inter alia,* to mine closures and policy developments (see below); as at 2016, 74 domestic and foreign companies had been given exploration contracts, 25 of which were at the stage of preparation for exploration and construction of a processing factory, and 49 had been extracting, processing and exporting.[105]

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[99] Forest Trends. Viewed at: https://data.opendevelopmentmekong.net/dataset/3164ac5b-4377-4c9f-b12d-0302c4973123/resource/f1a62a24-959e-462c-a3fd-5e2587180a98/download/doc_4677_3.pdf.

[100] As at 2012, the total share was estimated at above 80% of total incoming FDI. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; BOL (2018), *Annual Economic Report 2017,* Vientiane. Viewed at: https://www.bol.gov.la/together_use/Annual%20Report%202017_Eng.pdf.

[101] ASEAN Secretariat (2018), *ASEAN Statistical Yearbook, 2018,* December, Jakarta. Viewed at: https://asean.org/storage/2018/12/asyb-2018.pdf.

[102] The risk could be that Lao PDR becomes a "rich country with a poor population", meaning that mining and hydropower increasingly dominate economic activity and revenues are not used to further development. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[103] U.S. Department of the Interior/U.S. Geological Survey (2018), *2015 Minerals Yearbook - The Mineral Industry of Laos,* Fong-Sam, Y., October. Viewed at: https://minerals.usgs.gov/minerals/pubs/country/2015/myb3-2015-la.pdf.

[104] According to the authorities, gross mineral export value is higher than USD 8 billion, covering 60% the total exports of the country. MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[105] As at end-2011, a total of 152 mining companies were operating in Lao PDR, of which 70 were domestically owned and 82 were foreign enterprises. These companies operated in 256 mining concessions across the country. U.S. Department of the Interior/U.S. Geological Survey (2016), *2013 Minerals Yearbook - The Mineral Industry of Laos,* Fong-Sam, Y., November. Viewed at: https://minerals.usgs.gov/minerals/pubs/country/2013/myb3-2013-la.pdf; MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

Most of these were small and medium-sized businesses. Large-scale projects, with an annual production value exceeding USD 500 million, were undertaken by firms such as Lane Xang Minerals Ltd., a subsidiary of MMG Ltd. of Hong Kong, China; and Phu Bia Mining Ltd., a subsidiary of PanAust Ltd. of Australia. The Government of Lao PDR held 10% shareholding in each of the two firms, which are the country's main producers of copper and gold; according to the authorities, these firms account for more than 50% of all mineral exports in value terms.[106] Important mines for new exploration during the period included kali salt and potassium salt.

5.50. Lao PDR remains a coal producer, largely in the form of lignite. Between 2013 and 2015, coal production rose by 454%; coal exports ceased in 2014 to ensure supplies to the lignite-fired Hongsa Power Company Limited (HPC) plant, which started operating in 2015 to meet electricity demand in Thailand.[107]

Policy and institutional framework

5.51. Although the 8th NSEDP aims to move away from a natural-resource-based and extractive-industries-dependent economy, mining is a substantial industry for which sustainable and inclusive economic growth is planned.[108] Under the NSEDP, Lao PDR's objectives include increasing the promotion of mineral processing by reducing the export of unprocessed minerals, to increase the value of mineral products and ensure that the benefits from this sector contribute to improving people's livelihoods.

5.52. Since 2016, policy formulation and implementation in this area was entrusted to the new Ministry of Energy and Mines (MEM), which merged with the Ministry of Natural Resources and Environment (MONRE). It issues mining licences, and oversees the implementation of the Law on Minerals (see below), which includes inspecting and monitoring mineral development activities in the country. It also assists in the negotiation of mining contracts and mineral exploration and mining licensing activities, promotes investment in the mining sector, maintains geologic databases, and provides mineral exploration support and data analyses. It manages and promotes the mining, processing, and trade of mineral products. Its Department of Mines (DOM) oversees mining company compliance with mining regulations and contracts; oversees and implements the mineral law provisions on mine safety and mine closure regulations; creates the necessary regulations and guidelines for the promotion of the mining and metallurgical sector; and issues, rejects, extends, and withdraws mining licences.

Regulatory framework

5.53. During the review period, the main legal framework was revised, and new regulations were issued. The Law on Minerals was last revised in November 2017, replacing the 2011 version.[109] The 2017 Law sets the framework for mineral development plans at national and provincial levels, and regulates: minerals; mineral activities; mineral business; safety and environment; rights, duties and obligations of the minerals business operators; the Government's share in the mining companies; prohibitions regarding staff, mining inspectors, and investors; dispute settlement; and management, monitoring and inspection of mineral and mining activities. It, *inter alia,* classifies mining areas into: areas licensed for mineral activities; prohibited areas; reserved areas; and toxic areas. All minerals that occur at the surface or under land or water are the property of the national community, and

[106] U.S. Department of the Interior/U.S. Geological Survey (2018), *2015 Minerals Yearbook - The Mineral Industry of Laos,* Fong-Sam, Y., October. Viewed at: https://minerals.usgs.gov/minerals/pubs/country/2015/myb3-2015-la.pdf.

[107] The HCPI is a joint venture between Banpu Power Limited (BPP) 40%, RH International (Singapore) Corporation Pte. Ltd. – a subsidiary of Ratchaburi Electricity Generating Holding Public Company Limited (RATCH) 40%, and Lao Holding State Enterprise (LHSE) 20% (Section 4.2.3.2). MEM/ Economic Research Institute for ASEAN and East Asia (2018), *Lao PDR Energy Statistics 2018,* 2 July. Viewed at: http://www.eria.org/publications/lao-pdr-energy-statistics-2018; and online information. Viewed at: http://www.hongsapower.com/index.php?model=cms&view=item&layout=page&id=12.

[108] MPI (2016). *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[109] Law on Minerals (Revised Version) No. 31/NA, 3 November 2017. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=1419 and http://sdms.gov.la/kcfinder/upload/files/2.23%20LAW%20-%20on%20minerals%20%28amended%29%2013.12.2017.pdf.

are subject to the centralized and unified management of the State. Once the investor completes exploration and presents a report on the detailed feasibility study, the Government retains the right to a share in such mineral business. The Government may participate in a mineral business in the form of equity of not more than 25%.

5.54. A series of production- and trade-restraining measures (see below) were taken since 2012. In June 2012, the Government implemented a moratorium, and suspended the approval of new mining projects until an effective monitoring system and an appropriate land management system were implemented; the granting of new licences was to resume between 2015 and 2016 but this has not yet occurred.[110] Royalties are levied, and were apparently last revised in 2015. As at 2015, royalty rates of mineral resources and mineral resources serving construction businesses ranged from 2% (charcoal) to 10% (gemstones and jade stone) of their sale value, and from LAK 3,000 per m^3 (humus, laterite, clay) to LAK 7,000 per m^3 (crag).[111] Natural resource (excluding water) tax revenue peaked at LAK 860.62 billion (5.9% of total tax revenue) in 2014, and stood at LAK 609.71 billion (about 3.6% of total tax revenue) in 2017, reflecting production developments.[112]

Border and domestic support measures

5.55. The applied MFN tariff rate on mineral products (HS 25, HS 26 and HS 27) remains at 5%, whereas the bound tariff ranges from 5% to 40% (Table A3.1). Measures are in place to raise domestic value-added in mineral products. Since 2008, the "promoted" mining products for export have been metal and non-metal minerals, and liquids and gases that are transformed as semi-processed or finished mining products prior to being exported.[113] Since 2012, individuals, legal entities or organizations have been, *inter alia,* prohibited to sell-buy minerals (ores) and mining products without permission from the MEM.[114] Since June 2012, the export of raw minerals is prohibited; they must be processed into semi-finished or fully finished products before exportation, and approved by the Department of Mines of the MEM.[115] The list of items subject to export duties was last updated by Prime Minister Decree No. 48, 19 February 2019 (not available in English). Since then, according to the authorities, no export duties on minerals were levied (Section 3.2.2); until then, export duties at 5% and 10% were levied on certain non-metallic minerals (e.g. granite, pebbles, gravel, broken or crushed stone, and tarred macadam) and ferrous waste and scrap (Section 4.3.3), to monitor their export, according to the authorities.[116]

5.2.2 Energy

5.56. Lao PDR's energy structure remains simple; fossil fuels, such as petroleum products, are imported, while coal and biomass are mostly produced domestically. In 2017, its total primary energy supply rose to 6,019.8 kilotons of oil equivalent (ktoe), of which coal accounted for 39.8%, biomass 17.6%, petroleum 11.5%, and hydro 19.5%, compared to 1,617.8 ktoe in 2000, of which biomass accounted for 77.9%, petroleum 16.8%, hydro 4.8%, and coal 0.5%.[117] Coal had the highest increase because of the HPC coal power plant (Sections 4.2.1 and 4.2.2.2); the reduction of biomass supply reflected a substitution in its use for cooking in the residential sector.

5.57. Under the 8th NSEDP, Lao PDR's energy policy is focussed on hydropower development, thermal electric power, solar energy and industrial plant energy to turn the power sector into a

[110] U.S. Geological Survey (USGS) (2015), *2013 Minerals Yearbook - The Mineral Industry of Laos,* Fong-Sam, Y., November. Viewed at: https://s3-us-west-2.amazonaws.com/prd-wret/assets/palladium/production/mineral-pubs/country/2015/myb3-2015-la.pdf.

[111] Presidential Ordinance on Royalty Rates of Natural Resources No. 001/PO, 15 December 2015. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site%2Fdisplaylegal&id=175#a2.

[112] BOL (2018), *Annual Economic Report 2017,* Vientiane. Viewed at: https://www.bol.gov.la/together_use/Annual%20Report%202017_Eng.pdf.

[113] Prime Minister Office Decree on Export Mining Products, No. 90/PM, 9 June 2008. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=615.

[114] MEM Decision on Selling and Buying Mines [Ores] and Mining Products, No. 0481/MEM, 20 April 2012. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=614#a4.

[115] Prime Minister Office Order on Stop the Consideration and Granting an Investment Projects for Minerals Exploration and Extraction, Natural Rubber and Eucalyptus Plantation throughout the Country No. 13/PM, 13 June 2012. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=1654.

[116] WTO document WT/ACC/LAO/45, 1 October 2012.

[117] In Lao PDR, biomass refers to fuelwood, charcoal and bagasse. MEM/ Economic Research Institute for ASEAN and East Asia (2018), *Lao PDR Energy Statistics 2018,* 2 July. Viewed at: http://www.eria.org/publications/lao-pdr-energy-statistics-2018.

sustainable income-generating sector to support various production activities and to address poverty issues.[118] Its objective for a strategy and development plan for energy in the context of Vision 2030 includes: developing energy and ensuring its sustainability; helping build capacity; and enhancing electricity supply for the development of energy and mines in order to increase greener energy.

5.58. The MEM oversees the management of all energy-related activities. It is responsible for developing policies and strategies, supervising electricity company businesses, and implementing laws and regulations. It works closely with Electricité du Laos (EDL), the Lao Holding State Enterprise, the MoF, and the MONRE (Section 4.2.2.2).[119] No independent energy regulatory authority is in place.

5.2.2.1 Hydrocarbons

5.59. Lao PDR has no proven oil or gas reserves, and remains fully dependent on imports. Between 2013 and 2017, its crude oil imports rose by 64.5% in value terms, to USD 2.2 million.[120] Between 2013 and 2015, imports of all petroleum products (Jet A-1, gasoline, diesel oil, fuel oil, lubricants, and liquified petrol gas (LPG)) also rose steadily in volume terms.[121] Thailand (more than 85%) and Viet Nam remain the main suppliers of petrol to Lao PDR.[122] The construction of the country's first ever oil refinery, Lao-China Dongyan Petrochemical Co. Ltd. (LCPC), is a joint venture between Provincial Overseas Investment Co., Ltd. (holding a 59% share), Lao State Fuel Company (20%), Yunnan Dongyan Industry Co., Ltd. (16%), and Lao-China Joint Investment (5%), and was to be completed by end-2018; it is expected to have an annual refining capacity of 800,000 tonnes of oil, supply about 50%-60% of fuel consumed in the country, and reduce the number of oil product importing companies.[123]

5.60. Downstream wholesale and retail activities seem open to competition to both domestic and foreign operators. The state-owned Lao State Fuel Company (LSFC), managed by the MoIC, continues to ensure imports and retail sales of gasoline, diesel, lubricants and gas (Section 3.3.5); no information on the market share of, or procurement method used by, the LSFC was available from the authorities.[124] Many fuel companies are too small, and might not meet standard requirements. As at 2017, up to 22 companies (including Lao PDR subsidiaries of international oil companies, and local companies) were importing petroleum products.[125] The largest companies (in terms of total sales) were the LSFC, the Petroleum Trading Lao public company, PTT (Lao) Co., Ltd, PV Oil Lao Co., Ltd, and Petrolimex (Lao) Co., Ltd. Most companies have fuel depots in the major cities. The LSFC has branches in every major province, fuel depots and warehouses with a total capacity of 26 million litres, a laboratory, and 326 gas service stations throughout the country. In 2017, new requirements for companies seeking to import petroleum to the country were being reviewed or devised by the Government, to reduce the number of fuel companies to five.[126]

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[118] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[119] MEM's Department of Energy Policy and Planning (DEPP) is responsible for energy policy-making and planning. MEM's Department of Energy Management (DEM) is responsible for drafting energy laws, guidelines, safety standards and regulations. The DEM also acts as a monitoring body over government agencies, private entities, and SOEs, to ensure they are following all rules and regulations. MEM's Department of Energy Business (DEB) is responsible for private-sector investments in the power sector. Additionally, it is involved in negotiating project development agreements, concession agreements and power purchase agreements. Open Development. Viewed at: https://laos.opendevelopmentmekong.net/topics/energy-policy-and-administration.

[120] ASEAN Secretariat (2018), *ASEAN Statistical Yearbook, 2018,* December, Jakarta. Viewed at: https://asean.org/storage/2018/12/asyb-2018.pdf.

[121] MEM/Economic Research Institute for ASEAN and East Asia (2018), *Lao PDR Energy Statistics 2018,* 2 July. Viewed at: http://www.eria.org/publications/lao-pdr-energy-statistics-2018.

[122] UNSD Comtrade data.

[123] China Daily. Viewed at: http://www.chinadaily.com.cn/business/2017-08/03/content_30345084.htm; and Asia News Network. Viewed at: http://annx.asianews.network/content/lao-refinery-start-production-retail-oil-price-will-remain-unchanged-66916.

[124] WTO document WT/ACC/LAO/45, 1 October 2012.

[125] Online information. Viewed at: https://dlca.logcluster.org/display/public/DLCA/3.1+Laos+Fuel;jsessionid=F126E67461DC4B9F0841E54B2909B5F5.

[126] Open Development. Viewed at: https://opendevelopmentmekong.net/news/govt-dealing-with-illegal-petrol-imports.

5.61. The applied MFN tariff rates on mineral fuels and oils (HS 27) remain at 5% and 5.1%, respectively, and 20% on other diesel fuels (HS 27.10.197200), whereas the bound tariff ranges from 5% to 20% (Table A3.1).

5.62. Maximum retail prices continue to apply to fuel and gas (Section 3.3.5).[127] These are guided by the CPI, and calculated by the suppliers, who make allowances for all costs and a profit margin. The proposed prices are considered and approved by the Internal Trade Department of the MoIC, that also monitors adherence to them based on the fluctuation of world oil prices. The LSFC is delegated by the MoIC to adjust (increase or decrease) fuel prices (available online) and disseminate them to all oil companies throughout the country. Due to transportation costs, fuel prices differ depending on the province; within each province, prices tend to be homogeneous.

5.2.2.2 Electricity

5.63. Lao PDR has large hydropower potential and remains a net electricity exporting country; the sector is an increasingly important source of government revenue. During the period 2013-17, electricity generation increased steadily by 103.4% to reach 31.5 GWh, of which 90.6% (2017) was generated by independent power producers (IPPs) and the rest by the state-owned EDL/EDL-Gen (see below).[128] However, in the period 2011–15, many large-scale electricity development projects either stopped or were postponed due to the global economic crisis.[129] In 2017, electricity was generated from hydropower plants (62.5%), a thermal plant using coal (37.4%), and biomass (0.02%), compared to 2012 when virtually the entire production was based on hydropower plants.[130] Some imports may be required due to seasonal factors (March-April) and rapidly-growing electricity demand; as a result, some regions still import electricity from Thailand (82.7% in 2017), China (11.2%) and Viet Nam (6.1%).[131] As at 2017, 92.54% of households had electricity, exceeding the NSEDP targets of 80% by 2015 and 90% by 2020; in the same year, electrification covered all Districts and 91.1% of villages.[132] Between 2013 and 2017, electricity (HS 27.16) exports more than doubled in value terms; rising from USD 600.7 million (16% of total exports) to USD 1.28 billion (26.2%). As at 2012, hydropower exports were mainly directed to Thailand and Viet Nam and, to a lesser extent, Cambodia.[133] According to data from the authorities, in volume terms, between 2013 and 2017, a combination of growing power generation, overall dropping imports, rising domestic consumption (by 46.9%), reduced transmission and distribution losses (by 37.4%), and a rise in exports (of 99.3%) increased the electricity trade surplus (by 117.4%). According to the World Bank, in 2018, Lao PDR ranked 156th out of 190 economies (138th out of 185 economies in 2012) on the ease of getting electricity.[134]

[127] WTO document WT/ACC/LAO/45, 1 October 2012.

[128] Lao Statistics Bureau (2018). *Statistical Yearbook 2017.* June.

[129] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[130] MEM/Economic Research Institute for ASEAN and East Asia (2018), *Lao PDR Energy Statistics 2018,* 2 July. Viewed at: http://www.eria.org/publications/lao-pdr-energy-statistics-2018.

[131] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; and EDL (2017). *Electricity Statistics 2017*. Viewed at: http://www.edl.com.la/ckfinder/userfiles/files/Statistic/Statistic%20Report%202017_n_JP.pdf.

[132] Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[133] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[134] World Bank (2018). *Doing Business 2019 – Training for Reform,* 31 October. Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf; and World Bank (2012), *Doing Business 2013 – Smarter Regulations for Small and Medium-Size Enterprises,* 23 October. Viewed at: http://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB13-full-report.pdf.

5.64. State involvement in the sector persists through the operations of EDL and the Lao Holding State Enterprise (LHSE).[135] The 100% state-owned utility company, EDL, manages the country's generation (via the EDL-Gen Company), transmission, distribution, import and export of electricity.[136] It maintains power purchase agreements (PPAs) with Thailand, Viet Nam, and China on power trade.[137] The LHSE is a state corporation that holds and manages state shares in IPP projects. As at 2017, there were 63 hydropower plants, 1 thermal power plant, 4 photovoltaic plants and 2 biomass plants, with a total installed capacity of 7,076 MW; more than 88% of the capacity was owned by IPPs, while EDL and EDL/Gen represented 2.7% and 8.8%, respectively. Several multinational enterprises, including from China, Finland, Japan, Malaysia, Thailand, Switzerland, and the United States, are involved in power plant development projects.[138] As at 2015, 38 projects with production capacity of at least 1 MW were in operation; of these, the Government (via EDL) owned 13 hydropower dams with an installation capacity of 681.5 MW, and IPPs owned 25 dams with an installation capacity of 5,577.45 MW.[139] Until 2017, government revenue from hydropower royalties ranged from LAK 224.95 billion (1.7% of total tax revenue) in 2013 to LAK 378.44 billion (2.3% of total tax revenue) in 2015.

5.65. Transmission lines almost entirely owned and operated by EDL expanded; the authorities indicated that some IPPs export electricity directly via their own transmission lines.[140] As at 2015, there were 53 power transmission stations, with installed capacity of 2,295.5 MVA (3 stations with 230 kV, 115 kV and 22kV; 47 stations with 115 kV and 22 kV; 2 stations with 35 kV and 22 kV; and 1 station with 22/0.4 kV).[141] As at 2017, the total length of transmission lines was 58,125.17 km (52,377.56 km in 2015), consisting of three types of voltage transmission lines: high-voltage transmission lines with a total length of 8,503.8 km, of which 462 km of 500 kV for connection with neighbouring countries, 1,618.92 km of 230 kV for connection with neighbouring countries and the national transmission system, and 6,422.16 km of 115 kV for connection with the medium voltage transmission system; medium-voltage transmission lines (35 kV, 34 kV and 22 kV, with a total length of 30,357 km); and low-voltage transmission lines of 0.4 kV (18,903.09 km) for rural electrification. Power distribution is exclusively operated by EDL.

Policy and institutional framework

5.66. Lao PDR's power policy objectives are set out in different documents. Art. 5 of the Law on Electricity (see below), *inter alia,* promotes: investment in production, transmission, distribution and services, particularly hydropower, in junction with the protection of forest-protected water sources and in remote areas; electricity activity development by using energy in an economical, effective and sustainable manner and through the use of modern technology, mitigating social and environmental impacts; and all potential to meet the electricity needs for socio-economic

[135] Open Development. Viewed at: https://laos.opendevelopmentmekong.net/topics/energy-policy-and-administration.

[136] The EDL-Gen Public Company (EDL-Gen) was established in 2010 to generate energy for EDL, set up joint ventures with other electricity generation projects, and provide management for other projects. EDL-Gen is obliged to acquire sufficient electricity generation to meet domestic demand and for export, while EDL receives electricity from EDL-Gen and distributes it to end-users across the country. EDL also has its own electricity generation facilities, small-scale hydropower and diesel, in off-grid areas; in 2017, 8.4% of the entire power was generated by both EDL and EDL-Gen. Nanthavong, K. (2015), *Electricity pricing in the residential sector of Lao PDR,* October. Viewed at: http://www.meconproject.com/wp-content/uploads/report/[Task%206-Electricity%20pricing%20in%20the%20residential%20sector]%20Lao%20PDR%20country%20report.pdf; and EDL (2017), *Electricity Statistics 2017*. Viewed at: http://www.edl.com.la/ckfinder/userfiles/files/Statistic/Statistic%20Report%202017_n_JP.pdf.

[137] MEM (2012), *Data Collection Study (Preliminary Assessment) on Energy Sector in Lao PDR,* August. Viewed at: http://open_jicareport.jica.go.jp/pdf/12087904_01.pdf.

[138] ASEAN Secretariat/United Nations Conference on Trade and Development (UNCTAD) (2018), *ASEAN Investment Report, 2018 – Foreign Direct Investment and the Digital Economy in ASEAN,* 21 October. Viewed at: https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.

[139] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[140] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[141] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane)*, June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

development, national defence, public security and the development of electricity as an export commodity.[142] The Power Development Plan, revised by EDL every three to five years, reviews the most recent electricity demand forecast and prospective project developments; the Plan for 2010-20 maps out the future development strategy for EDL's network development.[143] The strategy for power development, an MEM responsibility, is also based on the broader NSEDPs. The 8th NSEDP focusses on hydropower development, thermal electric power, solar energy (Section 4.2.2.3) and industrial plant energy, in order to turn the power sector into a sustainable income-generating sector to support various productions and to solve poverty.[144] It is also aimed at expanding the electricity sector by an average of 32% per year, so as to limit electricity imports to no more than 20% of the country's usage by 2020. The 2015 Policy on Sustainable Hydropower Development in Lao PDR, which superseded the 2006 National Policy on Environment and Social Stability of the Hydropower Sector (No. 561/CPI), applies to all hydropower plants with more than 15 MW generation capacity, and provides policy guidance to agencies that manage hydropower investment projects for the inclusion of technical, engineering, economic/finance, environmental and social impacts in their analyses.[145]

Regulatory framework

5.67. During the review period, the main regulatory framework governing electricity was updated. The Law on Electricity, last amended in 2017, governs electricity generation and distribution. It sets standards for the administration, production, distribution, transmission, and import/export of electricity. Its amendment included a focus on alternative power resources, and involved amended or new provisions on, *inter alia*: the ownership of power resources; state policy on electricity activities; the Power Development Plan; electricity activities; electricity business; rural electricity; alternative electrical power, power saving and conservation of electrical power; electricity tariffs; and the rights and obligations of electricity producers, distributors and users.

