

## Lao People's Democratic Republic: A Retrospective on 10 Years of WTO Membership



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## CHAPTER 1: INTRODUCTION

Lao PDR took the landmark decision in July 1997 to apply to join the World Trade Organization. This was the same year that the country became a member of the Association of Southeast Asian Nations (ASEAN) and the ASEAN Free Trade Area (AFTA). These multilateral and regional moves took Lao PDR the direction of a radical opening of the economy with particular emphasis on strengthened trading relationships.

Joining the WTO implied the adoption by Lao PDR of a more market-based orientation for the economy. WTO membership is not only a matter of domestic policy reform on the trade and trade-related policy front. It is also a vehicle for participating in decision-making on the global stage. Membership offers a country a voice in international rule-making, and secures more predictable access to the markets of other countries. For a landlocked country like Lao PDR, WTO membership can be important too for securing freedom of transit trade through neighbouring territories.

The primary objective of this Report is to celebrate in review Lao PDR's first decade of WTO membership. The application to join the WTO led in February 1998 to the establishment of Lao PDR's Accession Working Party. The accession process involved far-reaching regulatory reforms and the reduction of obstacles to market access. The negotiations took some fourteen years to complete, which was not an exceptional period of time when compared with the accession processes of other countries. The Working Party met ten times over that period and was accompanied by a series of bilateral meetings with those WTO members who chose to enter into market access negotiations. The final meeting of the Working Party took place on 28 September 2012, and the decision on Lao PDR's membership was taken by WTO Members at a special session of the General Council on 26 October 2012. Lao PDR then formally became a WTO Member on 2 February 2013, following completion of its domestic ratification procedures for the WTO Accession Package.

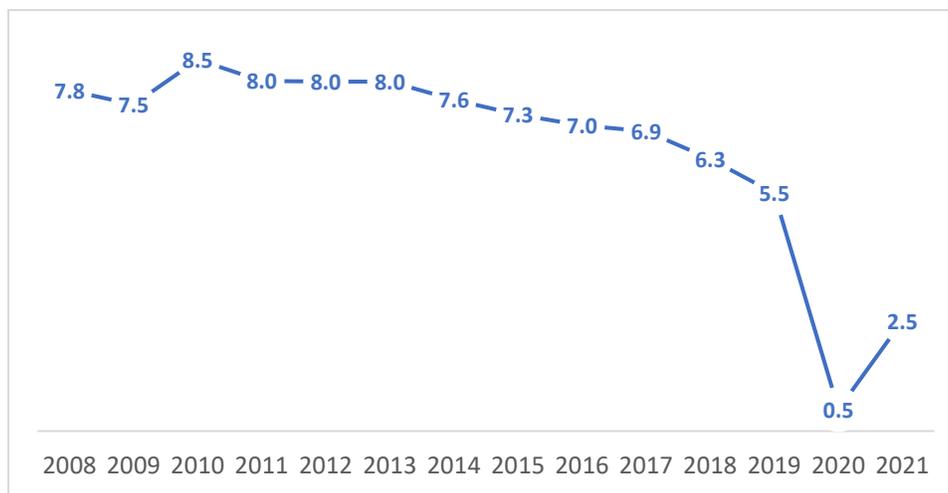
Lao PDR became the 158<sup>th</sup> Member of the WTO. The fact that Lao PDR is classified as a least-developed country (LDC) by the United Nations was relevant to the negotiations in that the country was permitted in certain areas to assume lesser commitments and arguably longer phase-in periods for policy reforms. Nevertheless, the package was far-reaching. Lao PDR was the sixth LDC to accede to the Organization through the procedure established under Article XII of the Marrakesh Agreement. Lao PDR's accession as an LDC was preceded by Cambodia (2004), Nepal (2004), Cabo Verde (2008), Samoa (2012) and Vanuatu (2012). Lao PDR was also the last ASEAN member to join the WTO. As pointed out in this Report, countries that acceded to the WTO post-1995, took on considerably more obligations than founding members of the WTO who acceded to the Organization by virtue of earlier negotiations to join the General Agreement on Tariffs and Trade. This means that Article XII LDCs have higher levels of commitments than those of other LDCs and also of many developing countries.

The Report is organized into six chapters. Chapter 2 assess Lao PDR's economic performance by looking at a few key indicators and how they have performed over the years. Chapter 3 comprises a detailed analysis of the elements of the accession package to which Lao PDR subscribed. Chapter 4 reviews the activities in which Lao PDR has engaged over the decade of the country's WTO membership. Much of the focus, especially early on, was on implementing the commitments agreed to in the accession negotiations. There is also a review of other activities in which Lao PDR has been engaged over the years. Chapter 5 is about how the country's activities were conditioned by LDC status, in terms of participation in certain bodies, advocacy of LDC interests, and monitoring trade preferences. The Report also briefly discusses the implications of Lao PDR's impending graduation out of the LDC group. Section 6 reviews Lao PDR's preferential trade relations with other countries, with particular attention to the Southeast Asian economy which is so economically important for Lao PDR, not least through ASEAN arrangements. Chapter 7 concludes.

## CHAPTER 2: ASSESSMENT OF ECONOMIC PERFORMANCE

Lao PDR has made considerable economic progress over the last two decades. Income per capita grew at an impressive average rate of some 7-8 per cent measured in constant prices. Growth performance weakened severely from around 2019 to the present (Figure 2.1). The declining growth rate of recent years is attributable in part to macroeconomic instability, featuring strong currency depreciation, high inflation, and debt sustainability challenges. The COVID-19 pandemic added considerable pressure to the country's macroeconomic challenges. Growth started to pick up slightly in 2021, however, and the mild recovery is expected to continue in 2022.

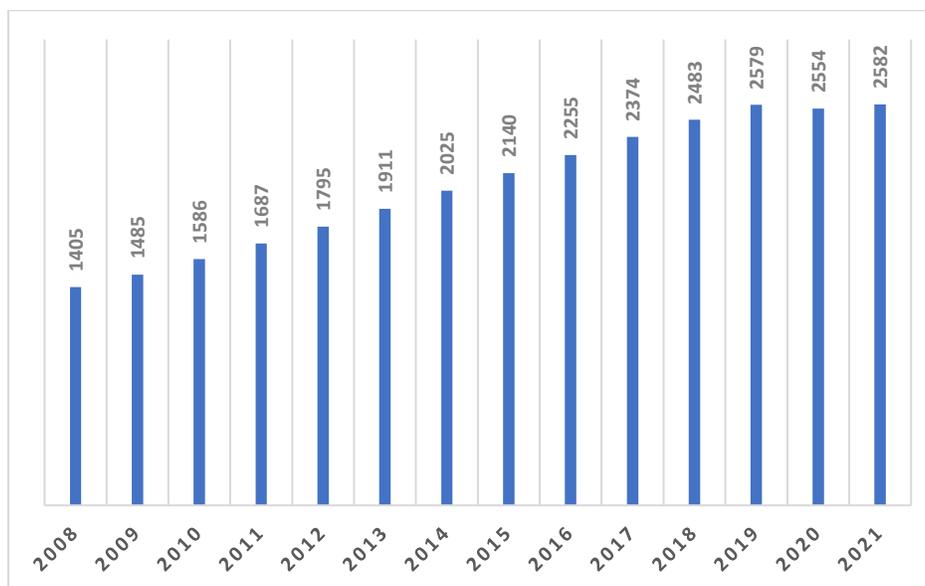
**Figure 2.1: Real GDP Growth Rates (%), 2008-2021**



Source: The Globaleconomy. <https://www.theglobaleconomy.com/download-data.php>

As shown in Figure 2.2, GDP growth has been strong enough in relation to population growth to ensure a consistent increase in real per capita income. Average incomes per head rose by some 46 per cent between 2008 and 2021.

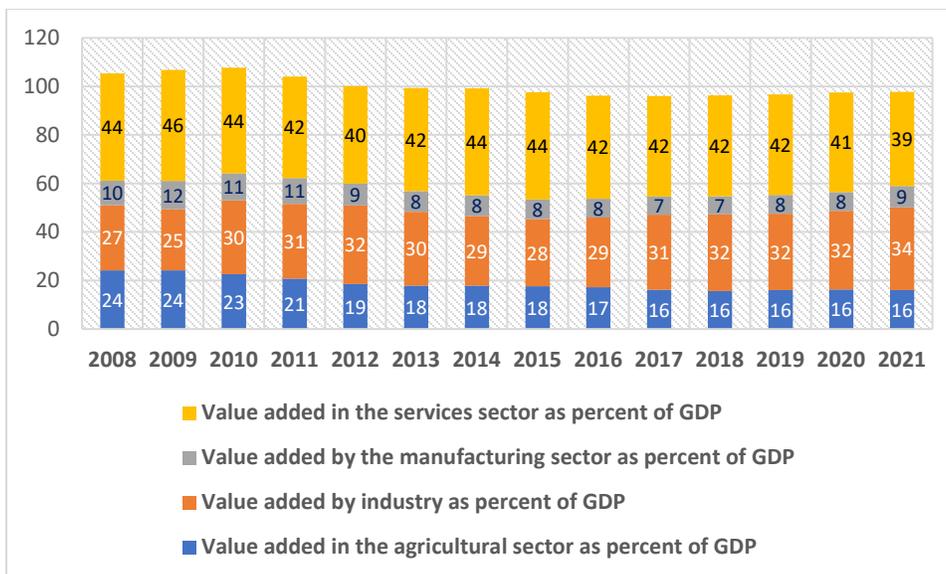
**Figure 2.2: GDP per capita (constant 2010 dollars)**



Source: The Globaleconomy. <https://www.theglobaleconomy.com/download-data.php>

As for the sectoral structure of the economy, Figure 2.3 breaks down the sources of national production in terms of the value added by services, manufacturing, industry, and agriculture. As expected over a relatively short timeframe of 14 years, the respective shares of these aggregated sectors have not changed much. The share of value-added attributable to agriculture has declined most sharply, from 24 per cent in 2008 to 16 per cent in 2021. Since the agricultural sector accounts for some 80 per cent of employment, its declining share of output suggests that the distribution of income is not improving. There have been smaller declines in the shares of services and manufacturing. The services share was 44 per cent in 2008 and 39 per cent in 2021. The share of manufacturing has hovered at below 10 per cent since 2012, having been at 10 per cent or more in the first four years of the period covered in Figure 2.3. It is industry (mostly power generation and mineral and metals extraction) that has taken up the additional shares vacated by the other three sectors.