Tariffs

5.68. Under the Law on Electricity, electricity tariffs are divided into: tariffs for domestic purchase and distribution; and the tariffs for import and export. The Government determines tariffs based on the proposal of the MEM. The determination of the electricity tariff for purchase by the authorized SOE from electricity generation sources must not be higher than the unit cost of electricity generation of the entire system or shall be lower than the avoided cost to be invested by the State or shall be equivalent to the unit cost of purchase from similar sources in neighbouring countries.

5.69. Electricity prices remain among the lowest in the region, and exert considerable financial pressure on the vertically-integrated EDL.[146] As a component of EDL reform, electricity tariffs were gradually increased during the period 2006-17; between 2013 and 2017, average electricity tariffs rose by 8.3% to LAK 721 per kWh.[147] Electricity tariffs vary depending on the consumer category

[142] Law on Electricity (Amended), 20 December 2011. Viewed at: http://www.investlaos.gov.la/images/sampledata/pdf_sample/Electricity_Law_2012_Eng.pdf.

[143] Open Development. Viewed at: https://laos.opendevelopmentmekong.net/topics/energy-policy-and-administration; MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and MEM (2012), *Data Collection Study (Preliminary Assessment) on Energy Sector in Lao PDR,* August. Viewed at: http://open_jicareport.jica.go.jp/pdf/12087904_01.pdf.

[144] MEM (2012), *Data Collection Study (Preliminary Assessment) on Energy Sector in Lao PDR,* August. Viewed at: http://open_jicareport.jica.go.jp/pdf/12087904_01.pdf; and MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[145] Decree, 12 January 2015. IEA. Viewed at: https://www.iea.org/policiesandmeasures/pams/laopeoplesdemocraticrepublic/name-161697-en.php.

[146] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[147] Reportedly, electricity tariffs in Lao PDR used to be heavily subsidized and did not reflect the real cost of electricity production and distribution. Nanthavong, K. (2015), *Electricity pricing in the residential sector of Lao PDR,* October. Viewed at: http://www.meconproject.com/wp-content/uploads/report/[Task%206-Electricity%20pricing%20in%20the%20residential%20sector]%20Lao%20PDR%20country%20report.pdf; and EDL (2017), *Electricity Statistics 2017*. Viewed at: http://www.edl.com.la/ckfinder/userfiles/files/Statistic/Statistic%20Report%202017_n_JP.pdf.

(i.e. residential or non-residential), thus involving a cross-subsidization element. As at 2017, residential consumers up to 150 kWh per month per household were subject to the lowest rates (consumption rates of 0-25 kWh and 26-150 kWh).[148] As at 2015, residential consumers (0-25 kWh) benefitted from electricity rates equivalent to 67.4% of those charged for irrigation, 46.5% for industry, 32.2% for commercial activities, and 24.3% for entertainment activities. As at December 2018, low-voltage electricity tariffs for residential consumers were as follows: LAK 348 per kWh (0-25 kWh); LAK 414 per kWh (26-150 kWh); LAK 799 per kWh (151-300 kWh); LAK 880 per kWh (301-400 kWh); LAK 965 per kWh (401-500 kWh); and LAK 999 per kWh (more than 500 kWh).[149] The authorities indicated that electricity tariffs cover production and transmission costs. As at June 2019, a new set of tariffs was under consideration. In addition to the base tariff, 10% VAT and an annually-increased EDL meter leasing or maintenance fee, on a monthly basis at a constant amount per meter, are charged; from 2011 to 2015, this fee increased by 41%, and stood at LAK 3,346 (USD 0.4131) per month for residential consumers.

5.2.2.3 Renewable energy and energy efficiency

5.70. Despite Lao PDR's potential alternative renewable energy sources, their utilization is rather low, except for the widely-used large hydro projects, the country's primary source of electricity (Section 4.2.2.2).[150] Lao PDR has been developing other renewable energy sources, such as small hydropower (SHP), solar, wind, biomass, biogas, and municipal solid waste; as at November 2016, they represented 1% of power generation.[151] As a result of fund-related financial support (see below), as at 2015, solar power had been installed in rural areas for more than 18,657 households, equivalent to 1.64%, covering 430 villages in total.[152] Bioenergy power stations (using sugarcane and waste) and ethanol production factories were completed. Pilot projects on biodiesel production from palm oil and from vernicia seeds are underway; a feasibility study is being conducted to develop cassava-extracted benzene.

5.71. Lao PDR established policies to promote energy efficiency and renewable energy. Its June 2010 Renewable Energy Development Strategy (REDS) aims to increase the share of renewable energies to 30% of total energy consumption, and to reduce imports of fossil fuels through the development of biofuels, to replace 10% of transportation fuel needs by 2025.[153] REDS priorities focus on small power development for self-sufficiency, grid connection, and biofuel production and marketing, by providing financial incentives and improving the laws and regulations on renewable energy.[154] Under the 8th NESDP, the authorities, *inter alia*, plan to increase the expansion of renewable energy and other alternative energy sources (solar power, wind power, bioenergy, and biogas) and to focus on the development and utilization of clean and environmentally-friendly energy.[155]

5.72. The Institute of Renewable Energy Promotion (IREP) of the MEM oversees the implementation of renewable energy, energy efficiency and rural electrification programmes.[156] The Lao Institute of

[148] Nanthavong, K. (2015), *Electricity pricing in the residential sector of Lao PDR,* October. Viewed at: http://www.meconproject.com/wp-content/uploads/report/[Task%206-Electricity%20pricing%20in%20the%20residential%20sector]%20Lao%20PDR%20country%20report.pdf.

[149] EDL. Viewed at: http://www.edl.com.la/en.

[150] MEM/UNDP (2015), *NAMA for the Renewable Energy Sector of Lao PDR,* 18 November. Viewed at: http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/MDG%20Carbon%20Facility/NAMA%20Final%20Lao%20PDR2.pdf.

[151] Institute of Renewable Energy Promotion. Viewed at: https://www.irena.org/-/media/Files/IRENA/Agency/Events/2016/Dec/12/Laos-presentation.pdf?la=en&hash=C3EE41F35C533D50672C4A75B1AA0D9D10C8C66C.

[152] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[153] MEM (2012), *Data Collection Study (Preliminary Assessment) on Energy Sector in Lao PDR,* August. Viewed at: http://open_jicareport.jica.go.jp/pdf/12087904_01.pdf

[154] IEA. Viewed at: https://www.iea.org/policiesandmeasures/pams/laopeoplesdemocraticrepublic/name-161695-en.php.

[155] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[156] Economic and Social Commission for Asia and the Pacific (UNESCAP). Viewed at: https://www.unescap.org/sites/default/files/Lao%20PDR%20National%20Sustainable%20Energy%20Strategy%20Report.PDF.

Renewable Energy (LIRE), a non-governmental and non-profit organization working with the MEM, promotes renewable energy and conservation through developing projects focussed on renewable energy sources, and creating a manual on renewable energy production and use.[157]

5.73. Since 2005, a Rural Electricity Fund (REF), designed on a revolving capital principle with funding support from the International Development Association (IDA), the World Bank and the Norwegian Agency for Development Cooperation (NORAD), has been in place to enable larger uptake of renewable energies for off-grid electrification. In practice, until 2015, the REF was mainly limited to supporting solar home-based solutions. An REF hire-purchase scheme, administered by the IREP and involving an upfront installation fee and then monthly payments to repay the balance within between five and ten years, made solar home systems (SHSs) affordable for rural households. The REF operates through Provincial Electricity Service Companies (PESCOs) that collect the instalments from the households and share them with the Fund. The REF recovers about 35% of the investment; therefore, it is, by default, a diminishing fund.

5.3 Manufacturing

5.3.1 Features

5.74. Manufacturing remains a relatively low priority activity in terms of its contribution to the economy, employment and merchandise exports. Its share in GDP dropped slightly from 9.9% in 2012 to 8.3% in 2018 (Table 1.2), whereas its share in total employment rose from 9.4% to 9.7% (2017) during the same period; these developments may be indicative of a minor reduction in labour productivity in manufacturing.[158] As at 2015, there were 13,148 manufacturing establishments (18.5% in Vientiane Capital, 17.0% in Borikhamxay, 13.2% in Khammuane, and 12.8% in Savannakhet), consisting of large (5.4%), medium (about 6%), micro (37.6%) and small (51.0%) enterprises.[159] Investment in these firms was foreign (2.7%), joint ventures (16.0%), and domestic (81.2%). Manufacturing value added originated mainly in beers (18.8%), cement (14.0%), wearing apparel (11.5%) and wood furniture (9.0%) production activities, and 97% of their output was directed to the domestic market. The production of alcohol/beer met 100% of domestic demand, and for soft drinks, cement and steel bar, it attained 89%, 65% and 25%, respectively.[160] New processing activities, such as silk thread and textiles, animal feed and processing (meat, sugar, rubber, latex, coffee, pine resin processing, and potassium processing), emerged. State involvement in manufacturing appears to persist in the production and/or trade of pharmaceuticals, chemical products, construction materials (e.g. cement), technical equipment (e.g. agricultural machinery, telecommunication equipment, and spare parts), handicraft products, and clothing and other cotton-made products.[161] The share of exports of certain manufactured products rose considerably, from 25.4% of total merchandise exports in 2013 to 34.7% in 2017; in 2017, they included machinery, electrical equipment (8.9% of total exports), prepared food beverages and tobacco (8.5%), textiles and textiles articles (3.8%) (Section 4.3.4), plastics and rubber (3.2%), and chemicals (3.1%) (Table A1.1).[162]

[157] LIRE. Viewed at: http://www.lao-ire.org; and Open Development. Viewed at: https://laos.opendevelopmentmekong.net/topics/energy-policy-and-administration.

[158] Statista. Viewed at: https://www.statista.com/statistics/804983/employment-by-economic-sector-in-laos.

[159] Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/kcfinder/upload/files/Pub_1530524761.pdf.

[160] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[161] WTO document WT/ACC/LAO/45, 1 October 2012; and MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[162] For this Section, total manufactured exports calculations are HS-based, and include prepared food, beverages and tobacco but exclude: mineral products; wood, cork, and straw; and base metals and articles thereof. The garment sector is the most export-oriented sector in the economy (100% production is exported). It benefits from the country's LDC status under the GSP and the related EBA initiative (Section 2.3.3). However, it appears that most clothing factories were unable to take full advantage of this preferential market access because of strict rules of origin (RoOs) on local content requirements. The industry is highly dependent on imported fibre, yarn, and fabric for assembling finished products. Consequently, it has little capacity to add value to products. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study*

5.3.2 Policy and institutions

5.75. Under the 8th NSEDP, the main manufacturing policy objectives are to: develop the sector to become a quantitatively and qualitatively high-growth activity; diversify commercial and modern goods production to meet domestic and export needs; raise competitiveness; and transform it into a main sector to support quality, job creation and sustainable economic growth by setting a growth target of about 15% per annum (as for services).[163] Furthermore, the Plan, *inter alia,* envisages the setting of policies, legislation and mechanisms for managing and creating favourable environments for processing industries (using raw materials from agricultural and forest products and mineral products) and handicrafts with (socio-economic) potential, inheritance value and those that are in demand (e.g. garments, silk cloth and skirt weaving, bamboo weaving, and woodcarving products); supporting investment in assembling activities (e.g. vehicles and machinery spare parts); and expanding production by applying a concept of "1–3-3–4" (1 central economic area, 3 economic corridors, 3 industrial production areas, and 4 areas of economic border cooperation) to enable more concrete results. The authorities indicated that an Industrial and Commerce Development Plan 2015-20 and a Work Plan 2019-20 involving, *inter alia,* support to agricultural product processing and garment production, were being prepared.

5.76. The MoIC, in cooperation with other related line ministries (e.g. the MPI, the MoF, the MAF, and the MEM), is, *inter alia,* the focal point for manufacturing policy formulation and implementation, and is responsible for promoting manufacturing, trade, import and export activities.

5.3.3 Border and domestic support measures

5.77. During the review period, tariff protection for manufacturing (HS 25-97) dropped slightly, and remains lower than the overall applied MFN average (8.6%, late 2018) and well below the average for agriculture. In late 2018, the simple average stood at 8.1% (9.9% in 2008, 9.1% in 2014) (Tables 3.1 and A3.1). Thus, in late 2018, there was an average gap of 10.2 (HS) percentage points between the average MFN applied and the bound rates in manufacturing. Certain chemicals, plastics, rubber and articles thereof, machinery, and transport equipment were subject to the highest tariff rate range, of up to 40% (Table A3.1 and Section 4.3.1); as at late 2018, the 40% tariff rate concentrated on certain manufactured goods, including tubes, pipes, packing goods, closures of plastics, certain engines, motorcycles, and furniture. As at May-June 2019, the authorities considered the elimination of import and export licensing requirements on steel and cement, to reduce business operations procedures.[164]

5.78. Tax and non-tax incentives, in the form of duty and tax concessions, and special economic or industrial zones, promoted manufacturing activities (Sections 2.4.4 and 3.3.1.2).[165] As for fuel and gas (Sections 3.3.4 and 4.2.2.1), maximum prices continue to be applied on construction steel and cement.[166]

5.3.4 Garments

5.79. Despite a declining share in total exports due to the emergence of other major export commodities (e.g. mining, electricity and electronic parts) and declining demand in the world market, in 2015, the garment sector remained the most export-oriented activity in the economy (Section 4.3.3), ensuring 11.5% of manufacturing value added, and is the largest employer in manufacturing, providing direct jobs for 26,887 workers (18.5% of total employment in manufacturing) and indirect jobs in supporting industries for about 2,500 workers.[167] Compared to

2012, Trade and Private Sector Development Roadmap, July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[163] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[164] Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=1396.

[165] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[166] WTO document WT/ACC/LAO/45, 1 October 2012.

[167] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at:

other developing textile and garment exporting countries, the industry remains very small. In 2015, 437 firms were in operation; most factories (62%) operated as cutting, making, trimming (CMT) producers, taking orders from agents based in the region or their parent companies, which provided all fabric and other accessories, or performed some subcontract work for larger firms. As at late 2018, the applied MFN tariff rates on textiles and textile articles averaged 9.3%, and ranged from zero to 30% (Table A3.1). The European Union is by far the most important export destination for Lao PDR's garments; in 2016, it accounted for 74.1% (79.5% in 2013) of total garment exports in terms of value. Other markets included Japan (9.4%) and the United Arab Emirates (8.4%).[168] Under the EU EBA initiative (Section 2.3.3), products manufactured in Lao PDR from woven fabric or yarn imported from the European Union, ASEAN (except from Myanmar), the South Asian Association for Regional Cooperation (SAARC) or the African, Caribbean, and Pacific (ACP) countries are considered as originating in Lao PDR under regional accumulation allowances. An early 2010s Strength, Weakness, Opportunity, and Threat (SWOT) analysis showed that the overall comparative advantages of the industry had been declining due to changes in the internal and external environment, including low labour productivity.[169]

5.4 Services

5.4.1 Features

5.80. Lao PDR considers that the development of the services sector is firmly linked to production, enabling high growth and job creation as well as the supply of diversified goods and services to meet domestic and external demand.[170] Services continue to be the largest GDP contributor; their share peaked in 2015 (49.4%, or 55.7% including construction), and progressively declined to their 2013 level in 2017 and 2018 (47.0%, or 54.7% including construction) (Table 1.2). Annual growth in the sector declined from 9.7% in 2013 to 4.5% in 2017 but rose to 7.9% in 2018, while construction growth rates ranged from 8.1% (2014) to 20.9% (2018). The share of services in total employment rose steadily from 25.2% (2013) to 29.0% (2017); this development may be indicative of a minor reduction in labour productivity in Lao PDR's services activities.[171] As at 2017, wholesale and retail trade, and public administration and defence remained the leading activities in GDP terms, followed by real estate activities, and financial and insurance activities.

5.81. In 2017, Lao PDR ranked as the 134th largest exporter and the 149th largest importer of commercial services in the world.[172] In 2016, its main services exports and imports consisted of travel (85.9% of total credits, 87.1% of total debits), while transportation accounted for 9.7% and 6.7%, respectively. Lao PDR remains a net importer of services; the trade balance (deficit) ranged from USD 232.7 million in 2018 to about USD 385.6 million in 2014 (Table 1.3).

5.4.2 Overall commitments under the General Agreement on Trade in Services and RTAs

5.82. Lao PDR's commitments under the GATS remained unchanged during the review period. Its Schedule of Specific Commitments covers 79 subsectors in certain business services, communication services, construction and related engineering services, distribution services, educational services, environmental services, financial services, health-related and social services, tourism and

https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/kcfinder/upload/files/Pub_1530524761.pdf.

[168] UNSD Comtrade database.

[169] East Asia Forum. Viewed at: https://www.eastasiaforum.org/2016/06/03/tough-times-in-the-laos-garment-industry.

[170] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[171] Statista. Viewed at: https://www.statista.com/statistics/804983/employment-by-economic-sector-in-laos.

[172] WTO. Viewed at: http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=LA. More data on Lao PDR's trade in services are contained in ASEAN Secretariat (2018), *ASEAN Statistical Yearbook 2018*, December, Jakarta. Viewed at: https://asean.org/storage/2018/12/asyb-2018.pdf.

travel-related services, and transport services.[173] Certain services, such as legal services, certain business services, basic telecommunication services, distribution services, certain education services, most financial services, travel agencies and tour operators, and maintenance and repair of aircraft, are subject to foreign ownership limitations. Lao PDR undertook commitments on market access and national treatment across all main subsectors, leaving the provision of cross-border services in most committed sectors largely free of restrictions. Horizontal restrictions on commercial presence include restrictions on land ownership, access to subsidies, and investment incentives. Lao PDR's list of Article II (MFN) Exemptions covers audiovisual services, internal waterway transport, land transport, and services and service suppliers under bilateral investment and trade agreements signed prior to Lao PDR's date of accession.[174]

5.83. Lao PDR participates in seven RTAs involving GATS plus commitments on trade in services: AANZFTA, ACFTA, AJCEP, AIFTA, AKFTA, AHKFTA, and AFAS (Section 2.3.2.1).[175] The AHKFTA is in the ratification process and is expected to be effective by end-2019, and the AJCEP was signed by all parties. Negotiation of a Regional Comprehensive Economic Partnership (RCEP) involving GATS plus commitments is underway. A 2005 Agreement between the United States of America and the Lao People's Democratic Republic on Trade Relations also covers trade in services commitments.[176]

5.4.3 Financial services

5.84. Financial services are considered a key sector for national stability/security ("economic stability").[177] Lao PDR aims to develop the financial institutions to ensure high effectiveness and to widen their services.[178] During the review period, the financial services' contribution to GDP rose from 2.0% (2012) to 3.3% (2018) (Table 1.2).

5.4.3.1 Banking and finance

5.85. As in most countries in the early stages of financial sector development, banking dominates the sector.[179] As at June 2019, there were 43 banking institutions (13 in 2006), consisting of 28 branches or subsidiaries of foreign banks, 7 locally-owned private banks, 3 joint-venture (state participation) banks, 3 entirely state-owned banks, and 1 specialized state bank (Nayoby Bank).[180] In 2018, the three state-owned banks held approximately 43% of total assets, the foreign banks' branches 28%, the private banks 18%, and the joint-venture (state participation) commercial banks 10% (Table 4.1).[181] Banking seems relatively small. Penetration of bank branches is amongst the lowest in the world, with almost three branches per 100,000 people in 2013.[182] In the period 2015-17, MFIs expanded rapidly, especially non-deposit taking MFIs (NDTMFIs), due to low registered capital of about USD 25,000; by end-2017, 123 MFIs (19 DTMFIs, 74 NDTMFIs and 30 Savings and Credit Unions (SCUs)) served roughly 280,517 clients, and had a little over

[173] WTO. *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[174] WTO document GATS/EL/150, 22 April 2013.

[175] Lao Services Portal. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site/content&id=14.

[176] Online information. Viewed at: https://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/exp_005846.asp.

[177] WTO document WT/ACC/LAO/45, 1 October 2012.

[178] MPI (2016). *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane)*. June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[179] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[180] Each state-owned bank has a specific lending focus, with BCEL (the largest bank) concentrating on large corporates, Lao Development Bank (second largest) focussing on SMEs, and the Agricultural Promotion Bank and Nayoby Bank focussing on the agriculture sector (Section 4.1.4). UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf; BOL (2018), *Annual Economic Report 2017,* Vientiane. Viewed at: https://www.bol.gov.la/together_use/Annual%20Report%202017_Eng.pdf.

[181] IMF (2018), *Lao People's Democratic Republic: Technical Assistance Report — The Development of Risk-Based Supervision,* May. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/05/31/Lao-Peoples-Democratic-Republic-Technical-Assistance-Report-The-Development-of-Risk-Based-45919.

[182] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

70,191 active borrowers and a total loan portfolio of about USD 97 million.[183] In 2014, 47% of the adult population was formally served; 36% were banked, 25% used other formal non-bank products/services, 60% used informal mechanisms for managing their finances, and 25% were financially excluded. Credit remains concentrated in services (including construction of public infrastructure and manufacturing facilities), industry, and commerce.[184]

Table 5.1 Structure of the financial system, 2012-18

(USD million and %)

	2012	2013	2014	2015	2016	2017	2018
Total financial system assets, of which							
Banks	50,839.80	62,269.78	81,171.20	97,693.33	113,156.98	122,408.35	130,387.32
Assets of state-owned banks	28,271.90	32,815.58	41,817.63	44,644.43	49,836.42	53,189.52	56,031.04
Microfinance institutions (MFIs)	..	..	..	..	..	..	..
Insurance companies	..	..	..	..	..	..	..
Credits, of which							
Banks	25,566.00	35,424.30	40,290.50	48,290.72	59,745.31	66,939.31	69,052.63
State-owned banks	16,525.44	20,768.53	21,847.60	22,902.64	29,967.43	33,064.89	33,945.50
MFIs	..	..	..	..	..	..	..
Non-performing loans (NPLs)/total loans (banks + MFIs) (%)	..	..	..	..	..	..	..
NPLs/bank loans (all banks) (%)	1.90	2.14	2.50	3.04	3.00	3.07	3.12
NPLs/MFI loans (%)	..	..	..	..	..	..	..
Loans in foreign currency/total loans (%)	49.43	49.21	48.88	50.05	52.34	50.18	51.11
Credits/GDP (%)	31.33	37.74	37.73	41.19	46.21	47.58	45.30
Deposits, of which							
Banks	29,684.30	35,290.90	45,995.70	54,109.77	60,993.14	68,032.49	73,672.85
State-owned banks	19,067.41	21,985.68	28,688.71	31,699.43	35,891.45	38,891.89	40,630.67
MFIs	..	..	..	..	..	..	..
Deposits in foreign currency/total deposits (%)	51.10	50.19	49.91	49.22	51.98	53.73	54.15
Deposits/GDP (%)	36.37	37.60	43.07	46.15	47.18	48.35	48.33
Interest rate spread (domestic currency) (%)	5.46	5.10	4.23	3.83	3.86	3.72	3.92
Interest rate spread (foreign currency) (%)	..	..	..	..	..	..	..
THB	6.53	6.49	5.61	4.01	3.93	3.88	4.04
USD	5.03	5.18	4.68	3.80	3.84	3.77	3.54

.. Not available.

Source: BOL.

Policy

5.86. Under the 8th NSEDP, policy objectives in this area include: raising the efficiency of commercial banks and institutions to regional and international standards, to engender smooth and speedy transaction business to promote socio-economic development; encouraging commercial banks to improve policies on deposit interest rates and loans, to promote commercial production, and improve services to limit NPLs in the banking system; and applying a mechanism to mobilize funds from the stock market to increase commercial production and improve service sectors with high

[183] Lao Microfinance Association. Viewed at: https://www.laomfa.org/about-us/microfinance-in-laos.