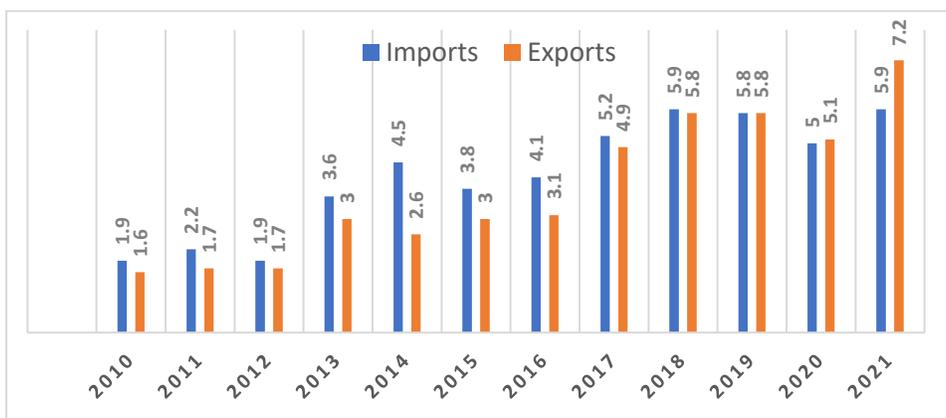
**Figure 2.3: Value-added by major sector as % of GDP (2008-2021)**



Source: The Globaleconomy. <https://www.theglobaleconomy.com/download-data.php>

Turning to trade, Figure 2.4 records imports and exports in current price terms from 2010 to 2021. The upward trend in both imports and exports is clear. Exports have grown more than four-fold between 2010 and 2021, and imports more than three-fold.

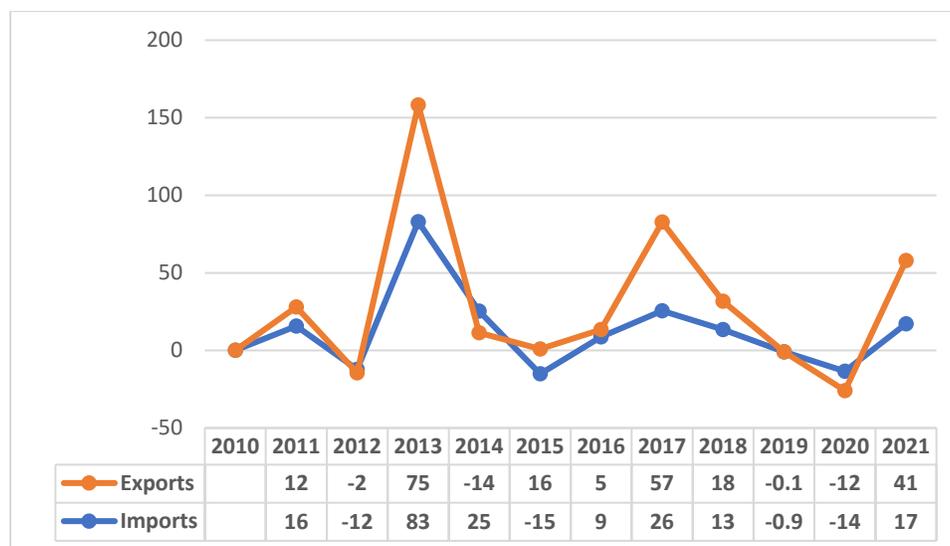
**Figure 2.4: Exports and Imports, 2010-2021 (\$US billion)**



Source: TrendEconomy. <https://trendeconomy.com/data/h2/Laos/TOTAL>

Figure 2.5 records the annual percentage growth rates of imports and exports between 2010 and 2021. The most notable feature of the Table is the degree of fluctuation in growth rates year by year. The figures at the bottom of the table show that over the period, annual growth of exports varied from 75 per cent in 2013 to -14 per cent the following year. The comparable figures for imports are a rate of 83 per cent in 2013 and -14 per cent in 2020. While these extremes can doubtless be explained in terms of specific shocks, the fact remains that there is an overall pattern of high variations. The role that specific shocks and the underlying characteristics of the economy at large play in generating such large trade flow fluctuations cannot be denied. The overall susceptibility to trade growth variability, however, is also attributable to a lack of economic diversification. In trade this takes the form of reliance on a few products and few export destinations. Figures 2.6 and 2.7 illustrate these factors.

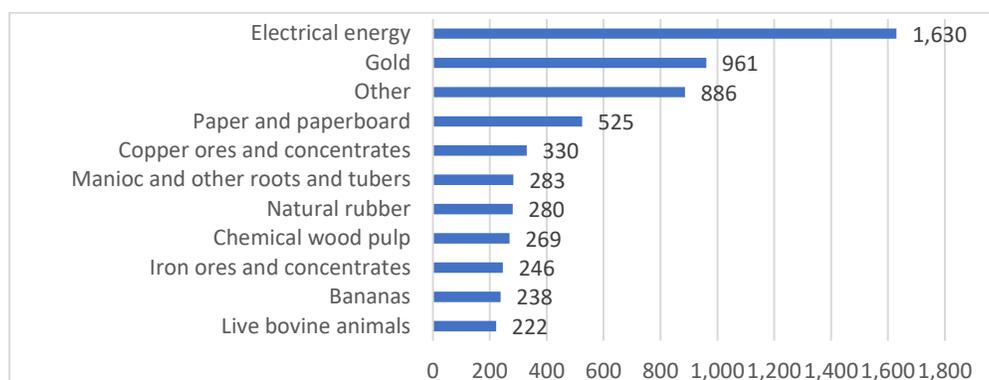
**Figure 2.5: Annual Percentage Growth Rates of Imports and Exports (2010-2021)**



Source: TrendEconomy. <https://trendeconomy.com/data/h2/Laos/TOTAL>

Figure 2.6 lists Lao PDR's major export product categories. Although not shown in Figure 2.6, the country's top ten exports account for 85 per cent of total exports. Electrical energy accounts for 28 per cent of export earnings, and gold for another 17 per cent. The remaining eight products account for 40 per cent of total exports. As previously noted, this is a highly concentrated basket of natural resource-based products, including hydroelectric power, gold and other minerals, as well as a range of agricultural products.

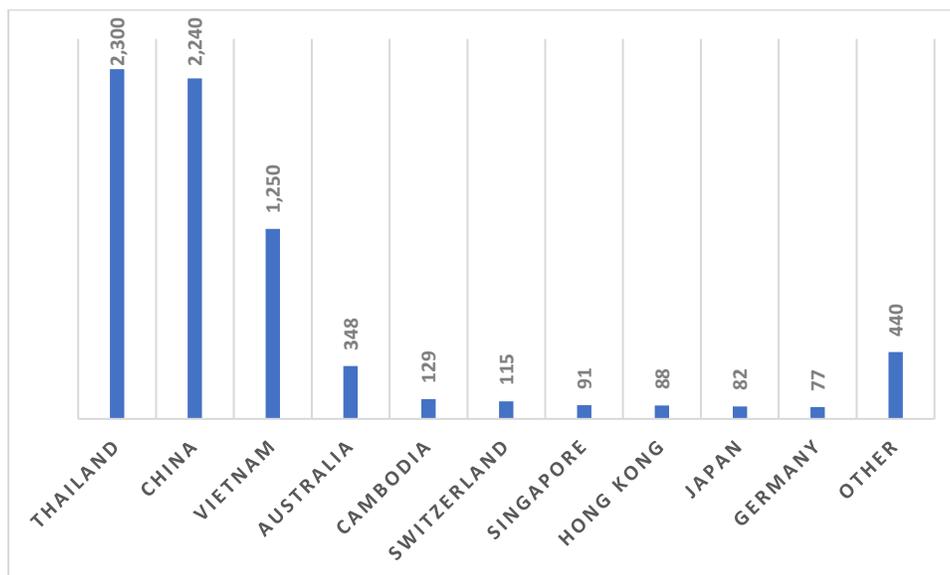
**Figure 2.6: Major Exports by Product Category, 2021 (US\$ million)**



Source: TrendEconomy. <https://trendeconomy.com/data/h2/Laos/TOTAL>

Figure 2.7 records the destinations of exports from Lao PDR for 2021. Lao PDR's exports are highly concentrated geographically. The country's three biggest markets – Thailand, China, and Vietnam – are all near neighbours with contiguous borders. These three markets accounted for 81 per cent of total exports in 2021, with Thailand taking 32 per cent, China 31 per cent, and Vietnam 18 per cent. The next seven largest markets – Australia, Cambodia, Switzerland, Singapore, Japan, and Germany – accounted for only 13 per cent, while the remaining 6 per cent of Lao PDR's total exports went to all the other trading partners.

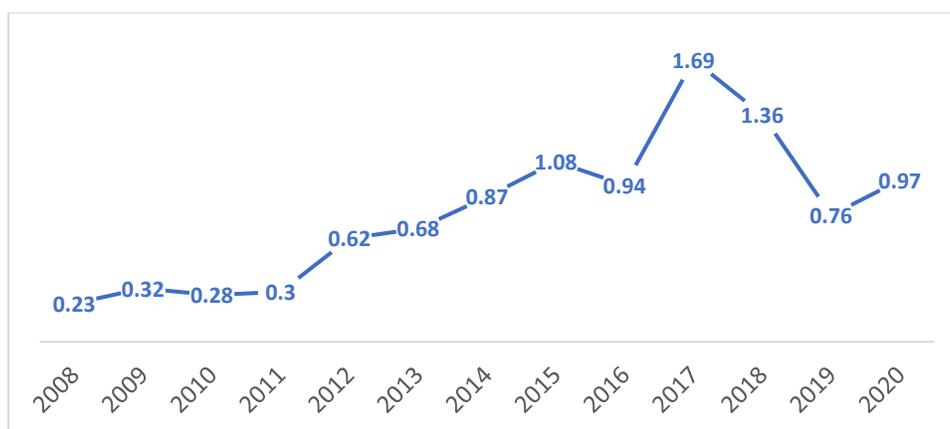
**Figure 2.7: Exports by Destination, 2021 (US\$ Millions)**



Source: TrendEconomy. <https://trendeconomy.com/data/h2/Laos/TOTAL>

As shown in Figure 2.8, foreign direct investment (FDI) has mostly followed a positive trajectory over the period in terms of new investments on an annual basis between 2008 and 2017. Thereafter, FDI flows dropped in 2018 and 2019, before picking up again in 2020, but not at the same scale as in 2017. Given that like other countries, Lao PDR's trade is linked up to vertically integrated international value chains, FDI has become more intimately linked with trade flows. Thus, countries increasingly invest in order to trade, making FDI a more significant determinant of trade prospects.

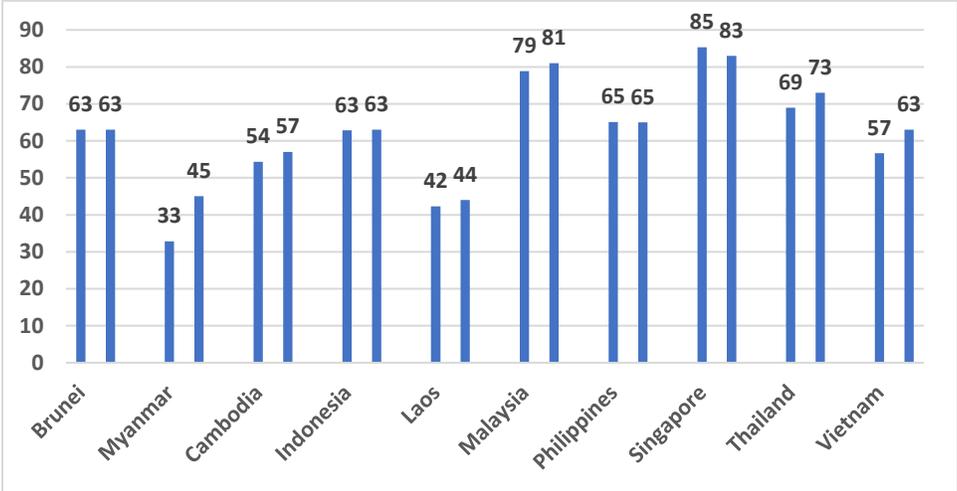
**Figure 2.8: Foreign Direct Investment, 2008-2020 (US\$ billion)**



Source: The Globaleconomy. <https://www.theglobaleconomy.com/download-data.php>

Finally, Figure 2.9 reproduces an Economic Globalization Index that estimates the degree to which national economies are integrated in the global economy. The index takes values between 0 and 100, and as seen in the Table, Singapore has the most globalized economy among all the ASEAN countries that are also included in the Table.