[184] IMF (2018), *2017 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Lao People's Democratic Republic,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

effectiveness.[185] As at 2018, in line with the 2016 ASEAN financial inclusion goals, Lao PDR elaborated a draft National Financial Inclusion Strategy (NFIS) 2018-25, that is to be renamed the National Financial Inclusion Roadmap and is expected to be adopted during the third quarter of 2019.[186]

Role of the central bank

5.87. The BOL is a state agency equivalent to a ministry; it is a component of the Government's organizational structure.[187] It is the secretariat of the Government for the management of monetary stability, sustainability of financial institutions, and efficiency of payment systems in support of national socio-economic development. The authorities indicated that the BOL's governor is responsible for advising the Government on financial policy matters, and for implementing policy within government regulations; in addition, the BOL is considered independent in its operational decisions, and this is ensured by creating specialized committees. The BOL supervises commercial banks and financial institutions (see below).[188]

Regulatory framework

5.88. During the review period, the main regulatory framework governing banking was reviewed and updated, to better align it with current developments and international best practices.[189] The Law on the Bank of Lao PDR (amended) No. 47/NA, 19 June 2018, was enacted; as at June 2019, the amendment to the Law on Commercial Banks (final draft) had not been passed by the NA.[190] The Law on Payment System No. 32/NA, 7 November 2017, creating a national payment system, was enacted, providing much-needed digital financial services (DFS) regulations; the decrees needed

[185] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[186] ASEAN's four goals for 2025 in this area are: reducing the average financial exclusion level from 44% to 30%; increasing the level of infrastructure readiness in ASEAN to 85% (currently at 70%); increasing financial inclusion delivery channels and quality of services to all sectors; and improving financial literacy and consumer protection. OECD. Viewed at: http://www.oecd.org/finance/financial-education/Lao%20PDR%202018%20Summary%20Record.pdf.

[187] The Board of Directors of the BOL consists of 7 to 11 members, of which: the Governor is the Chair; the Deputy Minister of Finance and the Deputy Governor are the Deputy Chairs; and representatives from other relevant authorities, especially from the economic sector and education institutions, are members. In the past, it was composed of the Deputy Prime Minister (Chairman), the Governor of the BOL (Vice-Chairman), the Minister of Finance (Vice Chairman), the Deputy Governor of the BOL, and some other members with knowledge, competence and experience in agriculture, industry, trade, banking and finance. Law on the Bank of the Lao People's Democratic Republic No. 47/NA, 19 June 2018; and the Law on the Bank of the Lao People's Democratic Republic No. 5/NA, 14 October 1995. Viewed at: http://www.vientianetimes.org.la/Laws%20in%20English/30.%20Law%20on%20Bank%20of%20the%20Lao%20PDR%20(1995)%20Eng.pdf.

[188] WTO document WT/ACC/LAO/45, 1 October 2012.

[189] New legal texts included: Decision on the Membership Fee and Service Charge for Credit Information No. 927/BoL, 20 September 2012; Decision on the Activities Regarding Credit Information No. 928/BoL, 20 September 2012; Decision on Method of Calculating Loan Interest and Fine of Commercial Bank No. 361/BoL Vientiane Capital, 23 April 2012; Ministerial Instruction on Tax Revenue Collection Management No. 3281/MOF, 6 October 2014; Decision Concerning Fees and Service Charges in Seeking Authority to Operate Business and Fees for Yearly Management of Financial Institutions No. 378/BOL, 23 May 2014; Decree on Checks No. 386/Govt, 27 October 2014; Decision on Sale-Purchase Forward Contract for Foreign Currency No. 619/BoL, 14 August 2014; Law on the Management of Foreign Currency No. 55/NA, 22 December 2014; Law on Anti-Money Laundering and Counter-Financing of Terrorism No. 50/NA, 21 July 2014; Decision on Money Transfer Transaction that Exceeds Value No. 963/BoL, 27 November 2015; Decision on Service Fees of the Bank of the Lao PDR No. 664/BOL, 2 September 2015; Decision on the Determination of Interest Rates of Commercial Banks No. 529/BOL, 21 July 2015; Decision on the Establishment of Commercial Banks and Branches of Commercial Banks No. 42/BoL, 15 January 2016; Decision on the Provision of Additional Information for Financial Institutions No. 45/BoL, 15 January 2016; Decree on Pawn Businesses No. 248/Gov, 26 July 2016; Decision on Money Exchange Business Operations No. 529/BOL, 1 July 2016; Law on Payment System No. 32/NA, 7 November 2017; and Decision on the Access of Credit Information No. 03/BOL, 2 January 2018. IMF (2018), *2017 Article IV Consultation — Press Release; Staff Report; and Statement by the Executive Director for Lao People's Democratic Republic,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

[190] Law No. 03/NA on Commercial Banks, 26 December 2006.

to enable interbank payments are being developed and, as at June 2019, were still pending.[191] According to the IMF, a 2011 Regulation on Loan Classification and Provisions remains an effective tool to accurately capture problematic loans. Microfinance is, *inter alia,* regulated by: the Regulation for Deposit-Taking Microfinance Institutions (No. 04/BOL 2008); the Regulation for Non-Deposit-Taking Microfinance Institutions (No. 02/BOL 2008); the Regulations for Savings and Credit Unions (No. 03/BOL 2008); the Decree on Microfinance Institutions (No. 460/G), 3 October 2012; and the Implementation Guidelines on the Decree on Microfinance Institutions (No. 01/BOL), 19 April 2016.[192]

5.89. Other changes in the regulatory framework include the promulgation of the 2014 Law on Anti-Money Laundering and Counter-Financing of Terrorism in 2015.[193] Lao PDR graduated from the Financial Action Task Force (FATF) grey list (monitoring process under its ongoing global AML/CFT compliance process) in June 2017; since then, the Anti-Money Laundering Office has been working closely with line ministries and associated competent authorities to strictly carry out the task of AML/CFT.[194] In addition, the National Risk Assessment (NRA) on AML/CFT was completed, in parallel with the identification of deficiencies to prepare for the upcoming Mutual Evaluation (ME) in the year 2020. In the 2018 Basel Anti-Money Laundering Index, Lao PDR ranked 4th out of 129 countries (16th out of 149 countries in 2016), indicating that, despite improvement, the country was regarded as having a relatively weak AML/CFT framework.[195]

5.90. Regarding commercial presence in banking and finance services, under Lao PDR's GATS commitments, since 2018, foreign equity participation is limited to 51%.[196]

Prudential regulations and capital adequacy requirements

5.91. The banking system remains highly dollarized, with weak profits and pockets of fragility; asset quality issues, thin capital buffers, and weak profitability continue to weigh on parts of the banking system (see below).[197] During the review period, the BOL took a number of pre-emptive steps to enhance the resilience of the financial system, by transforming the compliance-based supervisory framework into risk-based supervision and the transition to the Basel II compliance framework, which requires further capital buffers.[198] A new supervisory manual reflecting key principles of the risk-based approach to supervision was drafted in 2017; it includes templates of Institutional Profile

[191] Payments in Lao PDR are made mainly in cash; so far, the Government has implemented a 2015 guideline for DFSs to allow banks and non-banks to develop DFS in the country. This lack of regulation means that no Fintech industry development has yet taken place; instead, it is replaced by temporary agreements with foreign payment providers' solutions. UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf; and ASEAN Secretariat/UNCTAD (2018), *ASEAN Investment Report, 2018 – Foreign Direct Investment and the Digital Economy in ASEAN,* 21 October. Viewed at: https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.

[192] Lao MFA. Viewed at: https://www.laomfa.org/policies-regulation.

[193] Online information. Viewed at: http://laoofficialgazette.gov.la/kcfinder/upload/files/Anti-Money%20Laundering%20and%20Counter-Financing%20of%20Terrorism%20Law%20.pdf.

[194] FATF. Viewed at: http://www.fatf-gafi.org/countries/a-c/afghanistan/documents/fatf-compliance-june-2017.html; and IMF (2018), *2017 Article IV Consultation — Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

[195] Online Media release Basel, *Fighting money laundering remains weak in most countries according to Basel AML Index 2016,* 27 July 2016. Viewed at: https://index.baselgovernance.org/sites/index/documents/Basel%20AML%20Index%202016_Media%20Release.pdf; and Basel Institute on Governance (2018), *Basel AML Index 2018 Report,* 9 October. Viewed at: https://index.baselgovernance.org/sites/collective.localhost/files/aml-index/basel_aml_index_10_09_2018.pdf.

[196] WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[197] IMF (2018), *2017 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

[198] IMF (2018), *2017 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

(IP), Risk Assessment Summary (RAS), and Report of Onsite Examination (ROX). In 2018, a Master Plan was adopted to guide institutional set-up during the transition period, for full-fledged Basel II compliance.

5.92. The rapidly increasing number of banks and their growing portfolios have led to rising concerns about financial stability.[199] According to the IMF, as at 2017, the banking sector remained sound and stable, as the system-wide capital adequacy ratio (CAR) was maintained above 15% and, albeit rising, NPLs stood at around 3% of total loans (Table 4.1).[200] However, while the system-wide CAR appears to be above the Basel I minimum of 8%, capital in some state-owned and joint-venture banks is likely below the minimum. The authorities were working on internal restructuring of two under-capitalized state-owned banks (Lao Development Bank (LDB) and Agriculture Promotion Bank (APB), representing about 10% of system assets), and recapitalized the largest state-owned bank (BCEL – 28% of system assets) to attain a CAR of 9.72% in September 2017 and 8.89% at mid-2018. The BOL proposed to the MOF that they jointly contribute to the funding of the LDB and the APB.

5.93. Since the introduction of a cap on interest rates for kip-denominated loans in 2015, foreign currency credit growth has outstripped kip lending growth, increasing the risk of re-dollarization and growing balance sheet mismatches.[201] The increase in dollar lending in recent years mirrored a decline in commercial bank net foreign assets (NFAs), suggesting that credit is being increasingly financed by external non-core sources, mainly regional banks, and particularly from China. According to the BOL, the increase in foreign currency lending was due to several factors, such as a higher demand for foreign exchange and a loosening of measures restricting foreign exchange lending. Given the interest rate measures, such as a cap on the deposit rate and a spread on deposit and lending rates applied to both kip and foreign exchange, such measures did not have a direct effect on the current increase in foreign exchange lending. Foreign financing, especially by foreign banks' branches, also led to the lower NFA. As a result of the implementation of these policies between 2012 and 2016, Lao PDR's bank interest rate spread (the difference between the average borrowing and lending rates in nominal terms) dropped from 5.5% to 3.8% (Table 1.1 and Chart 4.1) but, in 2017, they rose slightly due to business operations.[202] In 2019, the BOL removed interest rate measures, and allowed commercial banks to determine their own rates.

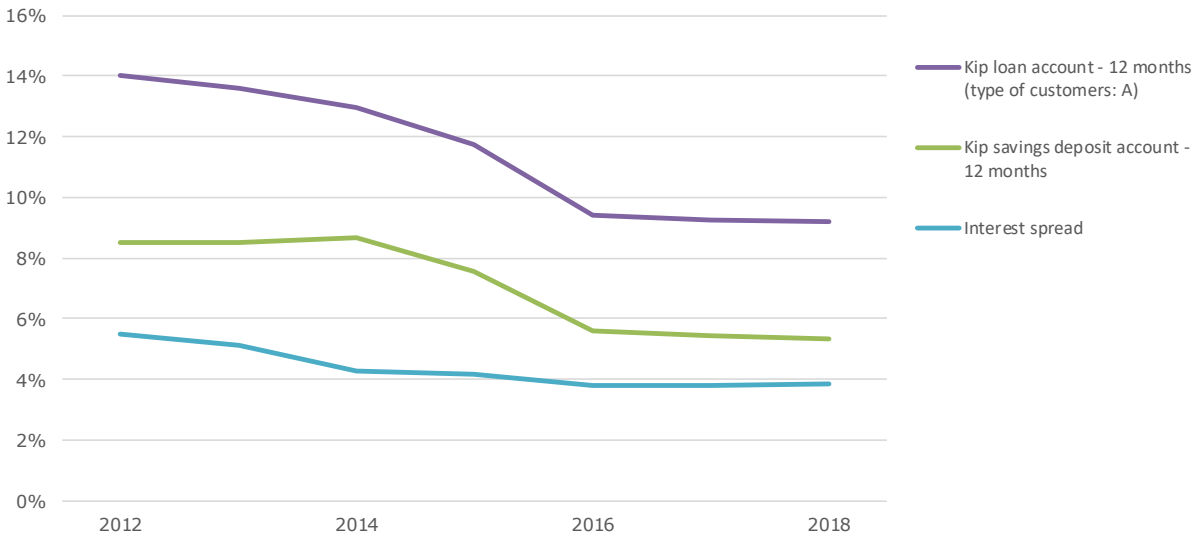
[199] IMF (2018), *Lao People's Democratic Republic: Technical Assistance Report — The Development of Risk-Based Supervision,* May. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/05/31/Lao-Peoples-Democratic-Republic-Technical-Assistance-Report-The-Development-of-Risk-Based-45919.

[200] The CAR stood as follows:16.87% (2012); 20.33% (2013); 22.29% (2014); 19.62% (2015); 16.38% (2016); 15.83% (2017); and 18.32% (2018). The reported financial soundness indicators may mask vulnerabilities due to the rapid – albeit decelerating – credit growth. Furthermore, the weak application of accounting standards means that the level of NPLs is likely to be understated, and the small increase in credit costs since 2013 suggests that banks have under-provisioned for potential losses. IMF (2018), *2017 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750; and IMF (2018), *Lao People's Democratic Republic: Technical Assistance Report — The Development of Risk-Based Supervision,* May. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/05/31/Lao-Peoples-Democratic-Republic-Technical-Assistance-Report-The-Development-of-Risk-Based-45919.

[201] According to the IMF, the interest rate cap on kip deposits and lending is a market-distorting measure that encourages dollarization and discourages lending to SMEs. IMF (2018), *2017 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

[202] Changes in the spread are an indicator of profitability developments, as the spread is where a bank makes its money. Moneyterms. Viewed at: http://moneyterms.co.uk/interest-spread; and IMF (2018), *2017 Article IV Consultation — Press Release; Staff Report; and Statement by the Executive Director for Lao PDR,* 23 March. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2018/03/23/Lao-Peoples-Democratic-Republic-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-45750.

Chart 5.1 Interest rate spread, 2012-18



Source: Lao Statistics Bureau.

Securities

5.94. Since 2011, the Lao Securities Exchange (LSX), a joint venture between the Government of Lao PDR and Korea Exchange (KRX), has offered increased access to the equity capital markets in the country. In accordance with its Joint-Venture Agreement, the LSX is capitalized by both parties; BOL owns 51% of the registered capital, and KRX the remaining 49%. Two types of securities are listed on the LSX (common shares and government bonds), and nine majority state-owned companies are listed: EDL-Gen, BCEL, Lao World Public Company (LWPC), Petroleum Trading Lao (PTL), Souvanny Home Center Public Company (SVN), Phousy Construction and Development Public Company (PCD), Lao Cement Public Company (LCC), Mahathuen Leasing Public Company (MHTL), and Lao Agrotech Public Company (LAT). EDL-Gen accounts for over 68% of the market capitalization of the LSX. Since its establishment, the LSX has experienced modest levels of activity; between 2011 and 2019 (May), the LSX's market capitalization rose from USD 580 million to USD 1.08 billion, or approximately 6.10% of GDP.

5.95. The Strategic Plan on Capital Market Development for 2016-25 aims at having 25 listed companies by 2020, and 60 listed companies by 2025. However, challenges facing the development of a vibrant capital market in Lao PDR include difficulties in disclosure of financial and non-financial information by firms, the small size of the market, the low level of liquidity, and the short hours of operation of the LSX.[203] To address these issues, recently, the LSX improved its trading operations by launching the government bond market system, extending trading hours to 8.30 a.m. – 3 p.m. without intermission, and introducing new types of orders (Market Order, Conditional Order, Preliminary Reserve Order), block trade and tick size.

5.96. During the review period, the regulatory framework governing securities was updated. The Decree on Securities and Securities Exchange of 2010 was upgraded to the Law on Securities, No. 21/NA, 10 December 2012, effective as at March 2013. The Stock Listing Regulations of the LSX, containing rules governing the issuance of and trading in equity and debts securities of listed companies, were issued in November 2015. Since 2009, the Lao Securities Commission Office (LSCO) oversees LSX operations. Fifty-six regulations, developed by the LSCO, govern the LSX, securities issuers and securities intermediaries. There are nine securities issuers (i.e. the listed companies, see above), one government bond issuer (the MoF), four securities firms, a rating company, property consultants, a custodian bank, and an external audit company.

[203] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

5.97. Foreign investors have access to all investment products listed on the LSX, and they are treated the same as domestic investors. They receive national tax treatment in relation to operations in the financial and capital markets. For instance, dividend tax and capital gain tax are exempt for both domestic and foreign. Furthermore, VAT is exempt for LSX services and securities intermediaries, and the income tax rate is reduced to 5% for a period of four years for a company listed on the LSX.

5.4.3.2 Insurance

5.98. Like neighbouring countries, Lao PDR's insurance penetration rate is among ASEAN's lowest; it is estimated to have dropped from 0.56% (2013) to 0.45% (2017) (insurance premium revenue share to GDP), and the insurance density varied, standing at approximately LAK 77,000 per person per year in 2017. The sector remains small but is slowly expanding, and most insurance coverage continues to apply to non-life insurance products.[204] Growth mainly driven by commercial lines of insurance, which cover approximately 66% of the total amount of premiums; personal lines of insurance are still limited, as people lack awareness of the benefits of insurance. The main insurance product being sold recently is vehicle insurance, due to inspections and follow-ups by the traffic police; for other types, such as life insurance, health insurance and other insurance regarding assets, they are still limited. The amount of the insurance premiums increased significantly, from LAK 238 billion in 2010 to a peak of LAK 589 billion in 2016 (approximately three-fold), due to economic growth developments and the increase of mega projects, especially the construction of hydropower plants; however, in 2017, the amount of premiums slightly declined to LAK 534 billion, due to the completion of construction projects and a limitation of government investments.

5.99. As at 2016, 24 companies received investment licences to operate insurance businesses; as at 2019, out of those companies, 22 have an insurance business licence to operate in Lao PDR and offer composite (9 firms), non-life (9 firms) or life insurance (4 firms) products. These companies are either joint ventures between the Government and foreign investors (2), joint ventures between domestic and foreign investors (7), entirely foreign-owned (6) or entirely domestic-owned (7). Apart from these registered insurers, in 2018, there were 2 registered insurance brokers and 407 registered insurance agents. Reportedly, in recent years, foreign companies made significant moves to invest in the life and non-life insurance market (e.g. Navakij Insurance Plc (NKI) and Hannover Rueck SE). The authorities indicated that, due to the lack of a regulatory framework governing microinsurance, no companies are allowed to officially sell microinsurance yet.[205]

Policy and institutional setting

5.100. Lao PDR's policy regarding insurance is aimed at ensuring that insurance businesses operate properly, fairly and effectively, protecting the legitimate benefits of insurers and policyholders, protecting state and common interests, ensuring public security and order, and contributing to social-economic development. The MoF (Department of State-Owned Enterprises Management and Development, and Insurance (DSI)) is the main regulatory agency in this area, and is in charge of insurance supervision.[206]

[204] As at the late 2000s, insurance taken out by Laotians was estimated at only USD 3.2 per capita per year, compared to USD 13 in neighbouring Viet Nam and USD 135 in Thailand. Demand was derived primarily from commercial and industrial sources, and personal insurance coverage was low. Demand originated from foreign firms operating in Lao PDR, and was met by local firms through underwriting by insurance companies based in Thailand, Indonesia, China, Malaysia, and Viet Nam. Motor vehicle insurance is compulsory but only about half of cars and about 5% of motorcycles were covered in the 2000s. Lord, M. and Vongxay, B. (2010), *Implications of WTO Accession for Insurance Sector of Laos, presented to MoIC,* August 2010. Viewed at: https://www.laotradeportal.gov.la/kcfinder/upload/files/Lao_Insurance_Industry_25Aug2010.pdf; and WTO document WT/ACC/LAO/45, 1 October 2012.

[205] The authorities indicated that some existing insurers have been developing micro-insurance products as a new product line to serve potential customers who lack insurance knowledge, poor people, and people in rural areas. Some insurers initiated discussions with the authorities for possible support for micro-insurance development.

[206] UNCTAD (2009), *Multi-Year Expert Meeting on Services, Development and Trade: The Regulatory and Institutional Dimension, Geneva 17-19 March 2009 – Country Report: Lao PDR*. Viewed at: https://unctad.org/sections/wcmu/docs/c1mem3p34_en.pdf.

Regulatory framework

5.101. The main regulatory framework of the sector was updated during the review period. It consists of the: Ministerial Decision No. 0228/MOF, 7 February 2009, regarding the new fee rate and compulsory minimum indemnity for third persons under the Law on Insurance; Ministerial Instruction No. 0772/MOF, 24 April 2009, to implement Ministerial Decision No. 0228/MOF, 4 February 2009; Law on Insurance No. 06/NA, 21 December 2011; Instructions on the Implementation of the Law on Insurance No. 539/MoF, 19 February 2014; Instructions on the Issuance of Insurance Operating Licences No. 770/MoF, 21 March 2016 (Operating Licence Instructions); Ministerial Decision No. 3058/MOF, 27 September 2018, on Governance and Business Conduct; Ministerial Decision No. 3059/MOF, 27 September 2018, on Reserves and Solvency; and Ministerial Decision No. 3060/MOF, 27 September 2018, on Reporting. The authorities are in the process of amending the Law on Insurance, and expect it to be approved by the NA in 2019. Businesses operating life and non-life insurance activities are governed by said Law, regardless of whether the legal entity is operated by a foreign business investor or a local investor.[207] According to the Law on Insurance and the amended Law on Investment Promotion (Section 2.4.3), any person wishing to operate an insurance business (either life or non-life) is first required to obtain an investment licence, issued within approximately 65 working days from the submission date of a complete application, and all required supporting documents from the MPI.[208] Upon issuance of this licence, an insurance operating licence is required by the MoF; it is issued in about 15 working days from the date of submission of a complete application. The Operating Licence Instructions aim to provide more clarity on the requirements, conditions and necessary steps to set up an insurance company, either with local shareholders or companies held (in whole or in part) by foreign investors. They also set requirements for independent insurance agents, and the mandatory conditions for obtaining a business licence. Insurers are required to obtain approval before selling a product to the public, in order to reduce conflict between insurers and policy-holders if the insured event occurs.

5.102. Under the Law on Insurance and the amended Law on Investment Promotion (Section 2.4.2), there is no prohibition on foreign investment in an insurance business (both life and non-life), nor is there a limitation on the shareholding of foreign investors.[209] An insurance company incorporated under domestic legislation can be either 100% foreign-owned or a joint venture between a foreigner and a local citizen. A foreign investor is not prohibited from engaging in an insurance business via capital participation or the acquisition of an existing insurance company in Lao PDR if prior approval from the relevant authorities, including but not limited to the MoF, is obtained.

5.103. Regarding commercial presence in insurance services, under Lao PDR's GATS commitments, since 2018, foreign equity participation has been limited to 51%, although, in practice, this limitation seems to apply flexibly (see above).[210]

Prudential regulations and capital requirements

5.104. The Law on Insurance sets out a prohibition on local officers from insurance regulatory bodies (i.e. the MoF) being part of an insurance business activity, to avoid conflicts of interest.[211] In addition, under the Instructions on the Implementation of the Law on Insurance (see above), insurance companies are restricted from investing more than a certain level, which can vary depending on the total income generated by the company during the year.[212] The following

[207] Thomson Reuters. Viewed at: https://uk.practicallaw.thomsonreuters.com/w-012-6702?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1.

[208] Conventus Law. Viewed at: http://www.conventuslaw.com/report/insurance-market-in-laos.

[209] Conventus Law. Viewed at: http://www.conventuslaw.com/report/insurance-market-in-laos; and Thomson Reuters. Viewed at: https://uk.practicallaw.thomsonreuters.com/w-012-6702?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1.

[210] WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[211] Thomson Reuters. Viewed at: https://uk.practicallaw.thomsonreuters.com/w-012-6702?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1.

[212] Under the Ministerial Instruction on implementing the Law on Insurance No. 539/MOF, 19 February 2014, and the Prudential Principles for Insurance Investments, the investment proportion shall not be greater than the following: 100%, to be deposited in a current or savings account at a commercial bank, or to buy government bonds; 20% in corporate equities; 30% in real estate assets; and 30% in corporate bonds.

investments may be restricted: purchase of shares in companies; investment in real estate; and purchase of bonds issued by companies.

5.105. Under the Law Insurance and its Instructions, for an insurance company (either life or non-life) to be established, it must have a registered capital of not less than LAK 16 billion (approximately USD 2 million), which must be maintained throughout its entire operation.[213] Furthermore, at least 80% of the registered capital must be paid within 90 days of the issuance of the MPI investment licence, and this amount must be maintained with the BOL or one of the domestic commercial banks. The remainder must be fully paid within one year of the issuance of the investment licence. In addition, a third of the company's registered capital must be maintained in a blocked bank account, with the BOL or one of the domestic commercial banks as guarantor.

Reinsurance

5.106. There is reportedly no framework specifically dedicated to reinsurance activities; therefore, the regulatory framework governing insurance applies in this area too.[214]

5.4.4 Communications

5.107. The information and communication services contribution to GDP peaked at 1.9% in 2015 and dropped to 1.7% in 2018 (Table 1.2). Telecoms penetration remains relatively low. As at 2017, fixed-telephone subscriptions covered 16.4% of the population, mobile-cellular subscriptions 54.1%, fixed (wired)-broadband subscriptions 0.2%, mobile-broadband subscriptions 40% (42% in 2018), households with a computer 13.2% (26% in 2018), households with Internet access at home 24.5% (70% in 2018), and individuals using the Internet 25.5%.[215] The number of mobile phone lines is rising and the rates are falling, driven by improved technology, enhanced competition, and increased access to low-cost Internet providers; however, rural and more remote communities are still unserved or underserved.[216] The Government supports deployment of 4G, 3G and 2G coverage across different parts of the country; as at 2017, 13% of the population with mobile phones had access to the 4G network, 65% to 3G, and 91% to 2G, which were provided at affordable yet controlled prices (see below). In 2017, Lao PDR ranked 139th out of 176 countries in the Information and Communications Technology (ICT) Development Index, five positions higher than in 2016; the ICT price basket represents an average of fixed telephone, mobile cellular and fixed broadband sub-baskets.[217]

5.108. Lao PDR has five main telecommunications providers, with a varying degree of state participation, of which three provide fixed-line telephone and broadband services, and four provide mobile telephone services.[218] These operators are: Lao Telecommunication Company Limited (LTC) (51% state-owned/49% Thaicom); Star Telecom (Unitel) (51% Lao Asia Telecom/49% Viettel Global); VimpelCom Lao Company Limited (Beeline) (100% state-owned (VEON); Enterprise of Telecommunications Lao (ETL) (100% state-owned); and Sky Telecom State Company (100%

[213] Conventus Law. Viewed at: http://www.conventuslaw.com/report/insurance-market-in-laos.

[214] Thomson Reuters. Viewed at: https://uk.practicallaw.thomsonreuters.com/w-012-6702?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1.

[215] Like neighbouring Cambodia and Myanmar, Lao PDR is a mobile-only country when it comes to broadband Internet. There has been a rapid expansion of mobile broadband Internet services on the back of the largescale launch of 4G services by the mobile operators. UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf; and Lao PDR ITU Profile (latest data available: 2018). Viewed at: http://www.itu.int/net4/itu-d/icteye.

[216] World Bank (2018), *Digital Connectivity in Lao PDR – Lagging Behind Peers: A short assessment with policy recommendations to catch up,* June. Viewed at: http://documents.worldbank.org/curated/en/336311549033138864/pdf/Digital-Connectivity-in-Lao-PDR-Lagging-Behind-Peers-A-Short-Assessment-with-Policy-Recommendations-to-Catch-Up.pdf.

[217] ITU (2016), *ICT Development Index 2017*. Viewed at: http://www.itu.int/net4/ITU-D/idi/2016; http://www.itu.int/net4/ITU-D/idi/2015; and ITU, *ICT Price Basket Methodology*. Viewed at: https://www.itu.int/en/ITU-D/Statistics/Pages/definitions/pricemethodology.aspx.

[218] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

state-owned with leased line service). Two more companies also operate: Planet, providing only Internet services; and the Lao Satellite State Enterprise (LSE) under the MoF.[219]

Policy and institutional framework

5.109. Under the 8th NSEDP, Lao PDR's policy objectives in this area include: review, development and improvement of laws, decrees, agreements and regulations related to the management of ICT applications and services; the establishment of an ICT development fund and the regulation of expenditure; 100% Internet coverage across the country; the expansion of telephone centres to ensure 100% local connection; preparation for ASEAN integration in the area of telecommunications to support the installation of connections devices within and outside the country; the design of a policy promoting domestic and foreign private investment in the sector; and the development and improvement of telecommunications and Internet-related legislation to fit regional and international integration conditions.[220] Lao PDR has mostly adopted ASEAN's ICT and e-commerce related frameworks (Section 4.4.6.2). Several broad national development strategies are in place for ICT development. They include the National Broadband Plan 2012-20, the E-Government Master Plan 2013-20, and ICT Vision 2030.[221] Further policy objectives are contained in the 2nd Five-year Development Plan of the Post and Telecommunications Sector (2016-20).[222]

5.110. During the review period, the institutional framework governing the sector was changed, with the establishment of the Lao Telecommunication Regulatory Authority (LTRA) in March 2017.[223] The Department of Telecommunications of the Ministry of Post and Telecommunications (MPT) ensured regulatory functions prior to the establishment of the LTRA. The LTRA is a structure under the MPT, having equivalent status to a department and a role as a think tank for the Ministry to manage telecommunications regulating activities; its Director General is accountable to the Minister of Post and Telecommunications and the supervising Vice Minister regarding the achievements and failures of the organization and operations within it.[224] The LTRA's purpose and principles include: promoting competition, connectivity and coverage; and ensuring independence in governance and in the allocation of telecom resources according to Lao PDR laws and regulations. The legislation stipulates that the LTRA should be fully independent from interference by operators, so as to ensure a level playing field in terms of competition, numbering assignment, consumer portion, and licensing. The MPT is responsible for policy formulation and implementation in this area.

Regulatory framework

5.111. The regulatory framework was improved with several new pieces of legislation. The Telecommunications Law No. 09/NA, 21 December 2011, remains the main element of the legal framework in this area, and its amendment has been under consideration since 2017; the Law on

[219] Lao Asia Pacific Satellite Co., Ltd. (LAOSAT) was incorporated on 25 February 2016; it is the only satellite operator within the Lao PDR territory,

[220] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[221] ASEAN Secretariat/UNCTAD (2018), *ASEAN Investment Report 2018 – Foreign Direct Investment and the Digital Economy in ASEAN,* 21 October. Viewed at: https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.

[222] ITU. Viewed at: https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/SiteAssets/Pages/Events/2017/Oct2017CIIOT/CIIOT/Laos%20IoT%20Presentation.pdf.

[223] Until recently, the lack of an independent regulator to ensure a level playing field was perceived by several operators as a key impediment to the continued expansion and stable growth of the sector. It appears to have also affected the quality of foreign investment into the telecommunications sector, and resulted in periods of anti-competitive behaviour among operators. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and ITU. Viewed at: https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/SiteAssets/Pages/Events/2017/Oct2017CIIOT/CIIOT/Laos%20IoT%20Presentation.pdf.

[224] According to the 2011 Telecommunications Law, the telecommunication authority consists of: the MPT; the Provincial and Capital Post and Telecommunications Divisions; and the District and Municipality Post and Telecommunications Offices. Prime Ministerial Decree No: 109/PM on the Establishment of the Lao Telecommunications Regulatory Authority, 27 March 2017; and Ministerial Decision No. 1684/MPT on the Organization and Operation of the Lao Telecommunications Regulatory Authority, 5 April 2017.

Radio Spectrum, No. 17/NA, 5 May 2017, was promulgated.[225] Other important pieces of legislation passed during the review period include: the ICT Law (November 2016); the Law on Prevention and Combating of Cyber Crime (July 2015); the Ministerial Decision on Telecommunication Competition (January 2015); the Ministerial Decision on Telecommunication Licensing (February 2015); the Ministerial Decision on Numbering (January 2015); the Ministerial Decision on 3- and 4-digit Numbering (December 2016); and the Prime Ministerial Decree on Establishing the Framework for the Creation of the Telecommunication Regulatory Authority (March 2017).[226] According to a 2015 Lao Telecommunications Sector Regulatory Assessment, the country had in place most of the primary legislation necessary to ensure WTO compliance and regulatory best practice; the priority is to implement key secondary legislation, in the form of regulations or other instruments, to give effect to measures strengthening the overall regulatory framework for the sector.[227]

5.112. Regarding basic telecommunications services, under Lao PDR's GATS commitments, at present, commercial presence for new investments is allowed, with foreign equity participation limited to 60%.[228]

Interconnection

5.113. According to the authorities, the telecommunication infrastructure networks are owned by the operators. Telecommunications operators who want to have their own telecommunications network to connect with other networks must get permission from and sign an agreement with the MPT.[229] According to the legislation, service providers should "collectively" share the telecommunication infrastructure, without discrimination in terms of conditions, quality and services based on mutual benefit, to avoid overlapping investments.[230] Telecommunications connection providers must guarantee: a centralized communication system; quality of telecommunications connection; all technical aspects of telecommunications connection; equality in price, quantity and non-discrimination; and, for Internet service providers, compliance with the Decision on Licensing Internet Business Operations. Telecommunications operators must have a contract to connect with the Lao National Internet Center (LANIC). The calculation of charges for the interconnection and utilization of the telecommunication infrastructure are based on transparency, equality and non-discrimination principles, and on costs of and agreements among telecommunication service providers.[231] The MPT determines the connection fee for domestic and international telecommunications operators; this is amended periodically.[232] The authorities indicated that they leave the interconnection arrangements to the private sector (see below); no legal basis exists for the Government to intervene, although the need to ensure some control to maintain fair competition is recognized.

Number portability

5.114. No regulation on number portability exists at present.

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[225] Lao PDR Trade Portal. Viewed at: https://www.laotradeportal.gov.la/index.php?r=site/display&id=515; and ITU. Viewed at: https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/SiteAssets/Pages/Events/2017/Oct2017CIIOT/CIIOT/Laos%20IoT%20Presentation.pdf.

[226] ITU. Viewed at: https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/SiteAssets/Pages/Events/2017/Oct2017CIIOT/CIIOT/Laos%20IoT%20Presentation.pdf.

[227] Reforms needed in this area included the establishment of an independent regulatory agency, the development of adequate regulatory and technical capacity for infrastructure sharing, interconnection and licensing, and provision of open access to existing infrastructure using cost-based prices. UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[228] WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[229] MPT Decision Regarding Telecommunications Network Connection No. 107/PT, 25 January 2016.

[230] Article 20 of the Telecommunications Law.

[231] Article 21 of the Telecommunications Law.

[232] MPT Decision Regarding Telecommunications Network Connection No. 107/PT, 25 January 2016.

Tariffs

5.115. High quality ICT at an affordable price is crucial for improving the competitive edge in services such as IT outsourcing and tourism.[233] Digital connectivity – access to affordable and reliable Internet services – has become a key driver of economic and social development globally. Economic activities and government services are increasingly moving online. During the early 2010s, both domestic and international long-distance rates fell rapidly to a level lower than the regional average, driven by improved technology, enhanced competition, and increased access to low-cost unlicensed voice-over Internet protocol (VOIP) in urban Internet cafes.[234] However, seemingly tight regulations of the sector appear to have constrained the development of new services and kept mobile Internet prices high and limited in quality, especially outside urban areas.[235] Reportedly, as at 2017, prior to the setting up of the LRTA, the partly state-owned LTC regulated minimum prices at levels above those charged in Thailand or Viet Nam; promotions or special offers were also limited to two weeks with prior approval. According to the authorities, the LANIC, under the MPT, provides National Voice Exchange (NVX) facilities for interconnection between domestic telecom operators, and International Voice Gateway (IVG) as the national gateway for international calls. All minimum telecom tariffs were seemingly last set in 2015.[236] For domestic telecoms, they include: LAK 250/minute for public switched telephone network (PSTN), LAK 300/minute for post-paid mobile phones, LAK 800/minute for pre-paid mobile phones, and LAK 100/sms for short-message-services. The interconnection fees between domestic telecom operators are LAK 100/minute and LAK 5/minute for LANIC's transit fee. The termination fee of international incoming calls from overseas carriers via LANIC to domestic telecom operators is USD 0.033/minute, and LANIC's transit fee is LAK 85/minute.

Universal service obligations

5.116. The universal service obligation (USO) scheme envisioned by national legislation has not yet been established. According to legislation, a Telecommunication Development Fund is to help develop, expand, advance, and modernize the telecommunication network to cover all remote rural areas.[237] Financing would be provided by: the state budget; grants from foreign countries and international organizations; contributions from both domestic and foreign individuals and organizations; a deduction from the fines according to the regulations; and income generated from telecommunication activities and charges from using telecommunication resources.[238] The Fund has not been established yet.

5.4.5 Transport

5.117. Lao PDR is the only landlocked country in Southeast Asia, a feature that may raise foreign trade-related transport costs by 50% and reduce trade significantly, therefore making improvements

[233] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[234] As at 2017, the mobile phone subscription rate in Lao PDR was around 87%, mobile broadband Internet around 35%, and fixed broadband around 3%, all lower than in most neighbouring economies. World Bank (2018), *Digital Connectivity in Lao PDR – Lagging Behind Peers: A short assessment with policy recommendations to catch up,* June. Viewed at: http://documents.worldbank.org/curated/en/336311549033138864/pdf/Digital-Connectivity-in-Lao-PDR-Lagging-Behind-Peers-A-Short-Assessment-with-Policy-Recommendations-to-Catch-Up.pdf; and MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[235] According to affordability data from the ITU (2017), mobile broadband prices in Lao PDR are just below the average for Asia-Pacific (4.2% of GNI per capita for 1 GB, compared to 5.4% for Asia-Pacific), but fixed broadband prices are notably higher than in neighbouring economies (16.5% of GNI per capita for Lao PDR, compared to 14.5% for Asia-Pacific). On broadband pricing, a recent survey of 196 countries ranked Lao PDR as the 192nd most expensive, at USD 231.76 per month. By comparison, the cost in Cambodia was USD 52.89, Viet Nam USD 62.86 and Myanmar USD 76.76. World Bank (2018), *Digital Connectivity in Lao PDR – Lagging Behind Peers: A short assessment with policy recommendations to catch up,* June. Viewed at: http://documents.worldbank.org/curated/en/336311549033138864/pdf/Digital-Connectivity-in-Lao-PDR-Lagging-Behind-Peers-A-Short-Assessment-with-Policy-Recommendations-to-Catch-Up.pdf; UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf; and online information. Viewed at: http://wanhoffs-laos.blogspot.com/2011/10/war-in-telecom-market-in-laos.html.

[236] Prime Minister Office Decree No. 993/PMO, 16 June 2015.

[237] Article 30 of the Telecommunications Law.

[238] Article 31 of the Telecommunications Law.

to transport and logistics critical.[239] During the review period, the transport and storage services' contribution to GDP dropped from 3.3% (2012) to 2.8% (2018) (Table 1.2). Between 2012 and 2017, the volume of cargo transportation rose by 43.5% to 8.6 million tonnes, and the number of passengers by 41.8% to 71.8 million.[240] Since a freight rail network has not yet been developed, and river transport is limited to those sections of the Mekong that form the border with Thailand, international traffic is heavily dependent on road transport.[241] In 2017, Lao PDR's freight transport mix in terms of million tonnes per km (tkm) was 88.5% by land, 11.5% by water, and 0.1% by air, compared to about 82.0%, 17.9% and 0.1% in 2012, respectively; its passenger transport mix in terms of million passengers per km (pkm) was 84.5% by land, 11.8% by air, and 3.7% by water, compared to 91.9%, 5.6% and 2.5% in 2012, respectively.[242]

5.118. Under the 8th NSEDP, transport policy objectives include the upgrade of public works and the transportation sector, to become the development spearhead for linkages within the country, and integration at regional and international linkage levels. Its goal is to facilitate quick services and ensure safety, while creating the appropriate conditions for investment, production, trade and tourism.[243] The transport infrastructure receives large Chinese loans and investments, with the aim of Lao PDR emerging as a well-situated transport node between China and Southeast Asia.[244]

5.119. The Law on Transport No. 24/NA, 12 December 2012, and the Law on Multimodal Transport 28/NA, 18 December 2012, remain unchanged.[245] During the review period, no changes were made to the institutional framework governing transport. The Ministry of Public Works and Transport (MPWT) remains in charge of: developing the legal and regulatory framework; and formulating regulations for developing roads, airports, ports, and railways. It is also responsible for developing national and provincial roads, civil aviation, urban transport systems, river wharves, and river and road transport. The MPWT consists of six departments: the Department of Civil Aviation, the Department of Housing and Urban Planning, the Department of Inland Waterways, the Department of Planning and Cooperation, the Department of Roads (DOR), and the Department of Transport. The National Transportation Committee, under the MPWT, seems, *inter alia,* to be entrusted with coordinating with all relevant sectors, both domestically and internationally, to ensure the highly effective implementation of international transport agreements.[246]

5.120. The logistics industry remains poorly developed and highly fragmented due to its small market size.[247] It is limited to basic services, road transport, warehousing and cargo clearance, and is mostly operated by small, family-run companies (Section 4.4.5.1). As at 2018, there were 24 freight forwarding firms, including international companies, most providing both clearing and

[239] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[240] Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June.

[241] On the Lao PDR side of the Mekong River, there are 21 river port facilities, but they are not well developed and are not suited to handling containerized cargos. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[242] Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June.

[243] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[244] Economist Intelligence Unit (EIU) (2018), *Country Report,* 23 August.

[245] Lao Services Portal. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site/servicesectordetail&id=12&service_id=11.

[246] Decree on the Organization and Operation of the National Transport Committee No. 03/PO, dated 28 January 2002. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site%2Fdisplaylegal&id=213#a3.

[247] Reportedly, the container transport network is also poorly developed. As export volumes tend to be small, containers usually need to be returned empty to the shipping line at the ports within three to four days, therefore adding significantly to the cost of shipping of containerized cargo. MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf; and World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y.

forwarding services.[248] According to the World Bank's Logistics Performance Index 2018, Lao PDR ranked 120th overall out of 167 countries (131st out of 160 countries in 2014), and 128th in the quality of trade- and transport-related infrastructure, 116th in the ease of arranging competitively-priced shipments, 114th in competence and quality of logistics services, and 130th in the timeliness with which shipments reach the consignee within the expected delivery time; these are all behind peers in South Asia, e.g. Viet Nam and Thailand, but above Myanmar.[249]

5.4.5.1 Road transport

5.121. Lao PDR has good connectivity to both of its principal trading partners, Thailand and China, and to overseas markets and suppliers via the international gateways in Thailand.[250] Road construction has made significant achievements, as evidenced by an increase in road networks and paved roads.[251] National roads were upgraded to ASEAN Roads that link domestic roads with neighbouring countries along the regional economic corridors. In April 2018, China's Yunnan Construction and Investment Holding Group signed a concession agreement to invest USD 1.3 billion in a 109-km highway from Vientiane to Vangvieng, which will eventually be extended to the Chinese border; a planned USD 4.5 billion highway from Vientiane to Hanoi will also support economic activity.[252] According to a 2018 World Bank report, the road transport sector in Lao PDR can be described as thin, consisting of a dozen large players (defined as having a fleet size of more than 50 trucks each) and many small firms (companies with less than 5 trucks or owner-operators each).[253] Many of the micro firms work in the informal sector. Productivity levels in the road transport sector seem to be generally very low.

5.122. Since cross-border movements of trucks are not restricted, Lao PDR operators are increasingly exposed to foreign competition for international cargo. Thai trucking firms provide most of the transport services and, *inter alia,* Chinese vehicles are also allowed to source and deliver cargo to final destinations, based on a bilateral agreement.[254] Thai firms are larger and better organized than the Laotian firms, whose trucks cannot always enter Thai ports as, according to the authorities, they do not meet certain port entry requirements/criteria.[255] Thai firms enjoy economies of scale from operating in Thailand and, as over 95% of the length of the routes connecting the origins/destinations in Lao PDR to the seaports is within Thailand, their trucks can carry Laotian cargo on the return trip. Reportedly, the costs for transporting cargo declined due to greater competition among Thai transporters, but remain high in comparison with similar developing

[248] Business Wire. Viewed at: https://www.businesswire.com/news/home/20180416006570/en/Lao-PDR-Freight-Logistics-Market-Study-Market.

[249] World Bank (2016), *Connecting to Compete 2016, Trade Logistics in the Global Economy*. Viewed at: https://wb-lpi-media.s3.amazonaws.com/LPI_Report_2016.pdf; and World Bank (2018), *Connecting to Compete 2018, Trade Logistics in the Global Economy*. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/29971/LPI2018.pdf.

[250] World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y.

[251] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[252] EIU (2018), *Country Report,* 23 August.

[253] World Bank (2018), *Transport Costs and Prices in Lao PDR – Unlocking the Potential of an Idle Fleet.* September. Viewed at: http://documents.worldbank.org/curated/en/469191543240299696/pdf/Transport-Costs-and-Prices-in-Lao-PDR-Unlocking-the-Potential-of-an-Idle-Fleet.pdf.

[254] World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y; and World Bank (2018), *Transport Costs and Prices in Lao PDR – Unlocking the Potential of an Idle Fleet,* September. Viewed at: http://documents.worldbank.org/curated/en/469191543240299696/pdf/Transport-Costs-and-Prices-in-Lao-PDR-Unlocking-the-Potential-of-an-Idle-Fleet.pdf.

[255] Lao trucking companies are small, with older equipment, and serve primarily short distance domestic movements to/from the border where the boxes are transhipped to/from Thai trucks. World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y.

countries due to the distance to the ports and the large proportion of empty backhauls.[256] Foreign transporters are not allowed to carry domestic loads, per cabotage rules; therefore, it appears that domestic transport prices were not reduced.[257]

5.123. Under the 8th NESDP, the authorities aim to upgrade roads that connect to the neighbouring countries, such as the Greater Mekong Subregion (GMS) Corridor, the Asian Highway, the East-West Corridor, and the North-South Economic Corridor, as well as those roads supporting the transportation of vehicles with 11 tons of cargo to underpin the shift to industrialization and modernization.[258]

5.124. The main regulatory environment in this area seemingly remains unchanged. The Land Transport Law No. 03-97/NA, 12 April 1997, continues to regulate the activity.[259]

5.125. Cooperation with neighbouring countries is vital for Lao PDR to access seaport gateways for its overseas trade. Lao PDR participates in two main regional agreements: the GMS Cross Border Transit Agreement of 1999; and the ASEAN Framework Agreement on the Facilitation of Goods in Transit of 1998. These have a significant impact on the efficiency of regional corridor operations.[260] At the same time, Lao PDR maintains several bilateral agreements with all its immediate neighbours, mostly under the GMS umbrella.