**Figure 2.9: Economic Globalization Index (0 – 100), 2010 and 2020**



Source: The Globaleconomy. <https://www.theglobaleconomy.com/download-data.php>

The index is constructed on the basis of two sub-indices. One is actual economic flows, including variables for dependence on trade, FDI, and portfolio investment. The second sub-index captures restrictions on trade flows, including trade barriers, tariff rates, other trade taxes, and capital controls. Account is also taken of a range in 'connectedness' variables.<sup>1</sup> In applying the index to the members of ASEAN, with results reported for 2010 and 2020, most countries display relatively small changes in the index number over the ten-year period.

Singapore had the highest score among ASEAN economies, at 85 in 2010. The lowest score was that of Myanmar, at 33 in the same year. Brunei, Indonesia, Malaysia, Philippines, Singapore registered zero or quite modest changes in their scores between 2010 and 2020. Larger transformations occurred in Myanmar, Cambodia, Thailand and Vietnam. Lao PDR had scores of 42 and 44 for the two years, and the latter score was the lowest among the ASEAN economies.

<sup>1</sup> KOF Swiss Economic Institute. <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>

## CHAPTER 3: LAO PDR'S ACCESSION PACKAGE

Lao PDR's WTO accession commitments present a balanced high-quality package which, on average, is in line with the general trends on commitments undertaken by Article XII LDCs, thus ensuring overall compliance of acceding LDCs with WTO rules while also providing for additional flexibilities in respect of certain regulatory matters. These flexibilities include longer periods where needed for the full implementation of commitments, and less open terms of market access, taking account of LDCs' specific development needs and in line with the 2002 and 2012 WTO Guidelines on LDCs Accession.<sup>2</sup>

### Regulatory aspects

During the fifteen and a half-year accession process, Lao PDR responded to 914 written questions from WTO Members and adopted or adjusted over 150 legislative instruments to achieve WTO compliance. The negotiations resulted in Lao PDR undertaking 26 specific commitments in various areas of WTO rules. These commitments are listed in Table 3.1.

**Table 3.1: Policy areas where Lao PDR assumed commitments**

State ownership and privatization	Antidumping
Pricing	Countervailing measures
Legislative framework	Safeguards
Trading rights	Export restrictions
Other duties and charges	Industrial policy including subsidies
Tariff rate quotas and tariff exemptions	Technical barriers to trade (TBT)
Fees and charges for services rendered	Sanitary and phytosanitary measures (SPS)
Application of internal taxes on imports	Trade-related investment measures (TRIMs)
Quantitative import restrictions	Free zones and special economic zones
Customs valuation	Transit
Rules of origin	Trade-related intellectual property regime (TRIPS)
Customs formalities	Transparency and notifications
Pre-shipment inspection	Trade agreements

Of the policy areas listed in the Table, six were subject to transition periods. These are listed in Table 3.2, along with the time-bound exemptions for transition.

**Table 3.2: Transition periods negotiated by Lao PDR**

Commitment	Transition period
Trading Rights	Full implementation of the commitment to grant foreign traders, regardless of their physical presence or investment in Lao PDR, the right to be the importer of record, in a non-discriminatory and non-discretionary manner from the date of accession for all goods, except for petroleum oils and oils obtained from bituminous minerals, petroleum gases and other gaseous hydrocarbons, rice, cement, bars and rods. For these goods, trading rights apply within <b>2 years</b> from the date of accession.
Safeguards	<b>Up to 5 years</b> from the date of accession to enact and notify WTO-consistent safeguard legislation. In this period, Lao PDR could only impose safeguard measures to address serious injury or the threat of such injury with respect to a specific list of agricultural products (63 tariff lines).
TBT	Full WTO consistency from <b>1 January 2015</b> .
SPS	Full WTO consistency from <b>1 January 2015</b> .
TRIPS	Full WTO consistency no later than <b>31 December 2016</b> (with additional flexibilities provided under the special and differential treatment provisions for LDCs under the TRIPS Agreement and various Ministerial Conference Declarations).
Transparency	Submission of the initial notifications <b>within six months</b> from the date of accession. An Official Gazette was to be set up <b>within three years</b> from the date of accession.

As Lao PDR was in the process of transition from a centrally planned to a market economy, the involvement of the state in the economy remained considerable. With respect to state-owned enterprises (SOEs), 37 such enterprises existed at the time of accession, 16 of which were involved in the importation or exportation of goods. Lao PDR committed to ensure compliance in the purchases and

<sup>2</sup> WTO documents WT/L/508 and WT/L/508/Add.1.

sales made by these enterprises with Article XVII of the GATT 1994, and to notify the list of products imported into or exported from its territory by such SOEs. Lao PDR applied price controls to 30 product groups at the time of accession. The commitment made here was to apply such measures in a non-discriminatory manner, taking account of the interests of exporting WTO Members, and in addition to publish the list of goods and services subject to price controls in the Official Gazette.