5.4.5.2 Air transportation

Air transportation services

5.126. The aviation sector continued to expand and support rising levels of tourism (Section 4.4.7) through the Wattay International Airport Terminal Expansion, which opened in August 2018, and 15 foreign airlines connecting Lao PDR to key transport hubs in the region including Bangkok, Kunming, Guangzhou, Hanoi, Ho Chi Minh, and Singapore. Between 2012 and 2019, international air transport frequency increased by 55%, from 147 to 264 flights per week, while domestic route frequency rose by 68%, from 196 to 287 flights per week. As at 2018, the total number of international passengers reached 2.5 million (424,900 in 2012), and total air cargo handled reached 4,022 tonnes (2,400 tonnes in 2012); most air cargo consisted of clothing.[261] As at June 2019, 17 Asian (including 1 Laotian) airlines serviced the international passenger market, and another 2 covered domestic routes; 16 local and foreign airline companies are permitted to operate in and out of Lao PDR, compared to 6 in 2012.[262] Average domestic air passenger fares are estimated at around USD 75-USD 110, and international round-trip fares at around USD 110.

5.127. Air transport policy priorities involve, *inter alia,* continued negotiation with foreign counterparts in terms of liberal air transport principles, in order to facilitate flight operations on existing and new routes; supporting foreign air carriers to attract foreign visitors; and encouraging

[256] World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y.

[257] World Bank (2018), *Transport Costs and Prices in Lao PDR – Unlocking the Potential of an Idle Fleet.* September. Viewed at: http://documents.worldbank.org/curated/en/469191543240299696/pdf/Transport-Costs-and-Prices-in-Lao-PDR-Unlocking-the-Potential-of-an-Idle-Fleet.pdf.

[258] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[259] Online information. Viewed at: http://www.vientianetimes.org.la/Laws%20in%20English/35.%20Law%20on%20Land%20Transport%20(1997)%20Eng.pdf.

[260] World Bank (2014), *Lao PDR: Trade and Transport Facilitation Assessment,* April, Washington D.C. Viewed at: https://openknowledge.worldbank.org/bitstream/handle/10986/18739/720610REVISED00FA0Final0web0June013.pdf?sequence=1&isAllowed=y.

[261] Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June.

[262] The domestic airlines comprise the entirely state-owned (MPWT) Lao Airlines Company (international and domestic routes), and two privately-owned companies, Lao Skyway (domestic flights) and Lao Central Airlines (international and domestic routes). On 12 July 2016, Lao Airlines Company became a full member of the International Air Transport Association (IATA).

foreign investors to participate in aviation infrastructure development and related goods and services in Lao PDR.

5.128. The main regulatory framework was updated, especially with the promulgation of the Law on Civil Aviation No. 53/NA, 26 June 2018 (Revision).[263] Within the MPWT, the Department of Civil Aviation is Lao PDR's aeronautical regulatory body, and is responsible for financial and technical management and cooperation in civil aviation. Its responsibilities also include: policy making and issuance of regulations; drafting and implementing action plans, strategic plans and strategies in civil aviation management nationwide; and regulatory safety oversight in relation to technical aspect conformance by air carriers and aviation service operators and providers (see below), including Lao Airlines State Enterprise, Lao Skyway State Enterprise, Airports of Laos (airport service provider), and Lao Air Navigation Services (air traffic service provider), which are all under MPWT supervision.

5.129. The Department of Civil Aviation under the MPWT is in charge of slot allocation, for which International Air Transport Association (IATA) principles are followed. Regarding fees and charges, IATA principles are followed.

5.130. Air transport liberalization leads to higher air traffic volumes. Lao PDR pursued greater integration of its aviation sector into international markets to improve its connectivity, through the conclusion of bilateral and multilateral air services agreements (ASAs). It maintains bilateral ASAs, the plurilateral Cambodia, Lao PDR, Myanmar, Viet Nam (CLMV) Integration Agreement on Air Services, and a set of ASEAN Multilateral Agreements and Related Protocols (see below).[264] According to data available to the Secretariat, Lao PDR signed bilateral ASAs with nine Members, of which two (India, and Thailand) were updated during the review period (Table A4.1). These ASAs score between 1 and 18 (out of a possible maximum of 50) on the 2011 Air Liberalization Index (ALI) of the WTO.[265] The ASAs reflect some variation regarding the granting of fifth freedom rights, the type of their capacity clause, and the requirement to exchange statistics. They all similarly exclude the granting of seventh freedom and cabotage traffic rights, and they all include the same withholding clause, i.e. requiring that airlines be substantially owned and effectively controlled by the bilateral partner. They range from the more limiting one signed with China nearly four decades ago to the more open agreement concluded with Singapore. Lack of detailed information about some of the features used for the calculation of the ALI is another explanatory factor for the outcome of this appraisal, given that no points are awarded in such instances. The CLMV, the plurilateral air services agreement of 2003, scores a tentative ALI score of 22, considering the many liberal features it contains.[266] It provides for fifth freedom traffic rights, free determination of capacity, multiple designation of airlines, the possibility for airlines to enter into cooperative arrangements, and a fairly liberal tariff-setting clause. In this regard, existing bilateral agreements among CLMV contracting parties remain applicable, provided that most liberal clauses of either the bilateral or the CLMV agreements prevail.

5.131. In the pursuit of the ASEAN Single Aviation Market (ASAM) adopted at the ASEAN Leader Summit 2015, Lao PDR signed and ratified all ASEAN Multilateral Agreements on Air Services among the members States and Dialogue Partners (China with Protocol 1 and 2), and the ASEAN Framework Agreements on Air Services up to the 10th Package of its Commitments for Air Transport Ancillary Services.[267]

Airport and auxiliary services

5.132. The air transportation service framework saw significant improvement and tends towards high growth, due to large airport expansion, new airport construction and improvement of existing

[263] WTO. Viewed at: https://www.wto.org/english/thewto_e/acc_e/lao_e/WTACCLAO29_LEG_2.pdf.

[264] ASAs in this context refer to air services agreements, memoranda of understanding (MOUs), exchange of notes, and other such relevant instruments.

[265] WTO. Viewed at: https://www.wto.org/asap/index.html.

[266] More information on the CLMV agreement is available in WTO document S/C/W/270/Add.2, 28 September 2007.

[267] ASEAN Multilateral Agreements and Related Protocols consist of the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services, the ASEAN Multilateral Agreement on Air Services, the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services, and the MOU on the Association of Southeast Asian Nations' Air Services Engagement with Dialogue Partners. Lao Services Portal. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site/servicesectordetail&id=12&service_id=11.

airports to cater for Boeing 747-type aircrafts and 400 passengers per hour.[268] Lao PDR currently has four international airports (Wattay, Luang Prabang, Pakse, and Savannakhet) and 10 domestic airports.[269] As at June 2019, international airports, mainly Vientiane Wattay International Airport and Luang Prabang International Airport, served flights to, *inter alia,* Cambodia, China, Malaysia, the Republic of Korea, Singapore, Thailand, and Viet Nam. Lao PDR's air transport infrastructure ranked 97th out of 136 economies on the World Economic Forum (WEF) Travel and Tourism Competitiveness Index 2017.[270]

5.133. Under the 8th NSEDP, the authorities aim to improve the management of airport systems and facilities to meet the international standards, to accommodate the growth of domestic and international air transport.[271] It also aims to prepare a survey on, and design, new international airports in Vientiane Capital, Sayabouly, and Champasack.[272] The Champasack airport would serve 3 million passengers per annum in the Champasack, Saravane and Sekong provinces.

5.134. The Airport of Laos (AOL), under the MPWT, is responsible for the operation and maintenance of the four international airports (Wattay, Luang Prabang, Pakse, and Savannakhet), and of two of the provincial airports (Louang Namtha, and Savannakhet). All other provincial small airports are under the responsibility of the provincial governments, with the MPWT's technical consultation. The Vientiane international terminal (Wattay) is operated by a joint venture entity, the Lao–Japan Airport Terminal Services (L-JATS), and is managed by the AOL. All airports are owned by the Government, except for small private airports such as Sepon Mining Field, and are managed by the AOL. The L-JATs also provides ground-handling services for international airlines, except for Lao Airlines which operates its own self-handling services. In addition, at other domestic and international airports, ground-handling services are provided by Lao Airlines.

5.135. Regarding commercial presence in the maintenance and repair of aircraft services, under Lao PDR's GATS commitments, foreign participation is limited to 51%.[273] However, the authorities indicated that, under their horizontal commitments and the Law on Investment Promotion (Section 2.4.2), foreign ownership may reach 100%.

5.4.5.3 Railways

5.136. Railway transport continues to be limited. There is just one active railroad, a short spur line from Nong Khai, that began operations in 2009 and opened its freight facilities in 2016.[274] The volume of domestic and international passengers was approximately 35,141 persons in 2018, an increase of almost 9% compared with 2010.[275] In 2014, the volume of cargo transportation was 108 million tons, an increase of 1.8% compared with 2010; no recent cargo data were available from the authorities. The railway network remains entirely state-owned and -operated. Under the 8th NSEDP, the authorities focussed on the development of vertical and horizontal railway line

[268] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[269] The domestic airports are: Luang Namtha, Oudomxai, Ban Huoeisay, Sam Neua, Xiangnabouli, Xieng Khouang, Attopeu, Saravane, Khong Island and Thakhek. Viewed at: https://dlca.logcluster.org/display/public/DLCA/2.2+Laos+Aviation.

[270] WEF (2017), *The Travel and Tourism Competitiveness Report 2017,* Geneva. Viewed at: http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf.

[271] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[272] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[273] WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[274] Export.gov. Viewed at: https://www.export.gov/article?id=Laos-Distribution-and-Sales-Channels.

[275] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

networks, to enable basic connectivity with neighbouring countries and potential markets.[276] The railway from Vientiane to the Chinese border, currently under construction, is to be completed in 2021, and will form part of a railway line from Kunming (China) to Bangkok (Thailand); this USD 5.8 billion project is 70% funded by China, with the remainder being financed by the authorities, largely through borrowing on concessional terms.[277] The feasibility study of the 217 km Savannakhet to Lao Bao (Lao–Viet Nam border) railway has been completed.[278]

5.4.6 Distribution and e-commerce

5.4.6.1 Distribution

5.137. Distribution services (wholesale and retail trade) remain the major services activity (excluding construction); their contribution to GDP rose slightly to 13.7% in 2018 (13.1% in 2012) (Table 1.2). As at FY 2014/15, there were 733 wholesale and retail markets, an increase of 200 compared with FY 2010/11; of these, there were 53 large, 115 medium, and 378 small markets, as well as 187 market fair venues. In 2018, 45 large shopping malls and department stores and 210 supermarkets were operating in Lao PDR. Overall, markets in big cities expanded, facilitating the exchange, buying, selling and movement of goods and distribution to rural and remote areas.[279]

5.138. Under the 8th NSEDP, policy in this area is aimed at: regularly providing goods to society and facilitating access to goods; and building and improving comprehensive and modern goods distribution networks to attract purchasers and spending in the country.[280] The MoIC oversees wholesale and retail issues.

5.139. Distribution services remain governed, *inter alia,* by the Ministerial Decision on Wholesale and Retail Business No. 1005/MOIC.ITD, 22 May 2015, the Ministerial Decision on Market, No. 0903/MOIC.ITD, 20 May 2015, and the Ministerial Decision on Shopping Malls and Department Stores, 1950/MOIC.ITD, 22 September 2015, all of which were being amended as at June 2019. Under the Decision on Wholesale and Retail Business, foreigners are now allowed to invest in the wholesale and retail business under certain conditions.[281] In the past, pursuant to the prior Decision on Wholesale and Retail Business No. 0977/IC.DT, 18 May 2012, foreign investors were only allowed to carry out retail business through the following channels: Laotian distributor(s); investment or participation in a joint venture to build a modern, new-style trade centre to allow other business entities to install and conduct their trading activities there; and the establishment of a factory to manufacture and distribute only their goods.[282]

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[276] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[277] EIU (2018), *Country Report,* 23 August.

[278] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[279] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[280] MPI (2016), *8th Five-Year NSEDP (2016-20)*, *(Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020.

[281] Under Article 12, domestic and foreign individuals, and juridical persons and organizations have the right to establish an enterprise and participate in wholesale and retail business. Under Article 13, foreign investors (individuals or juridical persons) may establish and operate wholesale or retail businesses in Lao PDR as follows: establish and operate wholesale or retail businesses in accordance with the requirements provided in the Decision on Shopping Malls and Department Stores issued by the MoIC; locate the business operations office in a shopping mall or department store or a place approved by the Government on a case-by-case basis ; have registered capital of more than LAK 4 billion; have registered capital of LAK 20 billion in the case of 100% foreign equity participation; and have registered capital of between LAK 4 billion and LAK 20 billion in the case of a joint venture with a domestic investor (i.e. between LAK 10 billion and LAK 20 billion in the case of foreign equity participation up to 70%; and between LAK 4 billion and LAK 10 billion in the case of foreign equity participation up to 50%).

[282] Lao Premier. Viewed at: http://laopremier.com/promulgation-of-the-agreement-on-wholesale-and-retail-business.

5.140. Regarding commercial presence in distribution services, under Lao PDR's GATS commitments, as from 2020, foreign equity participation will be limited to 49%, subject to meeting economic requirement tests.[283]

5.4.6.2 E-commerce

5.141. E-commerce remains relatively poorly developed in Lao PDR due to limited Internet connectivity, high costs of payments, an incomplete regulatory infrastructure, and high trade facilitation and logistics costs.[284] Lao PDR experienced e-commerce growth similar to the rest of the ASEAN countries: of the top 30 websites (by traffic) in the country, none are e-commerce sites; few of the major platforms for e-commerce in the region offer to deliver goods or make services available to consumers in Lao PDR; and the use of Internet for consumer-to-consumer e-commerce appears to be limited. The Department of Import and Export, under the MoIC, supported by USD 560,000 of ADB financing, developed an "official e-commerce platform" for domestic SMEs in 2015, and launched it in August 2017; as at June 2019, 273 business units were registered, 193 of which were advertising their products on the platform, and 989 products were listed for sale on the website. E-commerce is limited to domestic retail (IT items, clothing, and gifts) and retail imports from neighbouring Thailand. Web traffic data indicates that the site receives minimal visitors. Lao PDR ranks 98th (out of 151 countries) on UNCTAD's Business to Consumer (B2C) E-commerce Index (2018), a rise from 105th position (out of 125 countries) in 2014.[285] For a landlocked country like Lao PDR, digital technologies offer new channels for integration with international markets.[286]

5.142. No strategy or national policy is in place for e-commerce, with the exception of electronic transactions and cyber security.[287] The MoIC is the focal point for e-commerce and works closely with the MPT, the MoF (including Customs), and other agencies as required.[288] In 2017, an acceleration in the upgrade of the country's preparedness for e-commerce uptake through different inter-ministerial consultations was noticeable.[289]

5.143. During the review period, meaningful initial steps regarding the regulation of e-commerce were taken, ensuring that Lao PDR meets some of its commitments under the e-ASEAN framework.[290] In 2012, the Law on Electronic Transactions, setting the rules for the use of electronic

[283] The main criteria include the number of existing service suppliers in a geographical area, the stability of the market, and geographical scale. WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

[284] Bartley Johns, M., Hoppe, M., Molinuevo, M., Nghardsaysone, K., and Daza-Jaller, L. (2018), *Taking Advantage of E-Commerce: Legal, Regulatory and Trade Facilitation Priorities for Lao PDR,* (English), World Bank Group Working Paper, 1 August, Washington, D.C. Viewed at: http://documents.worldbank.org/curated/en/318431534860299926/pdf/129565-WP-P146216-Etrade-Solutions-Brief-NoteWeb.pdf.

[285] The Index is based on four indicators: Internet users; secure servers; credit card penetration; and postal reliability score. UNCTAD (2016), *UNCTAD B2C E-commerce Index 2016, UNCTAD Technical Notes on ICT for Development No. 7*, April. Viewed at: http://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d07_en.pdf; and UNCTAD (2018), *UNCTAD B2C E-commerce Index 2018 – Focus on Africa*, *UNCTAD Technical Notes on ICT for Development No. 12,* December. Viewed at: https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d12_en.pdf.

[286] Bartley Johns, M., Hoppe, M., Molinuevo, M., Nghardsaysone, K., and Daza-Jaller, L. (2018), *Taking Advantage of E-Commerce: Legal, Regulatory and Trade Facilitation Priorities for Lao PDR,* (English), World Bank Group Working Paper, 1 August, Washington, D.C. Viewed at: http://documents.worldbank.org/curated/en/318431534860299926/pdf/129565-WP-P146216-Etrade-Solutions-Brief-NoteWeb.pdf.

[287] ASEAN Secretariat/UNCTAD (2018), *ASEAN Investment Report 2018 – Foreign Direct Investment and the Digital Economy in ASEAN,* 21 October. Viewed at: https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.

[288] Bartley Johns, M., Hoppe, M., Molinuevo, M., Nghardsaysone, K., and Daza-Jaller, L. (2018), *Taking Advantage of E-Commerce: Legal, Regulatory and Trade Facilitation Priorities for Lao PDR,* (English), World Bank Group Working Paper, 1 August, Washington, D.C. Viewed at: http://documents.worldbank.org/curated/en/318431534860299926/pdf/129565-WP-P146216-Etrade-Solutions-Brief-NoteWeb.pdf.

[289] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[290] The e-ASEAN framework, *inter alia,* calls for a robust legal and regulatory framework for e-commerce. It also urges the country to participate in ASEAN negotiations in trade in services, including e-commerce (AFAS) and the ongoing RCEP negotiations. Similar to other ASEAN members, Lao PDR signed the ASEAN Agreement on Electronic Commerce and is conducting its ratification process which is targeted to be

documents and digital signatures, was passed, thus paving the way for future growth in e-commerce.[291] Lao PDR also enacted the Law on Prevention and Combating of Cyber Crime in 2015; however, this does not contain any provisions to protect consumers online. The authorities were concerned over potential revenue losses created by the absence of dedicated regulations for e-commerce activities.[292] As at 2018, a law on e-commerce was being developed. The e-commerce regulatory framework also includes: the Law on Data Protection No. 12/NA, 12 May 2017; the Law on ICT No.199/NA, 28 November 2016; and the Law on Customer Protection No. 02/NA, 30 June 2010. As at June 2019, a Decree on e-Commerce was being drafted to fill gaps in the existing legislation, in particular by including provisions on online consumer protection.

5.144. The *de minimis* threshold for e-commerce packages remains relatively unknown. Lao PDR's *de minimis* regime is not clearly defined; a *de facto* threshold of USD 50 is implemented, although the regulation underpinning this does not seem applicable to this type of cross-border trade.[293] No e-commerce-specific tax regime and/or customs clearance measures are in place for merchandise imports and/or domestic sales (e.g. customs duties and internal taxes exemption, and speedy customs clearance).

5.4.7 Tourism

5.145. Tourism, considered as a fundamental pillar of the economy and a key "non-polluting" export sector, is among the eight priority development sectors of Lao PDR (Section 2.2.2). During the review period, the share of accommodation and food service activities to GDP remained stable at 1.5% (Table 1.2). However, in 2014, the overall direct contribution of travel and tourism to GDP was 5.0%, and was forecast to rise by 8.1% in 2015.[294] In 2017, international visitor arrivals to the Lao PDR totalled 3.87 million, an 8.7% increase compared to 2016, and, in 2018, there was another increase of 8.2% compared to 2017 (to 4.18 million). The main medium- and long-haul markets are the Republic of Korea, France, and the United States. Thailand is the largest source market and accounts for 46.1% (2018) of international arrivals, followed by Viet Nam (20.7%) and China (19.2%); despite the high arrival numbers of Thai visitors, their actual spending is extremely low (21% of total receipts).[295] Lao PDR is considered an add-on destination, as 70% of international visitors visit other countries on their trip, such as Thailand (60%), Cambodia, China or Viet Nam (53%), or another Southeast Asian countries (18%). Domestic tourists account for 33% of all tourists.[296] Long-haul overnight international visitors stayed an average of 7.99 days in 2018 (7.5 in 2015), and, in 2018, spent USD 90 per day; intraregional visitors entering with a passport stayed an average of 2 days and spent USD 48 per day. Lao PDR ranked 94th (2 positions up from 2015) out of 136 economies on the WEF Travel and Tourism Competitiveness Index 2017; its tourist sector price competitiveness and service infrastructure were ranked 14th and 86th, respectively.[297]

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completed by the 35th ASEAN Summit in November 2019. UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[291] Decree and Law on Electronic Transactions No. 20/NA, 7 December 2012.

[292] UNCTAD (2018), *Lao People's Democratic Republic, Rapid eTrade Readiness Assessment*. Viewed at: https://unctad.org/en/PublicationsLibrary/dtlstict2018d3_en.pdf.

[293] Bartley Johns, M., Hoppe, M., Molinuevo, M., Nghardsaysone, K., and Daza-Jaller, L. (2018), *Taking Advantage of E-Commerce: Legal, Regulatory and Trade Facilitation Priorities for Lao PDR,* (English), World Bank Group Working Paper, 1 August, Washington, D.C. Viewed at: http://documents.worldbank.org/curated/en/318431534860299926/pdf/129565-WP-P146216-Etrade-Solutions-Brief-NoteWeb.pdf.

[294] Asian Development Bank (ADB)/Swisscontact/MICT (2016), *Lao PDR Tourism Destination Management Plan 2016-18,* 29 January. Viewed at: http://www.tiigp-laos.org/downloads/other/Lao%20PDR%20National%20Destination%20Management%20Plan%202016-2018.pdf.

[295] Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June; and ADB (2017), *Tourism Sector Assessment, Strategy, and Road Map for Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (2016-18)*. Viewed at: https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf.

[296] The main purposes of visits are leisure, religious pilgrimage, or business. There is also an active gaming industry, with border casinos. ADB (2017), *Tourism Sector Assessment, Strategy, and Road Map for Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (2016-18)*. Viewed at: https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf.

[297] The Index incorporates such indicators as business environment, safety and security, health and hygiene, human resources and labour markets, ICT readiness, prioritization of travel and tourism, international openness, price competitiveness, environmental sustainability, air transport infrastructure, ground and port

5.146. During the review period, the number of tour operators and tourism-related establishments increased. In 2018, there were 503 travel agencies (368 in 2015), 36 affiliated companies, 670 hotels with 23,717 rooms (542 with 21,597 rooms in 2015), 2,432 guests house with 33,108 rooms (1,907 with 26,791 rooms in 2015), 2,369 restaurants (1,744 in 2015), and 305 entertainment centres (168 in 2015).[298] Tourism activity is highly concentrated in Vientiane Capital, which accounts for more than 40% of international arrivals and roughly 50% of hospitality investments.[299] It appears that a key impediment to more inclusive and geographically dispersed tourism growth is the insufficient last-mile transport infrastructure to secondary destinations.

5.147. Several policies are in place in this area. The 2010 National Export Strategy places high importance on tourism because of: its high foreign exchange earnings; its ability to support the expansion of other services such as telecoms, banking, insurance and transport; its strong growth potential; and its ability to provide income and employment opportunities throughout the country.[300] The National Tourism Strategy (NTS) 2012–20 sets the vision for Lao PDR to become a sustainable tourism destination.[301] However, beyond the NTS and individual actions of a few tourism organizations (see below), there has been very little action to ensure this vision is achieved. Furthermore, the NTS highlights the development of high-value western visitors as a key priority; however, there are currently few signs to show that this is being achieved.