More generally, with regard to the framework for making and enforcing trade-related policies, Lao PDR committed to provide mechanisms for the prompt administrative and judicial review of the administrative actions applied to foreign traders, and to guarantee the right of appeal of such actions. A commitment was also made to apply WTO provisions uniformly throughout the national territory.

With respect to import regulations, Lao PDR undertook to: i) bind other duties and charges at zero; ii) administer tariff quotas (not applied at the time of accession), and quantitative import restrictions, as well as fees and charges for services rendered in connection with importation or exportation in conformity with the WTO rules; and iii) apply internal taxes and charges levied on imports consistently with MFN and national treatment. On customs valuation, Lao PDR committed to ensure WTO-consistent application of customs valuation methods, and to eliminate the use of reference prices and a fixed valuation schedule. A commitment was also made to require certificates of origin for preferential purposes only. The assessment of the origin of imports in such cases must be issued as soon as possible, and no later than 150 days following the request for such an assessment, provided that all necessary documents have been submitted by the applicant. Lao PDR also agreed not to require consular certification or notarization of customs documents at the time of importation. If the country were to apply pre-shipment inspection requirements, this must be done in conformity with the WTO rules.

Similarly, on export regulations, Lao PDR committed to apply its laws and regulations governing export measures, including prohibitions, export licensing requirements and other export control requirements, in conformity with WTO provisions. Export duties were to continue to apply to a list of products, including live plants, nutmeg, mace and cardamom, lac and natural gums, vegetable materials, and natural sands (among others).

In addition, Lao PDR committed to comply with the TRIMs Agreement with respect to investment incentives, and to ensure enforcement of WTO obligations in respect of free zones and special economic zones. The transit regime for goods was to be subject to the requirements of Article V of GATT 1994. Lao PDR also committed to observe the relevant WTO rules in respect of preferential trade arrangements, such as free trade areas and customs unions.

A numerical overview of Lao PDR's accession negotiations on rules, including the number of questions asked by WTO Members, and the number of legislative instruments adopted or adjusted during the accession are recorded in Table 3.3. The Table also includes a comparison with the averages recorded in WTO accession negotiations by other Article XII LDCs, as well as by all Article XII WTO Members. The results show that Lao PDR's commitments were within the range of other Article XII accessions.

**Table 3.3: Results of Multilateral Negotiations<sup>3</sup>**

Article XII Member	Date of accession	Number of questions answered	Number of commitment paragraphs	Number of legislative instruments
Lao PDR	2/2/2013	914	26	159
<b>Average for Article XII LDCs</b>		<b>722</b>	<b>30</b>	<b>91</b>
<b>Average for all Article XII Members</b>		<b>1,019</b>	<b>43</b>	<b>188</b>

<sup>3</sup> WTO document WT/ACC/40 - WT/GC/243, Table 3.

## Market access commitments on goods and services

Lao PDR negotiated its market access commitments on goods and services with nine WTO Members.<sup>4</sup> The results of these negotiations were consolidated in the WTO Goods and Services Schedules of Lao PDR.

On market access for goods, Lao PDR committed to bind its entire tariff up to the ten-digit level of the HS nomenclature system at an average rate of 19.0 per cent for all products. The average for agricultural products was 19.6 per cent, and 18.9 per cent for other goods. All bound rates were expressed in *ad valorem* terms.<sup>5</sup> The difference between the average MFN applied tariff and average bound rate at the time of accession was 10.4 percentage points. This gap provided relatively little scope for unilaterally raising tariffs, thus ensuring a significant degree of predictability in Lao PDR's import regime.<sup>6</sup>

Lao PDR undertook specific commitments on market access in 10 services sectors covering 79 sub-sectors.<sup>7</sup> The ten service categories subject to specific commitments are listed in Table 3.4.

**Table 3.4: Specific Commitments by Service Sector**

Business Services	Environmental Services
Communication Services	Financial Services
Construction and Related Engineering Services	Health-related and Social Services
Distribution Services	Tourism and Travel-related Services
Educational Services	Transport Services

Lao PDR did not commit on recreational, cultural or sporting services.<sup>8</sup> 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. In common with the services schedules of many WTO members, Lao PDR inscribed horizontal restrictions on land ownership, access to subsidies, and investment incentives. Lao PDR's list of GATS Article II (MFN) exemptions covers audiovisual services, internal waterway transport, and land transport, as well as services and service suppliers under bilateral investment and trade agreements signed prior to Lao PDR's date of accession.<sup>9</sup>

Table 3.5 compares Lao PDR's market access commitments with those of other Article XII LDCs and original LDC WTO Members. Article XII LDCs assumed significantly higher commitments average than other LDCs who were founding members of the WTO.

**Table 3.5: Results of Bilateral Market Access Negotiations<sup>10</sup>**

Article XII LDC Member	Date of Membership	Goods				Services
		Binding coverage (%)	Average final bound rate (%)			Number of services sub-sectors
			All products	Agricultural products	Non-agricultural products	
Lao PDR	02/02/2013	100	19	19.6	18.9	79
<b>Average</b>						
<b>Article XII LDCs</b>		<b>99.6</b>	<b>22.4</b>	<b>28.9</b>	<b>21.4</b>	<b>87</b>
<b>Original LDCs Members</b>		<b>53.7</b>	<b>65.2</b>	<b>79.9</b>	<b>45.4</b>	<b>20</b>

<sup>4</sup> Australia, Canada, China, European Union, Japan, Korea, Chinese Taipei, United States and Ukraine.

<sup>5</sup> WTO document WT/ACC/LAO/45/Add.2.