5.148. Under the 8th NSEDP, tourism policies are, *inter alia,* aimed at: striving to design Internet websites for tourism, and advertisements linked with ASEAN, GMS, and Pacific Asia Travel Association (PATA) websites; deploying tourism representatives/liaison offices in the five main foreign market countries (established in Japan and Sweden, and planned in China, the Republic of Korea, and Viet Nam); organizing the Third Visit Laos Year in 2018 to attract more foreign travellers and support job creation; and promoting domestic tourism via the "Lao Visit Laos" campaign.[302] It also sets targets, including: increasing the number of tourists to 6 million by 2020; encouraging an average stay of more than 10 days per head, to generate a minimum annual revenue of USD 953 million; producing souvenirs for tourists (one district, one product) by 2020; developing 25 tourist sites; surveying and allocating 40 tourist sites; and improving and developing 10 quality tourist cycling sites.

5.149. Lao PDR recognizes the importance of local culture and indigenous people to the integrity of domestic tourism; its 2011-20 Marketing Strategy and Plan set a target for the sector to achieve USD 1 billion earnings by 2020.[303] The 2010-20 Human Resource Development Vision and Strategic Recommendations define three strategic pillars to augment improvements in service quality, namely: strengthening public-sector leadership; improving stakeholder collaboration and coordination; and developing sector education and training provisions. As at 2012, other key projects

infrastructure, tourist service infrastructure, natural resources, cultural resources, and business travel. WEF (2017), *The Travel and Tourism Competitiveness Report 2017,* Geneva. Viewed at: http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf.

[298] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; and Lao Statistics Bureau (2018), *Statistical Yearbook 2017,* June.

[299] OECD (2017), *OECD Investment Policy Reviews: Lao PDR,* OECD Publishing, Paris. Viewed at: http://dx.doi.org/10.1787/9789264276055-en.

[300] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[301] ADB/Swisscontact/MICT (2016), *Lao PDR Tourism Destination Management Plan 2016-18,* 29 January. Viewed at: http://www.tiigp-laos.org/downloads/other/Lao%20PDR%20National%20Destination%20Management%20Plan%202016-2018.pdf.

[302] MPI (2016), *8th Five-Year NSEDP (2016-20), (Officially approved at the VIIIth National Assembly's Inaugural Session, 20-23 April 2016, Vientiane),* June. Viewed at: http://www.la.one.un.org/media-center/publications/258-8th-five-year-national-socio-economic-development-plan-2016-2020; Lao Services Portal. Viewed at: http://www.laoservicesportal.gov.la/index.php?r=site%2Fnewsdetail&id=281; and EIU (2018), *Country Report,* 23 August.

[303] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

included the ADB's USD 10 million Mekong Tourism Development Project and the Lux-Dev tourism and hospitality management project.

5.150. Several agencies have roles and responsibilities regarding the development and promotion of the tourism sector.[304] The Tourism Marketing Department (TMD) of the MICT is entrusted with the set-up and launch of marketing strategies and plans for tourism promotion. The MICT is the government agency responsible for governing, promoting and developing the tourism industry of Lao PDR. It reports directly to the Prime Minister's office. All related ministries cooperate with the MICT. Other tourism-related agencies include: MPWT/Department of Civil Aviation, MAF, MoIC, MoF, Ministry of Foreign Affairs, Ministry of Labour and Social Welfare, Ministry of Home Affairs, and MoH.

5.151. During the review period, the main legal framework governing tourism was updated, with the 2013 amendment of the 2005 Law on Tourism, which provides the legal basis for the NTS.[305] The Law specifically requires that tour guides must be Lao PDR citizens.[306] It also provides for a tourism fund for the development, promotion and management of tourism, in particular the development of human resources, the development of facilities for tourism, promotional advertising of tourism marketing, the determination of tourism standards, and tourism management regulations. Tourism laws, decrees, rules and regulations need to be reviewed and simplified, and aligned with other enterprise and investment promotion laws.[307]

5.152. Regarding commercial presence in tourism services, under Lao PDR's GATS commitments, foreign participation is limited to establishments with a three-star rating or higher; concerning travel agencies and tour operator services, foreign equity participation is limited to 70%.[308]

[304] ADB/Swisscontact/MICT (2016), *Lao PDR Tourism Destination Management Plan 2016-18,* 29 January. Viewed at: http://www.tiigp-laos.org/downloads/other/Lao%20PDR%20National%20Destination%20Management%20Plan%202016-2018.pdf.

[305] Law on Tourism No. 10/NA, 9 November 2005. Viewed at: http://www.vientianetimes.org.la/Laws%20in%20English/62.%20Law%20on%20Tourism%20(2005)%20Eng.pdf.

[306] WTO document WT/ACC/LAO/45, 1 October 2012.

[307] MoIC/Department of Planning and Cooperation (2012), *Diagnostic Trade Integration Study 2012, Trade and Private Sector Development Roadmap,* July. Viewed at: https://www.oecd.org/aidfortrade/countryprofiles/dtis/Lao%20PDR-DTISU-2012.pdf.

[308] WTO, *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; and WTO document WT/ACC/LAO/45/Add.2, 1 October 2012.

6 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section and major HS chapters, 2013-17

HS section/chapters/subheadings	2013	2014	2015	2016	2017
Total exports (USD million)	**3,757.0**	**3,277.3**	**3,681.5**	**4,236.2**	**4,887.9**
	(% of total exports)				
HS chapters 01-24	**14.1**	**13.7**	**17.7**	**22.2**	**21.3**
01 Live animals and products	0.2	0.3	0.8	1.2	0.8
02 Vegetable products	8.6	6.3	8.2	12.8	12.0
08 Edible fruit and nuts	2.2	1.5	2.2	5.4	4.5
Bananas, including plantains, fresh or dried	1.6	1.0	1.3	4.7	3.4
03 Fats and oils	0.0	0.1	0.0	0.0	0.0
04 Prepared food, beverages and tobacco	5.3	7.0	8.6	8.2	8.5
22 Beverages, spirits and vinegar	2.0	3.6	5.2	4.4	5.0
HS chapters 25-97	**85.9**	**86.3**	**82.3**	**77.8**	**78.7**
05 Mineral products	35.8	34.4	34.2	42.5	43.9
2603 Copper ores and concentrates	17.3	13.8	16.0	16.9	15.6
2716 Electrical energy	16.0	17.5	16.0	24.4	26.2
06 Chemicals and products thereof	2.4	2.6	4.7	3.8	3.1
07 Plastics and rubber	1.1	1.6	1.9	1.9	3.2
08 Raw hides and skins; leather, furskins and articles thereof	0.0	0.0	0.0	0.0	0.0
09 Wood, cork, straw	3.1	4.0	3.3	0.6	0.7
10 Pulp of wood; paper and paperboard	0.1	0.1	0.1	0.1	0.1
11 Textiles and textile articles	5.6	6.7	5.1	3.7	3.8
12 Footwear, headgear, etc.	0.7	0.9	0.7	0.8	1.0
13 Articles of stone, plaster, cement	0.0	0.1	0.0	0.0	0.0
14 Precious stones and metals	7.1	4.8	6.3	3.4	4.3
15 Base metals and articles thereof	26.9	20.5	13.7	9.7	7.9
74 Copper and articles thereof	26.5	17.7	12.7	8.9	7.6
16 Machinery, electrical equipment	1.7	9.1	10.3	9.1	8.9
17 Transport equipment	1.0	1.0	1.1	1.6	0.6
18 Precision equipment	0.2	0.4	0.3	0.3	0.4
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.1	0.3	0.6	0.3	0.7
21 Works of art, etc.	0.0	0.0	0.0	0.0	0.0

Source: WTO calculations, based on data received by the authorities.

Table A1.2 Merchandise imports by HS section and major HS chapters, 2013-17

HS section/chapters/subheadings	2013	2014	2015	2016	2017
Total imports (USD million)	**3,772.9**	**4,966.9**	**4,061.8**	**4,219.3**	**4,792.4**
	(% of total imports)				
HS chapters 01-24	**4.5**	**3.9**	**5.8**	**13.1**	**13.2**
01 Live animals and products	0.4	0.4	1.1	1.8	1.4
02 Vegetable products	1.0	0.8	0.8	3.0	2.5
03 Fats and oils	0.1	0.1	0.1	0.1	0.1
04 Prepared food, beverages and tobacco	3.0	2.6	3.7	8.3	9.2
22 Beverages, spirits and vinegar	0.5	0.2	0.3	4.7	5.0
2201 + 2202 Non-alcoholic beverages	0.2	0.2	0.2	4.2	4.6
HS chapters 25-97	**95.5**	**96.1**	**94.2**	**86.9**	**86.8**
05 Mineral products	21.3	18.4	21.9	17.4	16.3
27 Mineral fuels and oils	19.1	15.9	19.3	15.0	14.5
2710 Petroleum oils other than crude	16.5	13.7	16.3	12.9	12.6
06 Chemicals and products thereof	5.4	3.7	4.5	4.3	5.0
07 Plastics and rubber	4.5	4.7	2.7	2.6	3.5
08 Raw hides and skins; leather, furskins and articles thereof	0.4	0.4	0.3	0.2	0.3
09 Wood, cork, straw	0.2	0.1	0.1	0.3	0.3
10 Pulp of wood; paper and paperboard	1.0	0.8	1.0	1.6	1.5
11 Textiles and textile articles	4.1	3.4	2.9	2.9	2.7
12 Footwear, headgear, etc.	0.2	0.2	0.2	0.2	0.2
13 Articles of stone, plaster, cement	1.8	1.5	1.4	1.7	1.9
14 Precious stones and metals, pearls	0.8	0.5	0.6	1.8	1.2
15 Base metals and articles thereof	14.8	19.5	12.4	9.8	10.4
72 Iron and steel	5.5	4.6	4.7	4.3	3.6
73 Articles of iron and steel	7.0	11.9	6.0	4.0	5.6
16 Machinery, electrical equipment	23.7	29.7	33.0	25.8	27.8
84 Machinery and mechanical appliances, parts thereof	13.7	15.0	15.3	10.1	11.1
85 Electrical machineries and parts thereof	10.1	14.7	17.6	15.7	16.7
17 Transport equipment	14.9	11.2	11.6	16.7	13.6
87 Vehicles, parts thereof	14.6	10.8	11.3	16.6	13.1
8703 Motor vehicles for the transport of persons (<10)	2.3	1.8	1.6	9.1	7.0
8704 Motor vehicles for the transport of goods	6.2	4.4	5.1	3.8	2.3
18 Precision instruments	0.9	0.9	0.7	0.8	1.2
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.5	1.1	0.9	0.9	0.9
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0

Source: WTO calculations, based on data received by the authorities.

Table A1.3 Merchandise exports by destination, 2013-17

	2013	2014	2015	2016	2017
Total exports (USD million)	**3,757.0**	**3,277.3**	**3,681.5**	**4,236.2**	**4,887.9**
			(% of total)		
Americas	1.2	1.2	1.1	0.7	0.7
United States	0.9	0.8	0.7	0.5	0.5
Other America	0.3	0.4	0.4	0.3	0.2
Canada	0.3	0.4	0.4	0.2	0.2
Europe	11.7	7.8	6.0	4.3	4.3
EU-28	11.4	7.0	5.4	3.7	3.7
Germany	2.1	2.2	1.6	1.2	1.2
Sweden	0.1	0.3	0.4	0.3	0.4
United Kingdom	1.6	1.3	1.2	0.6	0.4
Italy	0.4	0.4	0.3	0.2	0.3
Belgium	0.9	0.3	0.3	0.4	0.3
Poland	0.1	0.1	0.0	0.0	0.2
Portugal	0.0	0.4	0.1	0.1	0.2
Denmark	0.3	0.2	0.1	0.2	0.2
France	0.3	0.4	0.3	0.2	0.2
EFTA	0.2	0.8	0.6	0.6	0.5
Switzerland	0.2	0.7	0.6	0.6	0.5
Other Europe	0.0	0.0	0.0	0.0	0.0
Commonwealth of independent states (CIS)	0.0	0.0	0.0	0.0	0.0
Africa	0.1	0.1	0.0	0.8	0.0
Middle East	0.1	0.1	0.3	0.8	0.6
United Arab Emirates	0.0	0.0	0.3	0.8	0.5
Asia	86.9	90.9	92.5	93.4	94.5
China	9.9	20.5	29.0	26.8	25.2
Japan	1.7	1.6	1.4	1.4	1.4
ASEAN	55.6	65.0	60.8	62.6	63.7
Thailand	43.2	50.3	44.6	48.1	48.1
Viet Nam	11.8	13.4	15.1	13.4	14.7
Singapore	0.1	0.1	0.2	0.4	0.4
Cambodia	0.1	0.2	0.6	0.4	0.3
Malaysia	0.1	0.2	0.2	0.1	0.2
Other Asia	19.7	3.7	1.3	2.7	4.1
India	0.0	0.1	0.9	2.1	3.3
Hong Kong, China	0.2	0.1	0.1	0.2	0.5
Korea, Republic of	0.1	0.3	0.2	0.2	0.2
Australia	19.2	3.1	0.1	0.0	0.0

Source: WTO Secretariat calculations, based on data received by the authorities.

Table A1.4 Merchandise imports by origin, 2013-17

	2013	2014	2015	2016	2017
Total imports (USD million)	**3,772.9**	**4,966.9**	**4,061.8**	**4,219.3**	**4,792.4**
			(% of total)		
Americas	0.6	0.6	0.6	0.6	0.4
United States	0.5	0.5	0.5	0.5	0.4
Other America	0.1	0.1	0.1	0.1	0.1
Europe	2.2	1.5	1.6	1.2	2.5
EU-28	2.0	1.4	1.4	0.9	2.4
Austria	0.0	0.0	0.0	0.0	1.2
Germany	0.6	0.4	0.4	0.5	0.3
Belgium	0.7	0.5	0.4	0.1	0.3
France	0.2	0.2	0.2	0.1	0.2
United Kingdom	0.1	0.1	0.2	0.2	0.1
Sweden	0.1	0.0	0.1	0.0	0.1
EFTA	0.2	0.1	0.1	0.3	0.1
Iceland	0.0	0.0	0.1	0.0	0.1
Switzerland	0.2	0.0	0.0	0.2	0.1
Other Europe	0.0	0.0	0.0	0.0	0.0
Commonwealth of independent states (CIS)	0.1	0.0	0.0	0.1	0.2
Russian Federation	0.1	0.0	0.0	0.1	0.2
Africa	0.0	0.1	0.2	0.0	0.1
Middle East	0.0	0.0	0.0	0.0	0.1
Asia	97.1	97.8	97.6	98.1	96.7
China	15.4	16.1	19.4	18.2	17.1
Japan	3.1	1.9	1.8	2.4	1.9
ASEAN	73.8	75.8	73.5	74.2	75.5
Thailand	64.7	66.1	58.2	61.6	61.6
Viet Nam	8.2	8.9	14.6	10.2	11.5
Indonesia	0.2	0.3	0.2	1.3	1.4
Singapore	0.2	0.2	0.2	0.6	0.7
Malaysia	0.5	0.4	0.3	0.4	0.2
Other Asia	4.7	4.1	2.9	3.3	2.2
Korea, Republic of	2.5	1.7	1.2	1.9	1.1
Hong Kong, China	0.5	0.6	0.6	0.5	0.3
India	0.5	0.4	0.4	0.3	0.3
Chinese Taipei	0.5	0.9	0.3	0.3	0.2
Australia	0.4	0.3	0.3	0.2	0.2
Pakistan	0.2	0.2	0.1	0.1	0.1

Source: WTO Secretariat calculations, based on data received by the authorities.

Table A2.1 Notifications to the WTO, 2013-May 2019

Agreement/Article	Requirement	Symbol and date of latest notification
Agreement on Agriculture		
Article 18.2	Domestic support (DS:1)	G/AG/N/LAO/2, 09/04/2018
	Export subsidies (ES:1)	G/AG/N/LAO/1, 05/02/2014
Article 18.2	Market access, administration of tariff and other quota commitments (MA:1)	
Article 18.2	Market access, imports under tariff quotas (MA:2)	
Article 18.3	New or modified domestic support measures exempt from reduction (DS:2)	
Articles 5.7 and 18.2	Market access, special safeguard (MA:5)	
Article 5.7	Market access, special safeguard (MA:3)	
General Agreement on Trade in Services		
Article V:7(a)	Notification of RTA	S/C/N/822, 24/08/2015
Articles III.4 and/or IV:2(1)	Contact enquiry points	S/ENQ/78/Rev.15, 04/02/2015
GATT 1994		
Article XXIV:7(a)	Notification of RTA	WT/REG277/N/3, 24/08/2018
Agreement on the Implementation of Article VI of the GATT 1994 (anti-dumping)		
Articles 16.4 and 16.5	Anti-dumping actions (*ad hoc*)	G/ADP/N/193/LAO,04/07/2013
Article 18.5		G/ADP/N/1/LAO/1, 04/07/2013
GATT 1994		
Article 22		G/VAL/N/1/LAO/Add.1, 02/08/2013
		G/VAL/N/1/LAO, 10/7/2013
Article XVII:4(a)	State trading activities	G/STR/N/15/LAO, 18/12/2014
Agreement on Import Licensing		
Article 7.3	Replies to questionnaire	G/LIC/N/3/LAO/1, 11/03/2014
Articles 1.4(a) and 8.2 (b)		G/LIC/N/1/LAO/1, 03/02/2014
Article 5		G/LIC/N/2/LAO/1, 03/02/2014
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59/Rev.1	Quantitative restrictions	G/MA/QR/N/LAO/1, 02/03/2015
Agreement on Rules of Origin		
Paragraph 4 of Annex II	Preferential rules of origin	G/RO/N/96, 24/07/2013
Agreement on Subsidies and Countervailing Measures		
Article XVI:1, Article 25	Subsidies	G/SCM/N/253/LAO, 19/07/2013
		G/SCM/N/202/LAO, 04/07/2013
Services LDC waiver		
WT/L/847	Preferential treatment to services and services suppliers of LDCs	
Agreement on Sanitary and Phytosanitary Measures		
Article 7, Annex B	Sanitary/phytosanitary regulations	G/SPS/N/LAO/3, 02/10/2018
		G/SPS/N/LAO/2, 06/12/2017
		G/SPS/N/LAO/1, 06/06/2013
TBT Agreement		
Article 15.2	Implementation and Administration of the TBT Agreement	G/TBT/2/Add.111, 20/11/2013
Article 2.9	Technical regulations	G/TBT/N/LAO/1, 09/04/2014
Articles 2.9 and 5.6	Proposed amendments to laws and regulations	
Article 5.6	Proposed amendments to laws and regulations	
Paragraph C	Code of Good Practice	G/TBT/CS/N/181, 14/05/2013
TFA		
WT/L/931	Category A commitments	WT/PCTF/N/LAO/1, 17/09/2015
Articles 1.4, 10.4.3, and 10.6.2		G/TFA/N/LAO/2, 17/01/2017
Articles 15 and 16		G/TFA/N/LAO/1, 02/03/2018
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Notification of laws	
Article 69	Members' contact points	IP/N/3/LAO/1, 24/09/2014
Trade-Related Investment Measures (TRIMs) Agreement		
Article 6.2		G/TRIMS/N/2/Rev.23/Add.1, 16/09/2013

Agreement/Article	Requirement	Symbol and date of latest notification
Preshipment Inspection		
Article 5		G/PSI/N/1/Rev.1/Add.2, 16/07/2013
Safeguard Measures		
		G/SG/N/1/LAO/1, 01/07/2013

Source: WTO Secretariat.

Table A2.2 Reserved Business Category List for Lao People, 2015

Sectors	ISIC	Business activities	Conditions for foreign investors	
			Registered capital (LAK)	Foreign equity participation (%)
Manufacturing				
	1079	Manufacturing of other food products not classified elsewhere	More than 1 billion	20%
	2100	Manufacturing of pharmaceuticals, medicinal, chemical and botanical products	More than 1 billion	49%
Construction				
	4210	Road and railway construction for this ISIC is specifically for the construction of roads and bridges for:		
		a. joint ventures between domestic and foreign investors; and	1 billion-240 billion	49%
		b. wholly-owned foreign investments	More than 240 billion	100%
	4312	Site preparation for construction for this ISIC is specifically for clearing construction sites (excavation and landfill) for:		
		a. small projects; and	8 billion-40 billion	49%
		b. big projects	More than 40 billion	49%
	4329	Other construction installation for this ISIC is specifically for the assembling of building parts for:		
		a. small projects; and	8 billion-40 billion	49%
		b. big projects	More than 40 billion	49%
	4330	Completing and finishing buildings for this ISIC is specifically for interior and exterior design/decorating (final phase) for:		
		a. small projects; and	8 billion-40 billion	49%
		b. big projects	More than 40 billion	49%
Wholesale and retail trade; repair of motor vehicles and motorcycles				
	4520	Maintenance and repair of motor vehicles for this ISIC is specifically for the establishment of garages for vehicle and mechanical repairs	More than 1.5 billion	100%
	4690	Non-specialized wholesale trade (i.e. wholesale business)	From 4 billion to less than 10 billion	50%
			From 10 billion to less than 20 billion	70%
			More than 20 billion	100%
	4719	Other retail in non-specialized stores (retail business)	From 4 billion to less than 10 billion	50%
			From 10 billion to less than 20 billion	70%
			More than 20 billion	100%
Transportation and warehouse				
	4922	Other passenger land transport for this ISIC is specifically for taxi meter services	More than 5 billion	100%
	4923	Freight transport via highway for this ISIC is specifically for:		
		a. domestic freight transportation; and	More than 3 billion	100%
		b. international or cross-border freight transportation	More than 5 billion	49%
	5210	Warehousing and storage for this ISIC is specifically for warehousing and storage services	More than 1 billion	49%

Sectors	ISIC	Business activities	Conditions for foreign investors	
			Registered capital (LAK)	Foreign equity participation (%)
	5221	Service activities incidental to land transportation for this ISIC is specifically for:		
		a. domestic freight stations; and	More than 5 billion	49%
		b. international and cross-border freight stations	More than 10 billion	49%
	5229	Other transport support activities for this ISIC is specifically for:		
		a. domestic freight transportation; and	More than 3 billion	49%
		b. international freight transportation	More than 3 billion	49%
Accommodation and food service activities				
	5510	Short term accommodation activities (3- to 5-star hotels)	More than 1 billion	60%
Financial and insurance activities				
	6419	Other monetary intermediation for this ISIC is specifically for establishment of:		
		a. a bank (commercial bank);	More than 300 billion (domestic-foreign)	As agreed among shareholders
		b. a branch of a bank; and	More than 100 billion	
		c. a microfinance institution	More than 3 billion (domestic-foreign)	
Professional, scientific and technical activities				
	7110	Architectural and engineering activities and related technical consultancies for this ISIC are specifically for:		
		a. research and feasibility studies of a project;	4 billion-8 billion (a small project) - more than 8 billion (a big project)	49%
		b. surveying and urban planning;		
		c. interior and exterior design/decoration;		
		d. construction consultancies; and		
		e. surveying, design and civil engineering		
	7120	Technical testing and analysis for this ISIC is specifically for the establishment of a vehicle technical inspection centre	More than 1 billion	100%
Education				
	8549	Other education not classified elsewhere for this ISIC is specifically for:		
		a. an automobile driving school; and	More than 8 billion	49%
		b. a motorcycle riding school	More than 15 billion	100%
Human health and social work activities				
	8690	Other human health activities for this ISIC are specifically for medical and traditional medical businesses	More than 1 billion	49%

Source: Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=883.

Table A2.3 Conditioned Business Category List for Foreign Investors, 2015

Sector and ISIC code	Reserved businesses	Responsible ministries
Agriculture, forestry and fishery		
0230	Gathering of non-wood forest products for this ISIC is reserved specifically for the exploitation of natural medicines	Ministry of Agriculture and Forestry (MAF), Ministry of Natural Resources and Environment (MONRE) and Ministry of Health (MoH)
Manufacturing		
1312	Weaving of textiles for this ISIC is reserved specifically for weaving, including pattern design, patterning, supplementary weft and Lao traditional ikat	MoIC
1321	Knitting and sewing of textiles for this ISIC are reserved specifically for the sewing of Lao textiles with ancient and unique ethnic patterns	MoIC and Ministry of Information, Culture and Tourism (MICT)
1629	Manufacturing of other wood products, and manufacturing of articles from cork, straw and plaiting materials for this ISIC are reserved specifically for the small family wood factories, and wood sculpturing and plaiting with ancient and unique ethnic patterns	MoIC and MICT
1812	Services activities related to printing for this ISIC are reserved specifically for photo printing	MICT
2393	Manufacturing of other porcelain and ceramic products for this ISIC is reserved specifically for the manufacturing of Lao traditional porcelain with ancient and unique ethnic patterns	MICT and MoIC
3211	Manufacturing of jewellery and related articles for this ISIC is reserved specifically for the manufacturing of Lao handicrafts with ancient and ethnic unique patterns	MICT and MoIC
3212	Manufacturing of imitation jewellery and assembled articles for this ISIC is reserved specifically for the manufacturing of Lao handicrafts with ancient and ethnic unique patterns	MICT and MoIC
Supply of electricity, gas, steam and air conditioning		
3510	Electric power generation, transmission and distribution for this ISIC are reserved specifically for hydropower projects with a capacity of less than 15 MW as no concessions projects	Ministry of Energy and Mining (MEM)
Construction		
4321	Electrical installation for this ISIC is reserved specifically for the electrical installation inside a building	MEM
4322	Installation of water pipes, heaters and air-conditioners for this ISIC is reserved specifically for the installation of water pipes in a city, and of the water supply system and air conditioning system in a building	Ministry of Public Works and Transport (MPWT)
Wholesale and retail trade; repair of motor vehicles and motorcycles		
4690	Non-specialized wholesale trade (i.e. wholesale business with registered capital of less than LAK 4 billion)	MoIC
4719	Other retail in non-specialized stores (i.e. retail business with registered capital of less than LAK 4 billion)	MoIC
Transportation and warehouse		
4921	Urban or suburban passenger land transportation	MPWT
4922	Other passenger land transportation (except for taxi meter services)	MPWT
5221	Services activities incidental to land transportation for this ISIC are reserved specifically for public transport stations	MPWT
Accommodation and food service activities		
5510	Short-term accommodation services for this ISIC are reserved specifically for guesthouses, resorts, and hotels that are graded less than 3 stars	MICT

Sector and ISIC code	Reserved businesses	Responsible ministries
Information and communication		
5813	Publishing of newspapers, articles and magazines	MICT
5819	Other publishing activities for this ISIC are reserved specifically for the establishment of printing companies	MICT
5920	Song publishing and sound recording	MICT
6010	Radio broadcasting for this ISIC is reserved specifically for the establishment of community radio stations	MICT
6021	Television programming and broadcasting for this ISIC are reserved specifically for the establishment of community television stations	MICT
Financial and insurance activities		
6430	Trusts, funds and similar financial entities for this ISIC are reserved specifically for the establishment of trusts, and non-deposit microfinance, loan and savings unions	BOL
6492	Other credit granting for this ISIC is reserved specifically for pawn shop businesses	BOL
Professional, scientific and technical activities		
7110	Architectural and engineering activities and related technical consultancies for this ISIC are reserved specifically for consultancies on surveying, design, construction and architectural installation, Lao engineering services related to history, nature and culture and design, construction and installation of 22 kV-35 kV and below 0.4 kV electrical distribution networks	MPWT, MICT and MEM
7490	Other professional, scientific and technical activities for this ISIC are reserved specifically for Lao language translation businesses	MICT
Administrative and support service activities		
7810	Activities of employment placement agencies (employment agencies)	Ministry of Labor and Social Welfare (MLSW)
7920	Other reservation services and related activities for this ISIC are reserved specifically for some specific tourist attractions	MICT
8121	General cleaning of buildings	MPWT
Education		
8522	Technical and vocational education (skill development centres, except technical and vocational schools, and technical colleges, in order to support the national education system phase 2 2011-15)	MLSW
8549	Other education services not specified elsewhere for this ISIC are reserved for Lao language teaching for foreigners	Ministry of Education and Sport (MoES)
Human health and social work activities		
8690	Other human health activities for this ISIC are reserved specifically for each type, characteristic and level of private medical clinics	MoH
Other service activities		
9523	Repair of footwear and leather goods	MICT
9601	Washing and dry-cleaning of textiles and fur products	MICT
9602	Hair dressing and other beauty treatments (not surgery activities)	MICT
9603	Funerals and related activities	MICT
9609	Other site decoration activities for this ISIC is reserved specifically for site decoration, and sound and lighting system installation	MPWT MICT

Source: Lao PDR Trade Portal. Viewed at: https://laotradeportal.gov.la/index.php?r=site/display&id=882.

Table A2.4 Controlled Business List, 2019

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Agriculture and Forestry (01-03)							
1	011	Perennial crop plantation	Use private land of more than 10 ha; implement with other provisions in accordance with legislation of relevant agencies		√	Law on Agriculture No. 01/98 NA, 10 October 1998 Law on Land No. 04/ NA, 21 October 2003 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MAF; other relevant sectors
2	012	Wood plantation	Use private land of more than 10 ha; implement with other provisions in accordance with legislation of relevant agencies		√	Law on Agriculture No. 01/98 NA, 10 October 1998 Law on Land No. 04/ NA, 21 October 2003 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MAF; other relevant sectors
3	0162	Livestock supporting activities	Shall have land, capital, office, building, tools and equipment, and necessary vehicles. Shall have technical staff with polytechnic education or higher in livestock, or certificate of veterinary with work experience certificate. For veterinary business, professional veterinary/veterinary nurse certification from veterinarian council is required. Approval from related department and local authority. Follow necessary conditions required by livestock and veterinary management organization		√	Law on Agriculture No. 01/98 NA, 10 October 1998 Law on Land No. 04/ NA, 21 October 2003 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MAF; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
4	0210	Tree planting and forest activities *(This ISIC covers: industrial tree planting, (except rubber trees) and activities related to forestry, such as: natural destination tourism, botanical gardens, preserving wildlife and aquatic animals, endangered plants, and investment in forest carbon production).*	Refer to laws and regulations of relevant sectors		√	Law on Forestry, No. 06/NA, 24 December 2007, Law on Wildlife and Aquatic Animals, No. 07/NA, 24 December 2007, Law on Land, No. 04/NA, 21 October 2013, Law on Environmental Protection No. 29/NA, 18 December 2012. Notification on forest product management and exports, No. 1355/PMO, 09 September 2016. Instruction of Forestry Department on feasibility study industrial tree and forest products investment, No. 143/MAF, 14 May 2010 Other relevant laws and regulations.	MAF); other relevant sectors
5	0230	Non-forest product plantation and harvest for commercial purposes *(in community forests)*	Refer to laws and regulations of relevant sectors		√	Law on Forestry, No. 06/NA, 24 December 2007 Law on Land, No. 04/NA 21 October 2013 Law on Environmental Protection No. 29/NA, 18 December 2012. Notification on forest product management and exports No. 1355/PMO, 9 September 2016. Instruction of Forestry Department on feasibility study industrial tree and forest products investment, No. 143/MAF, 14 May 2010 Other relevant laws and regulations	MAF); other relevant sectors
Mining and mineral processing (05-09)							
6	0810	Mining survey and exploration activities	May be a domestic or a foreign legal entity (operating the business as a company only) Only one legal entity can undertake a mining survey for one piece of land of less than 200 m^2	√		Law on Mining No. 31/NA, 3 November 2017 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MEM; other relevant sectors
7	0990	Mining support services for this ISIC only cover: consultation services on mining surveys, exploration, processing and analysis	Refer to regulations of relevant sectors	√		Law on Mining No. 31/NA, 3 November 2017 Other relevant laws and regulations	MEM; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Industrial processing (10-33)							
8	1920	Oil filtering production	Refer to regulations of relevant sectors	√		Law on Industrial Processing No.48/NA, 27 December 2013 Other relevant laws and regulations	MoIC; other relevant sectors
9	2029	Produce of other chemical production that have not been clarified (This ISIC only covers: classification and rare earth products).	Refer to regulations of relevant sectors	√		Law on Chemicals, No. 07/NA, 10 November 2016 Law on Industrial Processing No. 48/NA, 27 December 2013. Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MEM; other relevant sectors
10	2100	Medical production, chemical products for medical production and medical products from plantation products	Registered capital of more than LAK 1 billion Foreign equity participation shall not exceed 49%	√		Law on Drugs and Medical Products No. 07/NA, 21 December 2011 Law on Industrial Processing No. 48/NA, 27 December 2013 Law on Environmental Protection No. 29/NA, 18 December 2012. Notification on Medical Equipment Management, No. 310/MONRE, 20 March 2013 Other relevant laws and regulations	Public health sector; other relevant sectors
		Produce of veterinary product medicine	Refer to regulations of relevant sectors	√		Law on Livestock Production and Veterinary Matters No. 08/NA, 11 November 2016 Law on Drugs and Medical Products No. 07/NA, 21 December 2011 Law on Industrial Processing No. 48/NA, 27 December 2013 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MAF; other relevant sectors
11	2394	Cement production, lime, coated lime and other	Refer to regulations of relevant sectors	√		Law on Mining No. 31/NA, 3 November 2017 Law on Industrial Processing No. 48/NA, 27 December 2013 Law on Environmental Protection No. 29/NA, 18 December 2012 Other relevant laws and regulations	MEM; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Water, sewage and restoration (36-39)							
12	3812	Waste storage that can be hazardous	Refer to regulations of relevant sectors	√		Law on Environmental Protection No. 29/NA, 18 December 2012 Ministerial Instruction on Pollution Control, No. 0745/MONRE, 11 February 2015 Ministerial Instruction on Waste Management, No. 0744/MONRE, 11 February 2015	MPWT; other relevant sectors
13	3822	Hazardous waste treatment and management	Refer to regulations of relevant sectors	√		Law on Environmental Protection No. 29/NA, 18 December 2012 Ministerial Instruction on Pollution Control, No. 0745/MONRE, 11 February 2015 Ministerial Instruction on Waste Management, No. 0744/MONRE, 11 February 2015 Other relevant laws and regulations	MoIC; MEM; other relevant sectors
14	3830	Recycling (reproducing all types of waste: electronic waste, electronic devices, old batteries, plastic, and others)	Refer to regulations of relevant sectors	√		Relevant laws and regulations	MoIC; other relevant sectors
Transportation and warehouse (49-53)							
15	5110	Air passenger transportation	Refer to regulations of relevant sectors	√		Law on Civil Aviation, No. 53/NA, 26 June 2018 Law on Environmental Protection No. 29/NA, 18 December 2012 Relevant laws and regulations	MPWT; other relevant sectors
16	5120	Air product transportation	Refer to regulations of relevant sectors	√		Law on Civil Aviation, No. 53/NA, 26 June 2018 Law on Environmental Protection No. 29/NA, 18 December 2012 Relevant laws and regulations	MPWT; other relevant sectors
17	5320	Courier activities	Refer to regulations of relevant sectors - for international courier activities; and - for domestic courier activities	√	√	Ministerial Decision on Courier Activities No.2555/MPT, 29 August 2016 Relevant laws and regulations	MPWT; other relevant sectors
18	-	Airline establishment	Refer to regulations of relevant sectors	√		Law on Civil Aviation No. 53/NA, 26 June 2018 Relevant laws and regulations	MPWT; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Accommodation and restaurant activities (55-56)							
19	5510	Four-star hotels and resorts	Good financial status and source of fund approved by domestic or international financial institution Registered capital of at least 30% of the total	√		Law on Tourism No. 32/NA, 24 July 2013 Refer to regulations of relevant sectors	MICT other relevant sectors
Information and communication (58-63)							
20	5811	Publishers and publication	Editor must be Lao citizen; implement with other provisions in accordance with legislation of relevant agencies	√		Law on Publishing No.225/NA, 9 December 2008 Relevant laws and regulations	MICT
21	5813	Establishment of mass media such as: radio stations, television stations, newspapers and magazines.	Allowed only for domestic investors; implement with other provisions in accordance with legislation of relevant agencies	√		Law on Mass Media No. 01/NA, 4 November 2016 Relevant laws and regulations	MICT; other relevant sectors
Financial and insurance activities (64-66)							
22	6419	Financial intermediaries - banking services (this ISIC only covers: a. Commercial banks b. Foreign branch commercial banks	Registered capital shall be at least LAK 300 billion; Individuals and legal entities wishing to establish a commercial bank can have one or many banks that have more than a 50% share of the total capital. For individuals, the share cannot exceed 10% Total capital shall be at least LAK 100 billion; Follow other regulations of concerned ministries	√ √	√	Law on Commercial Banks No. 03/NA, 2 December 2006 Decision on the Establishment of Commercial Banks and Branches No. 42/BOL, 15 January 2016 Laws and other relevant regulations.	BOL; other relevant sectors
23	6611	Stock market management	Must be a legal entity or organization with sound financial performance Must have experience in capital markets Registered capital required by the security commission Business plan for the first 3 years and organizational structure of the stock market	√		Law on Securities No. 21/NA, 10 December 2012 Laws and other relevant regulations	BOL; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
24	651	Insurance	Registered capital shall be at least LAK 16 billion; Deposit one third of the total registered capital at a bank with a good reputation and financial stability Follow other regulations of concerned ministries	√		Law on Insurance No. 06/NA, 21 December 2011 Ministerial Instruction on Implementation of Insurance Law No. 539/MOF, 19 February 2014 Ministerial Instruction on Insurance Business License No. 770/MOF, 21 March 2016 Decision on Management Regulations and Insurance Business No.3058/MOF, 27 September 2018 Decision on Reporting Regulations for Insurance Companies and Insurance Brokers No. 3060/MOF, 27 September 2018 Relevant laws and regulations	Ministry of Finance; other relevant sectors
25	-	- Lottery supporting activities	Sufficient capital, office building, and equipment necessary for lottery activities, vehicles, accountant, and permanent IT equipment; Must be Lao citizen and Lao nationality, not over 60 years of age, and capable of doing lottery business; Approval from local authority; Must have all documents required, including: health certificate provided by public hospital (not more than 3 months old), CV, residence certificate, insurance, finish high school or certificate in marketing, accounting-finance, or business administration, feasibility study and periodical business plan, secondary account (regular transactions in the past 3 months before submitting the documents), and business licence (if available); Follow other regulations of concerned ministries	√		Law on Enterprise, No 45/NA, 26 December 2013 Law on Labor No. 43/NA, 24 December 2013 Law on Tax No. 70/NA, 15 December 2015 Decision on Lottery Activity Administration No. 70/PM, 1 July 2008 Order on Lottery Activity Administration No 1332/MOF, 17 July 2009 Relevant laws and regulations	Ministry of Finance; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Scientific and professional services							
26	6910	Legal activities (this ISIC covers only legal enterprise establishment)	Investors or shareholders must be a lawyer Registered capital shall be at least LAK 10 million	√		Law on Lawyers No. 06/NA, 9 November 2016 Decision on Establishment and Investment of Legal Consulting Office No. 178/MOJ, 18 Sep 2007 Relevant laws and regulations.	Ministry of Justice; other relevant sectors
27	6920	Accounting activities, summarizing and editing, tax-customs consultation (this ISIC covers accounting)	Must be an expert in accounting; Must be a member of the Federation of Accounting and Auditing Profession; Must not be a government official, or the owner or shareholder of a certain enterprise; Must never have been penalized or judged for corruption or have conducted false accounting; Must have at least 3 accountants.	√		Law on Accounting No. 47/NA, 26 December 2013 Law on Freelance Auditing No. 51/NA, 22 July 2014	Ministry of Finance; other relevant sectors
		Auditing	Must be an expert in accounting, or be a foreign auditing enterprise; Must be a member of the Federation of Accounting and Auditing Profession; Must not be a government official, or the owner or shareholder of a certain enterprise; Must never have been penalized or judged for corruption or have conducted false accounting; Must have 2 professional accountants, and staff with college degree (for private enterprises); 60% of the total shareholders must be professional accountants and high-level executives (if more than 2 shareholders)	√			

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
28	7120	Research on animal diseases and products	Refer to regulations of relevant sectors		√	Law on Livestock Production and Veterinary No. 08/NA, 11 November 2016 Law on Environmental Protection No. 29/NA, 18 November 2012 Other laws and regulations	MAF; other relevant sectors
29	-	Animal retaining	Sufficient land, capital, office building, equipment, tools, and necessary vehicles; Technical staff with polytechnic education or higher in livestock production, and veterinarian with work experience certification. For veterinary businesses, professional veterinarian or veterinary nurse with professional certification from veterinarian; Approved by relevant sectors and local authority; Follow conditions identified by livestock production and veterinary administrative authority		√	Law on Livestock Production and Veterinary No. 08/NA, 11 November 2016 Law on Environmental Protection No. 29/NA, 18 November 2012 Other laws and regulations	MAF; other relevant sectors
Administrative and support service activities (77-82)							
30	7810	Employment agencies (this ISIC covers only employment agency businesses)	An individual or foreign legal entity must partner with a local investor. Employment supply the domestic market must have registered capital of a minimum of LAK 200 million, and a cash deposit of USD 2,000 Employment supply to foreign markets must have registered capital of a minimum of LAK 2 billion, and a cash deposit of USD 20,000 An individual must be 25 years of age or more Must have experience in doing business and labour knowledge	√		Law on Labor No. 43/NA, 24 December 2013 Decision on Establishment and Employment Agency Management, No. 043, 12 January 2010 Other laws and regulations	MLSW; other relevant sectors
Security and investigation activities (80)							
31	8010	Private security activities	Refer to regulations of relevant sectors.	√		Law on National Peace Prevention, No. 40/NA, 19 December 2013 Other relevant laws and regulations	Ministry of Public Security; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
Education (85)							
32	8510	Pre-primary and primary education	Refer to regulations of relevant sectors. - Foreign investments must get approval at central level - Domestic investment must get approval at provincial level	√	√	Law on Education, No. 62/NA, 16 July 2015 Decision on International Private School Management for Pre-education Learning's Age and General Education, No. 1052, 26 February 2016 Other relevant laws and regulations	MoES; other relevant sectors
33	8521	General secondary education	Refer to regulations of relevant sectors - Foreign investments must get approval at central level - Domestic investments must get approval at provincial level	√	√	Law on Education, No. 62/NA, 16 July 2015 Other relevant laws and regulations	MoES; other relevant sectors
34	8522	Technical and vocational secondary education (this ISIC covers skill development centres)	Refer to regulations of relevant sectors		√	Law on Labor No. 43/NA, 24 December 2013 Other relevant laws and regulations	MLSW; other relevant sectors
		Vocational education and professional training	Refer to regulations of relevant sectors - Foreign investments must get approval at central level - Domestic investments must get approval at provincial level	√	√	Law on Education, No. 62/NA, 16 July 2015 Law on Vocational Education, No. 42/NA, 23 December 2013 Other relevant laws and regulations	MoES; other relevant sectors
35	8530	Higher education	Refer to regulations of relevant sectors	√		Law on Education, No. 62/NA, 16 July 2015 Decree on Upper Level Professional Education, No. 177/PM, 05 June 2015 Other relevant laws and regulations	MoES; other relevant sectors
36	8541	Sports and recreation education This ISIC covers physical sport	Refer to regulations of relevant sectors - Foreign investments must get approval at central level - Domestic investments must get approval at provincial level	√	√	Law on Education, No. 62/NA, 16 July 2015 Law on Physical Sport, No. 15/NA, 6 July 2012 Other relevant laws and regulations	MoES; other relevant sectors
		Sport education	Refer to regulations of relevant sectors - Foreign investments must get approval at central level	√			

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
			- Domestic investments must get approval at provincial level		√		
		Recreation education	Refer to regulations of relevant sectors			Law on Education, No. 62/NA, 16 July 2015	MoES; MICT; other relevant sectors
			- Foreign investments must get approval at central level	√		Law on Performing Arts, No. 16/NA, 4 May 2017 Decree on Performing Arts No.09/GOL, 14 January 2015	
			- Domestic investments must get approval at provincial level		√	Other relevant laws and regulations	
37	8549	Vocational school or livestock and veterinary training center	Sufficient land, capital, office building, equipment, tools, and necessary vehicles; Technical staff with polytechnic education or higher in livestock production, and veterinarian with work experience certification. For veterinary business, veterinarian or veterinary nurse with professional certification from veterinarian; Approved by relevant sectors and local authority; Follow conditions identified by livestock production and veterinary administrative authority			Law on Livestock Production and Veterinary No. 08/NA, 11 November 2016 Other laws and regulations	MoES; MAF; other relevant sectors
Human health and social work activities							
38	8610	Private hospital activities	Registered capital of a minimum of LAK 2 billion; Follow other conditions of relevant sectors	√		Law on Treatment, No. 58/NA, 24 December 2014 Decree on Private Hospital No. 151/GOL, 28 April 2014 Other relevant laws and regulations	MoH; other relevant sectors
39	8620	Medical and dental, and other public health activities	Hospital for specific treatment; Follow other conditions identified in the law on treatment and concern regulations	√			
Arts, entertainment and recreation (90-93)							
40	9000	Creativity, arts and entertainment activities. This ISIC covers: Discoes Night clubs	Certified financial position and source of funding from a domestic or foreign financial institution		√	Law on Tourism, No. 32/NA, 24 July 2013 Decree on Entertainment No. 315/GOL, 2 October 2017 Other relevant laws and regulations	MICT; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
		Pubs Snake bars Karaoke Circus	Registered capital of a minimum of 30% of the total capital Must conduct a survey and feasibility study of the project Sufficient land, capital, office building, equipment, tools, and necessary vehicles; Technical staff with polytechnic education or higher in livestock production, and veterinarian with work experience certification. For veterinary businesses, it requires veterinarian or veterinary nurse with professional certification from veterinarian; Approved by relevant sectors and local authority; Follow conditions identified by livestock production and veterinary administrative authority			Law on Livestock Production and Veterinary No. 08/NA, 11 November 2016 Other laws and regulations	MAF; other relevant sectors
41	9130	Botanical and zoological gardens and nature reserve activities	Refer to regulations of relevant sector	√		Law on Livestock Production and Veterinary No. 08/NA, 11 November 2016 Law on Environmental Protection No. 29/NA, 18 November 2012 Other laws and regulations	MAF; other relevant sectors
42	9200	Gambling and betting activities: All kinds of gambling games Brain testing gambling Gambling machines	Refer to regulations of relevant sector	√		Ministerial Decision of MICT on Gambling Permission and Management in Lao PDR, No. 664/MICT, 22 October 2013 Other laws and regulations	MICT; Ministry of Finance; other relevant sectors
43	9321	Theme parks	Certified financial position and source of funding from a domestic or foreign financial institution Registered capital of a minimum of 30% of the total capital Must conduct a survey and feasibility study of the project - Foreign investments must get approval at central level	√		Law on Tourism No. 32/NA, 24 July 2013 Law on Environmental Protection No. 29/NA, 18 November 2012 Regulations of relevant sectors	MICT; other relevant sectors

No.	ISIC	Business activities	Investment conditions	Management level		Relevant legislation	Responsible ministries
				Central	Provincial		
			- Domestic investments must get approval at provincial level.		√		
44		Tourism development activities	Refer to regulations of relevant sectors - Foreign investments must get approval at central level	√		Law on Tourism No. 32/NA, 24 July 2013 Law on Environmental Protection No. 29/NA, 18 November 2012 Law on Land No. 04/NA, 21 October 2013 Refer to regulations of relevant sectors	MICT; other relevant sectors
			- Domestic investments must get approval at provincial level		√		

Source: Decree on the Approval of the Controlled Business List and Concession Businesses of Lao PDR No. 03/PM, 10 January 2019.