<sup>6</sup> WTO document WT/TPR/S/394, para. 4.23.

<sup>7</sup> WTO document WT/ACC/LAO/45/Add.2.

<sup>8</sup> WTO document WT/ACC/40 - WT/GC/243, para. 94.

<sup>9</sup> WTO document WT/TPR/S/394, para. 5.82.

<sup>10</sup> WTO document WT/ACC/40 - WT/GC/243, Table 4.

## CHAPTER 4: LAO PDR'S POST-ACCESSION WTO-RELATED ACTIVITIES

In addition to its regular participation in WTO Ministerial Conferences, Lao PDR has engaged in a number of WTO activities with the aim of fully realizing the objectives of its WTO accession, including at the post-accession implementation stage. Such WTO-related activities have increased over the past ten years following the country's accession to the WTO, with a view to fuller integration into the multilateral trading system. Participation in the progressive implementation of the WTO Agreements, accessions of new members, and in plurilateral Agreements and initiatives have been among Lao PDR's post-accession activities.

This chapter deals with Lao PDR's post-accession WTO-related activities and is divided into three sections. The first section deals with the implementation of Lao PDR's WTO accession commitments. The second section deals with Lao PDR's participation in multilateral and plurilateral Agreements as well as joint initiatives. The third section covers other Lao PDR activities more broadly in the various WTO Councils, Committees and Working Parties, as well as Lao PDR's position in the ongoing discussions at the WTO.

### Section 1: Post-accession implementation

Following its accession to the WTO on 2 February 2013, Lao PDR took a number of actions to liberalize and align its trade-related policies and practices with the commitments undertaken during the accession process. These actions were taken during the immediate post-accession phase, i.e., during six years following the accession, until the first Trade Policy Review in 2019, as well as thereafter. These include implementation of the commitments which benefitted from the transition periods (Table 3.2 above). In addition, Lao PDR has carried out implementation activities in line with other accession commitments, such as those on SOEs, pricing, taxation, customs valuation and special economic zones. A number of measures were undertaken on market access, including revisions of the applied import tariff and updates of the regulatory framework with respect to specific services sectors/sub-sectors. To fully implement a WTO-consistent legal regime, Lao PDR invested extensively in capacity building and training, as well as outreach activities aimed at raising public awareness. The Government also conducted relevant impact studies in coordination with development partners.<sup>11</sup>

- **Market access**

Lao PDR's tariff schedule is based on the ASEAN Harmonised Tariff Nomenclature (AHTN) and the Harmonised System and is subject to revision every five years. The latest revision of the schedule, in AHTN2022/HS2022, entered into force on 1 January 2023, following the previous revision that took place in 2017.<sup>12</sup> Between 2008 and 2021, there has been a significant decrease in the average applied MFN tariff: on agricultural products from 18.6 per cent to 11.2 per cent; and on non-agricultural products from 10.0 per cent to 8.1 per cent.<sup>13</sup> As of 2019, the applied tariff rate exceeded the bound rate for 26 tariff lines. The affected products included, *inter alia*: live animals for breeding, fruits and vegetables, diesel fuels, toothpaste tubes, cellular telephones, vacuum cleaners, bamboo panels, and cellular wood panels. These violations have been rectified in the latest revised tariff schedule.

On the services front, following its accession to the WTO, Lao PDR has been extensively updating its regulatory framework governing specific sectors to better align it with international best practices (see sub-section "Trade in Services"). In terms of market access, the country has continued to gradually liberalize access in certain services sectors/sub-sectors, including the easing of market access limitations on foreign equity participation under mode 3. Affected services include: accounting, auditing and bookkeeping services; architectural, engineering and urban planning services; management consulting services; technical testing and consulting services; mining; scientific and technical consulting services; specialty design services; basic telecommunication services; wholesale, retail and franchising; insurance-related services, and banking. Some of these measures were introduced under regional trade

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<sup>11</sup> E.g., in 2013-2015, Lao PDR conducted a study and trainings for key officials, as well as activities on raising public awareness, on the implementation of the commitments on trading rights, SPS/TBT, TRIPS; trade in services, etc. (Source: Lao PDR's Action Plan for Post-Accession for 2013-2015).

<sup>12</sup> Lao PDR source. Viewed at: [Lao Trade Portal - TradeInfo](#).

<sup>13</sup> WTO document WT/TPR/S/394, para. 4.19 and WTO Tariff Profiles. Viewed at: [WTO | Trade Statistics - Tariff profiles](#).

agreements, including the 10<sup>th</sup> Package of Commitments under the ASEAN Framework Agreement on Services (AFAS-10) and the Regional Comprehensive Economic Partnership (RCEP).

- **State ownership and privatisation**

Lao PDR does not have any state-trading enterprises as defined under Article XVII of the GATT 1994 and has notified this to the WTO in 2014.<sup>14</sup> At the time of Lao PDR's WTO accession, 37 SOEs remained as they were considered important for national security, defence and economic and social development. With support from the World Bank, Lao PDR was implementing a programme to restructure these SOEs, which included privatizing of some of them.<sup>15</sup>

In December 2013, the Enterprises Law No. 46/NA was amended, introducing provisions clarifying two types of SOEs: state enterprises (which are established by the state and in which the state's capital contribution exceeds 50 per cent of the total capital), and mixed enterprises (which refer to other enterprises jointly owned by the state and another party). The amendments also detailed further the conditions for the establishment and operation of SOEs. In line with this Law, in September 2020, the Instruction No. 2526/MOF on State Enterprises Administrative Council was issued by the Ministry of Finance. The Ministry affirmed that state enterprises were governed by a State Enterprises Administrative Council, as the highest governing body, and specified its administrative functions and the rights and obligations of its members.<sup>16</sup>