Table A2.5 List of Concessions, 2019

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
1		State land concessions for plantations (except rubber)	- Be a legal entity; - Have experience and achievements in the mineral business and be certified by concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must take a survey process and conduct a feasibility study of the project; - Have a memorandum of understanding and contract with the Government	√		Law on Forestry, No. 06/NA, 24 December 2007 Law on Environmental Protection, No. 29/NA, 18 December 2012 Law on Land, No. 04/NA, 21 October 2013 Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 Instruction of Forestry Department on Feasibility Study, Investment in Industrial Forest and Non-Timber Forest Products (NTFPs), No. 1643/DOF, 14 May 2010 Relevant laws and regulations	MAF; other relevant sectors and local authorities
2		State land concessions for annual crops, food crops, economic crops, herb crops and others	- Be a legal entity; - Have experience and achievements in business and get certified by concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must take a survey process and conduct a feasibility study of the project; - Have memorandum of understanding and contract with the Government;	√		- Law on Agriculture, No. 01/98NA, 10 October 1998 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 - Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 - Instruction of Forestry Department on Feasibility Study, Investment in Industrial Forest and NTFPs - Relevant laws and regulations	MAF; other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
			- Follow other regulations mentioned in laws and relevant rules a. if land area is more than 151 ha b. if land area is less than 150 ha		√		
3		State land concessions for fruit crops	- Be a legal entity; - Have experience and achievements in the mineral business and get certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must take a survey process and conduct a feasibility study of the project; - Have memorandum of understanding and contract with the Government; - Follow other regulations mentioned in the laws and relevant rules a. if land area is more than 151 ha b. if land area is less than 150 ha	√	√	- Law on Agriculture, No. 01/98NA, 10 October 1998 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 - Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 - Instruction of Forestry Department on Feasibility Study, Investment in Industrial Forest and NTFPs, No. 1393/DOP - Relevant laws and regulations	MAF; other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
4		State land concessions for animal-raising farms for camels, ostriches, bees, birds, snakes, shrimp, crocodiles, uncategorized freshwater animals, and other farms	- Be a legal entity; - Have sufficient land, capital, office building, equipment, tools, and necessary vehicles; - Technical staff with polytechnic education or higher in livestock production and veterinarian with work experience certification. For veterinary business; it requires veterinarian or veterinary nurse with professional certification from veterinarian; - Approved by relevant sectors and local authority; - Follow other regulations mentioned in laws and relevant rules a. if land area is more than 151 ha b. if land area is less than 150 ha	√	 √	- Law on Livestock and Veterinary No.8/NA, 11 November 2016 - Law on Agriculture, No.01/98NA, 10 October 1998 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 - Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 - Decision on Livestock Farm Management in Lao PDR, No. 0209/DF, 6 February 2013 - Relevant laws and regulations	MAF; other relevant sectors and local authorities
Mining and mineral processing							
5		Non-mineral mining for construction and industry	Contract with Government: a. more than 100,000 m^3 b. less than 100,000 m^3	√	 √	- Law on Minerals No. 31/NA, 3 November 2017 - Law on Land No.04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MEM; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
6		Mining and mineral processing	- Be a legal entity; - Have experience and achievements in the mineral business and get certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must have an exploration report and economic, technical feasibility study, including exploitation, processing, and closing plan; - Must conduct environmental and social impact assessments of the project, and be approved by the natural resource and environmental sector; - Have technical staff experienced in mining and natural processing; - Must have contract with the Government; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Minerals No. 31/NA, 3 Nov 2017 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MEM; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
7		Raw oil exploitation and mining activities	- Be a legal entity; - Have experience and achievements in the mineral business, and get certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Technical staff experienced in oil and gas mining and exploitation; - Must have contract with the Government; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Minerals No.31/NA, 3 Nov 2017 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MEM; - other relevant sectors and local authorities
Electricity							
8		Electricity activities (electricity production from water energy, coal, wind energy, solar energy, waste, etc.)	- Be a legal entity; - Have experience and business achievement, have been certified by the concern organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must conduct a survey and a feasibility study of the project; - Have memorandum of understanding and contract with the Government;	√		- Law on Electricity, No. 19/NA, 9 May 2017 - Law on Land No.04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MEM; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
			- Experienced technical staff; - Follow other regulations mentioned in laws and relevant rules Size of installation >5 MW a. Size of installation ≤5 MW		√		
9		Concessions of transmission lines	- Be a legal entity; - Have experience and business achievement, have been certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must conduct a survey and a feasibility study of the project; - Have memorandum of understanding and contract with the Government; - Experienced technical staff; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Electricity, No. 19/NA, 9 May 2017 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MEM; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
Public-private partnerships							
10		New projects, basic infrastructure development or PPP services	- Be a legal entity; - Have experience and business achievement, have been certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must conduct a survey and a feasibility study of the project; - Have memorandum of understanding and contract with the Government; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Investment Promotion, No. 14/NA, 17 November 2016 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MPI; - Ministry of Finance; - other relevant sectors and local authorities
Investment in SEZs							
11		SEZ establishment (industrial centres, industrial processing for export, ITC, services, commerce and tourism)	- Be a legal entity; - Have experience and achievements in the business and get certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must conduct a survey and a feasibility study of the project;	√		- Law on Investment Promotion, No. 14/NA, 17 November 2016 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Decree on Special Economic Zones, No. 188/GOL, 7 June 2018 - Relevant laws and regulations	- MPI; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
			- Have memorandum of understanding and contract with the Government; - Identify the objectives of the SEZ; - Have a location with clear boundaries; - Identify clearly the concession period; - Identify clearly the beneficiaries of the project; - Be under government control or provincial authority, and be within the provincial or government development plan; - Must ensure the stability, peace and security of the community at the SEZ location; Ensure sustainable development and environmental protection, and promote and preserve the national culture				
State land concessions							
12		State land concessions for basic infrastructure development, public benefit, construction activities and services, such as: hotels, hostels, restaurants, common parks, schools, hospitals, market, goods/passenger transportation centres, etc.	- Be a legal entity; - Have experience and business achievement, have been certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions;	√		- Law on Investment Promotion, No. 14/NA, 17 November 2016 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012	- Ministry of Natural Resources and Environment; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
			- Must conduct a survey and a feasibility study of the project; - Have memorandum of understanding and contract with the Government; - Follow other regulations mentioned in laws and relevant rules Land use from 15-10,000 ha/project Land use of less than 15 ha/project		√	- Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 - Relevant laws and regulations	
13		Railway construction, goods and passenger transportation activities	- Be a legal entity; - Conduct social-economic and environmental impact assessments of the project; - Be approved by the NA; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Construction No. 05/NA, 26 November 2009 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities
14		Pipe construction and transportation activities	Refer to laws and regulations of concerned sectors	√		- Law on Construction No. 05/NA, 26 November 2009 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
15		Natural, cultural and historical tourism destination development at central level	- Be a legal entity; - Certified financial position and source of funding provided by domestic or international financial institutions; - Registered capital of a minimum of 30% of the total capital; - Must conduct a survey and a feasibility study of the project	√		- Law on Tourism, No. 32/NA, 24 July 2013 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 - Decree on State Land Lease or Concession, No. 135/PM, 25 May 2009 - Relevant laws and regulations	- MICT; - other relevant sectors and local authorities
			Foreign investments must get approval at the central level				
			Domestic investments must get approval at the provincial level		√		
		Natural, cultural and historical tourism destination development at local level	- Be a legal entity; - Natural, historical, and cultural touristic destinations are preserved for Lao citizens at the local level; - Certified financial position and source of funding provided by domestic or international financial institutions; - Registered capital of a minimum of 30% of the total capital; - Must conduct a survey and a feasibility study of the project.		√		

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
16		State land leases or concessions for sports activities	- Be a legal entity; - Have experience and business achievement, have been certified by the concerned organization; - Certified financial position and source of funding provided by domestic or international financial institutions; - Must conduct a survey and a feasibility study of the project; - Follow other regulations mentioned in laws and relevant rules. Land use from 30-10,000 ha/project	√		- Law on Physical Sports, No. 15/NA, 6 July 2012 - Law on Land No. 04/NA, 21 October 2013 - Order on Lease and Concession Fees of State Land No. 02/PM, 18 November 2012 - Decree on State Land Leasing or Concession, No. 135/PM, 25 May 2009 - Relevant laws and regulations	- MoES; - other relevant sectors and local authorities
			Land use of <30 ha/project		√		
Other services to related to public interest							
17		Airport buildings and ground services	Refer to laws and regulations of concerned sectors	√		- Law on Civil Aviation No. 53/NA, 26 June 2018 - Law on Construction, No. 05/NA, 26 November 2009 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities
18		Port buildings and related services	Refer to laws and regulations of concern sectors	√		- Law on Construction No. 05/NA, 26 November 2009 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
19	3600	Water storage, production, and supply	Refer to laws and regulations of concerned sectors	√		- Law on Water Supply, No. 04/NA, 9 July 2009 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities
20		Transportation activities, such as logistics and dry ports	Refer to laws and regulations of concerned sectors	√		- Law on Land Transportation No. 24/NA, 12 December 2012 - Law on Multimodal Transport, No. 28/NA, 18 December 2012 - Law on Land No. 04/NA, 21 October 2013 - Law on Environmental Protection No. 29/NA, 18 November 2012 - Relevant laws and regulations	- MPWT; - other relevant sectors and local authorities
21	6100	Landline telecom (this ISIC covers: a. National Fixed Broadband Transmission b. Public Lease Circuits c. Private Lease Circuits d. Virtual Network Operator-VNO) e. International Gate Way f. Mobile Phone Services "Cell Phone" g. Leased Line Services)	Refer to laws and regulations of concerned sectors	√		- Law on Telecommunication No. 09/NA, 21 December 2011 - Relevant laws and regulations.	- Ministry of Posts and Telecommunication; - other relevant sectors and local authorities

No.	ISIC	Activities	Investment conditions	Management level		Relevant laws/regulations	Responsible ministry
				Central	Provincial		
22	6120	Wireless Telecommunication (this ISIC covers: a. Mobile Virtual Network Operator-MVNO) b. National Mobile Broadband Transmission	- Be a legal entity; - Stable investment capital; - Business operational, expansion, and marketing plans; - Follow other regulations mentioned in laws and relevant rules	√		- Law on Telecommunication, No. 09/NA, 21 December 2011 - Relevant laws and regulations	- Ministry of Posts and Telecommunication; - other relevant sectors and local authorities
23	6130	Satellite telecom activities	Refer to laws and regulations of concern sectors	√		- Law on Telecommunication No. 09/NA, 21 December 2011 - Decree on Satellite Telecom No. 2507, 23 August 2016 - Relevant laws and regulations	- Ministry of Posts and Telecommunication; - other relevant sectors and local authorities

Source: Decree on the Approval of the Controlled Business List and Concession Businesses of Lao PDR No. 03/PM, 10 January 2019.

Table A3.1 MFN applied summary, mid-December 2018

	Number of lines[a]	Average (%)	Range (%)	Standard deviation	Duty-free (%)
Total	**11,514 (13)**	**8.6**	**0-40**	**7.3**	**8.9**
HS 01-24	1,735 (8)	11.5	0-40	9.4	8.0
HS 25-97	9,779 (5)	8.1	0-40	6.7	9.1
By WTO category					
WTO agricultural products	**1,380 (8)**	**11.2**	**0-40**	**10.2**	**10.2**
Animals and products thereof	152	12.1	5-30	9.7	0.0
Dairy products	45	5.0	5-5	0.0	0.0
Fruit, vegetables, and plants	356 (7)	13.2	0-40	10.9	5.1
Coffee and tea	43	25.6	10-40	13.3	0.0
Cereals and preparations	200	8.9	0-30	9.5	14.5
Oil seeds, fats, oils and their products	222 (1)	10.0	0-30	6.4	9.5
Sugars and confectionary	31	10.3	0-30	4.0	3.2
Beverages, spirits and tobacco	133	9.5	0-40	13.5	49.6
Cotton	5	3.0	0-5	2.4	40.0
Other agricultural products, n.e.s.	193	10.1	0-30	8.4	2.1
WTO non-agricultural products	**10,134 (5)**	**8.3**	**0-40**	**6.7**	**8.7**
Fish and fishery products	436	12.0	5-30	5.6	0.0
Minerals and metals	1,554	5.9	5-20	2.4	0.0
Chemicals and photographic supplies	1,507 (5)	7.6	0-40	5.4	0.1
Wood, pulp, paper and furniture	569	13.7	5-40	10.5	0.0
Textiles	914	9.3	5-30	3.7	0.0
Clothing	351	10.0	10-10	0.0	0.0
Leather, rubber, footwear and travel goods	323	10.0	5-30	4.5	0.0
Non-electric machinery	1,334	7.0	5-40	5.2	0.0
Electric machinery	719	6.5	5-20	3.0	0.0
Transport equipment	1,628	7.6	0-40	10.2	54.2
Non-agricultural products, n.e.s.	751	11.0	5-40	7.9	0.0
Petroleum	48	5.4	5-20	2.1	0.0
By ISIC sector					
ISIC 1 - Agriculture, hunting and fishing	685 (6)	11.9	0-40	9.0	6.9
ISIC 2 - Mining	122	5.0	5-5	0.0	0.0
ISIC 3 - Manufacturing	10,706 (7)	8.4	0-40	7.1	9.1
Manufacturing excluding food processing	9,574 (7)	8.1	0-40	6.7	9.2
Electrical energy	1	5.0	5	0.0	0.0
By stage of processing					
First stage of processing	1,132 (8)	10.7	0-40	9.1	4.9
Semi-processed products	2,855 (1)	7.5	0-40	5.2	0.2
Fully processed products	7,527 (4)	8.7	0-40	7.5	12.8
By HS section					
01 Live animals and products	588	10.1	5-30	5.2	0.0
02 Vegetable products	491 (8)	12.9	0-40	12.3	12.0
03 Fats and oils	175	10.0	0-30	5.8	7.4
04 Prepared food, beverages and tobacco	481	12.2	0-40	10.7	13.9
05 Mineral products	222	5.2	-20	1.5	0.0

	Number of lines[a]	Average (%)	Range (%)	Standard deviation	Duty-free (%)
06 Chemicals and products thereof	1,260 (5)	6.8	0-40	4.1	0.1
07 Plastics, rubber, and articles thereof	566	9.2	5-40	6.3	0.0
08 Raw hides and skins, and leather	91	16.4	10-30	5.0	0.0
09 Wood and articles of wood	228	23.1	5-40	7.4	0.0
10 Pulp of wood, paper and paperboard	300	6.0	5-20	2.4	0.0
11 Textiles and textile articles	1,234	9.3	0-30	3.0	0.2
12 Footwear, headgear, etc.	84	11.9	5-20	4.7	0.0
13 Articles of stone, plaster, and cement	250	5.9	5-20	2.2	0.0
14 Precious stones and metals, and pearls	86	5.0	5-5	0.0	0.0
15 Base metals and articles thereof	1,035	6.3	5-20	3.0	0.0
16 Machinery, electrical equipment, etc.	2,138	7.3	5-40	5.0	0.0
17 Transport equipment	1,642	7.6	0-40	10.2	53.8
18 Precision equipment	326	6.7	5-10	2.4	0.0
19 Arms and ammunition	30	30.0	30-30	0.0	0.0
20 Miscellaneous manufactured articles	279	13.3	5-40	10.5	0.0
21 Works of art, etc.	8	5.0	5-5	0.0	0.0

a Figures in brackets refer to the number of tariff lines without a tariff rate, due to prohibition.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.2 Tariff lines where the MFN applied exceeds the bound rate, 2018

HS code	Description	MFN applied	Bound rate
0101.21.0000	Horses, pure-bred breeding	10%	5%
0102.31.0000	Buffalo, pure-bred breeding	10%	5%
0102.90.1000	Other pure-bred breeding animals	10%	5%
0810.90.2000	Lychees	30%	10%
0810.90.3000	Rambutan	30%	10%
0810.90.4000	Langsat (lanzones)	30%	10%
0810.90.5000	Jackfruit (including cempedak and nangka)	30%	10%
0810.90.6000	Tamarinds	30%	10%
0810.90.7000	Starfruit	30%	10%
1206.00.0000	Sunflower seeds, whether or not broken	20%	0%
2004.10.0000	Potatoes, prepared or preserved	10%	5%
2710.19.7200	Other diesel fuels	20%	5%
3923.90.1000	Toothpaste tubes	20%	10%
4418.91.0000	Panels of bamboo	30%	20%
4418.99.1000	Cellular wood panels	30%	20%
8508.19.9000	Vacuum cleaners	10%	5%
8508.60.0000	Vacuum cleaners	10%	5%
8517.12.0000	Telephones for cellular networks or for other wireless networks	10%	5%
8523.21.1000	Magnetic cards incorporating a magnetic stripe, unrecorded	20%	10%
8523.52.0000	"Smart Cards"	10%	5%
8523.59.1000	Proximity cards and tags	10%	5%
8528.42.0000 8528.52.0000 8528.62.0000	Monitors and projectors, capable of directly connecting to and designed for use with an automatic data processing machine of heading 84.71	20%	5%
9403.70.1000	Furniture of plastics: baby walkers	40%	20%
9403.70.2000	Furniture of plastics: fume cupboards	40%	20%
9403.70.9000	Furniture of plastics: other	40%	20%
9403.90.1000	Parts of subheading 9403.70.10	40%	20%

Source: WTO Secretariat, based on data received from the authorities.

Table A3.3 SEZs

SEZ	Year established	Investment	Incentives	Focus sectors
Savan-Seno SEZ	2003	Industrial zone	Decree No. 177/PM, 13 November 2002	1. Industrial sector - electrical appliance manufacturing plants, food-processing plants, wood-processing plants, garment and textile factories, automobile assembly plant, and other electronic parts assembly plant. 2. Distribution logistics service sector - transportation, cargo delivery service, freight forwarding, warehouses, and cool storage. 3. Service sector - banking, financial institution, training centre, and real estate.
Boten SEZ	2003	Trade and logistics zone	The policy is based on the agreement and concessions of 4 April 2012 for the transformation of Golden Boten City to Boten Beautiful Land SEZ.	1. Lao-China northern inland logistic centre – USD 10 million, 30 ha 2. International border business centre – USD 40 million, 30 ha 3. International golf-course and tourism centre – USD 20 million, 50 ha 4. Cultural-tourism resort centre – USD 7 million, 10 ha 5. Education, culture and healthcare centre – USD 6 million, 10 ha
Golden Triangle SEZ	2007	Tourism and new urban centre	The policy is based on the agreement on the development of the integrated AEC, and on the prime minister's decree on the organization, activities and management of the Golden Triangle SEZ, Tonpherng District, Bokeo Province, Lao PDR, No. 090/PM, 4 February 2010.	1. International airport – USD 140 million, 175 ha 2. Golf and Leisure Center – USD 50 million, 300 ha 3. Real estate development project on Don Xao Island – USD 80 million, 90 ha 4. ASEAN-China cultural tourism centres - USD 60 million, 300 ha 5. High-class spa resort – USD 70 million, 290 ha 6. International hospital – USD 40 million, 11ha
Vientiane Industrial and Trade Area	2011	Industrial zone	Based on the Joint Development of Industry and Trade Area at Km21, Vientiane Capital, 30 October 2009 177/PM, 13 November 2003	1. Light industry – manufacturing, agriculture processing, garment factories, etc. 2. Service sector supporting industrial park, such as logistics and dormitories
Saysettha Development Zone	2010	Industrial zone	Based on the Agreement of the Saysetha Development Zone, on 11 July 2012. Decree No. 177/PM 2003	1. Agro-processing zone (producing foods, organic produce and animal feed) 2. Timber processing 3. Manufacturing – machinery, electronic appliances 4. Green energy 5. Textile and garment factories 6. Logistics 7. Residential zone (leisure area, staff accommodation, commercial, cultural, educational and health facilities)
Phoukhyo SEZ	2010	Industrial zone	Based on the Development Agreement of the Phoukhyo Specific Economic Zone, Thakhek District, Khammuan Province, Lao PDR, on 28 December 2010	1. Industrial zone - manufacturing and processing for export 2. Information technology information development project 3. International financial services centre 4. New town construction project
Thatluang Lake SEZ	2011	Tourism and new urban centre	Based on the contract for the development of the Thatluang Lake Specific Economic Zone in Vientiane Capital, Lao PDR, on 28 December 2011	1. Real estate project - villas, town-houses and apartments for residential and commercial areas 2. Office and business centre 3. Sports and recreation centre 4. Cultural tourism

SEZ	Year established	Investment	Incentives	Focus sectors
Long Thanh Vientiane SEZ	2008	Tourism and new urban centre	Based on the revised and supplemented agreement to upgrade the construction of a golf course, five-star hotels and high-rise villas in Dongphosy, Vientiane Capital, as a SEZ, on 7 January 2012	1. Golf course construction project 2. High-end villa construction project 3. 5-star hotel construction project 4. International trade centre project 5. International school project 6. International standard hospital project 7. International sporting centre project
Dongphosy SEZ	2012	Trade and logistics zone	Amendment of and addendum to the contract on the development of the SEZ at Dongphosy, Lao PDR, on 12 September 2009	1. Commercial area: shopping centres 2. Hotels 3. Community amenities - specialist medical centre, educational institutions 4. Bonded warehouses, showrooms, wholesale trade area
Thakhek SEZ	2012	Trade and logistics zone	Based on the agreement of the Thakhek SEZ, Thakhek District, Khammaun Province, Lao PDR, on 18 May 2012	1. Trade centre 2. Logistics and bonded warehouses 3. Hotels and recreation centre 4. Financial and business centre 5. Telecommunications 6.Exhibitions hall
Champasak SEZ	2015	Industrial zone	Decree No. 188/GOV Decree No. 177/PM	1. Light industrial projects 2. Manufacturing, spare parts production 3. Opportunity to cooperate with the Government to develop a new tourism specific economic zone

Source: Information provided by the authorities.

Table A4.1 Air transport agreements, 2019

Partner	Date	Entry into force	5th[a]	7th[b]	Cabotage[c]	Coop[d]	Designation[e]	Withholding[f]	Pricing[g]	Capacity[h]	Stat[i]	ALI
Brunei Darussalam	30.04.1998	Y	Y	N	N	N	M	SOEC	DA	PD	Y	10.0
China	28.06.1978	Y	N	N	N	N	S	SOEC	DA	PD	N	1.0
Czech Republic	17.02.1980	Y	N	N	N	N	S	SOEC	DA	B1	N	5.0
India	16.01.2019	N			N	N	M	SOEC	DD	PD	Y	
Myanmar	12.03.1991	Y	Y	N	N	N	S	SOEC	DA	PD	Y	6.0
Singapore	24.04.1995	Y	Y	N	N	N	S	SOEC	DD	O	Y	18.0
Thailand	05.10.2017	Y	N	N	N	N	M	SOEC	DD	PD	Y	0.0
CLMV Agreement	04.12.2003	Y	N	N	N	Y	M	SOEC	DD	FD	N	22.0

a Fifth freedom rights, even limited ones, are granted. If fifth freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.
b Seventh freedom rights, even limited ones, are granted. If seventh freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.
c Cabotage rights, even limited ones, are granted. If cabotage rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.
d Clauses allowing cooperation between airlines, e.g. code-sharing.
e Designation is single by an "S" or multiple by an "M".
f Type of withholding clause: Substantial Ownership and Effective Control (SOEC), Principal Place of Business (PPoB), Community of Interest (COI), and not available (n/a.)
g Type of pricing clause: Double Approval (DA), Double Disapproval (DD), Country of Origin (CoO), Zone Pricing (ZP), Free Pricing (FP), and not available (n/a).
h Type of capacity clause: Pre-Determination (PD), Bermuda I, (B1), Free Determination (FD), other (O), and not available (n/a).
i Exchange of statistics is foreseen by the agreement.

Note: The term Air Transport Agreements is used here to refer to ASAs, MoUs, exchange of notes, and other such relevant instruments.

Source: WTO Secretariat based on data provided by the authorities.