Furthermore, Decree No. 322/GOV on State-Owned Enterprises was issued in September 2022, defining management principles for SOEs. With this Decree, the Government emphasized that state enterprises could only be established in limited areas where they could be socially beneficial and where other entities could not provide equivalent outcomes. The Decree also stipulated the key role of the Ministry of Finance in the establishment, administration, and monitoring of both types of SOEs, and its competence to propose to the Government, SOE-related strategic plans and regulations.<sup>17</sup>

More recently, the Government of Lao PDR has drafted the Strategic Plan on Restructuring SOEs. In line with this Plan, the Government will be classifying the SOEs into two categories: (i) SOEs which make a profit, and (ii) SOEs providing social services. Key reform areas under the Plan include equitization, employing professional management, and improving accounting standards. The Plan, which is expected to be adopted in 2023, will aim to lower the number of SOEs and identify specific SOEs (including Electricité du Laos (EDL) and Lao Airlines) with a strategy for their restructuring.<sup>18</sup>

- **Pricing policy**

The price of most goods in Lao PDR is determined by the market. Decree No. 474/GOV of 18 November 2010 on the Management of Prices for Goods and Services set up two types of instruments, namely a price surveillance list and a price control list. The Government of Lao PDR has continued to implement such lists with the objective of: (i) monitoring and surveillance purposes in order to observe fluctuations of prices of basic products; and (ii) calculating minimum and maximum prices for the products essential for the economy (price control).<sup>19</sup> In order to bring price controls in line with WTO commitments, the Government of Lao PDR has published the list of goods and services subject to price controls and any changes to this list in its Official Gazette.

- **Competition policy**

The Law on Competition was enacted in 2015 and entered into force in January 2016. As the main legislation governing competition and defining unfair competition practices, the Law applies to all

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<sup>14</sup> WTO document G/STR/N/15/LAO, of 18 December 2014.

<sup>15</sup> WTO document WT/TPR/S/394, paras. 4.14-4.15: e.g., at the time of accession, due to the restructuring programme, 25% of the shares of Electricité du Laos (EDL) and 30% of the shares of Banque pour le Commerce Extérieur Lao (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%.

<sup>16</sup> Instructions on State Enterprises Administrative Council, No. 2526/MOF.

<sup>17</sup> the Decree on State Owned Entreprises, No. 322/GOV.

<sup>18</sup> WTO document WT/TPR/S/394, para. 2.18.

<sup>19</sup> WTO document WT/TPR/S/394, para. 4.109. The latest Notice on "Monitoring of the prices of goods and services to prevent entrepreneurs from taking advantage of the opportunity to increase product prices arbitrarily", No.1825/MOIC was issued on 9 September 2022.

economic agents, including state-owned enterprises. The Law is administered by the Lao Competition Commission (LCC), which was established in 2018, and which is chaired by the Vice-Minister of Industry and Commerce.

- **Trading rights**

Trading rights for the majority of goods have been granted since the date of Lao PDR's accession. As full implementation of trading rights commitments for goods was expected within two years from the date of accession, Lao PDR had progressively granted trading rights for several goods, including petroleum oils, petroleum gases, rice, certain types of cement, and bars and rods, during this period.<sup>20</sup>

To advance this effort, the Ministry of Industry and Commerce issued a Decision No. 0623/MOIC.DIMEX on Trading Rights, on 5 June 2019. The Decision defined the principles, regulations and specific measures with regards to trading rights granted to importers and exporters, aiming to create favorable conditions for the import and export of goods and to promote growth in trade and domestic production.

- **Trade remedies**

Upon accession to the WTO, Lao PDR did not have any legislation authorizing the application of anti-dumping, countervailing or safeguard measures. The Law on Safeguards was enacted on 7 December 2017, and the Law on Anti-Dumping and Countervailing Measures was enacted on 14 June 2019. The Laws outlined the principles and regulations related to trade remedy measures and covered the procedures for investigation and determination of injury to domestic industry, while defining different types of remedy measures and their application, as well as the procedures for administration and inspection.<sup>21</sup> No trade remedy measures have been introduced so far.

- **Taxation**

Lao PDR amended the Tax Law in 2016, clarifying the administration of direct and indirect taxes. Under this Law, the profit tax (corporate tax) rate was set at 24 per cent for both domestic and foreign businesses. Under the 2016 amendment to the Law on Investment Promotion, Lao PDR also provided customs duty and tax incentives for investors in Lao PDR, aiming to support further investments in the country.<sup>22</sup>

Lao PDR has amended its VAT Law twice. The first amendment, dated June 2018, set the VAT rate at 10 per cent. This rate was reduced to 7 per cent by the new amendment effective since January 2022. To support the post-Covid economy, some imports have become exempt from VAT, including the import of electricity.<sup>23</sup> Other VAT-exempt goods and services included unprocessed agricultural products, seeds, fertilisers, equipment for agricultural purposes, international transport services, educational goods and services, certain medical goods and services, certain banking services, and services of financial institutions.<sup>24</sup>

Overall, the tax system in Lao PDR is characterised by a relatively low total tax-to-GDP ratio. The highest tax-to-GDP ratio was 12.9 per cent in 2013, and the lowest 8.9 per cent in 2020.<sup>25</sup>

- **Customs valuation**

Customs valuation in Lao PDR is governed by its Customs Law (last amended in June 2020). The Law considers the customs import value as the actual value of the goods, including transport and/or insurance costs at the import customs checkpoint. As of 2019, approximately 80 per cent of imports were valued according to the transaction value, while the country no longer uses minimum reference prices for valuation purposes.<sup>26</sup>

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<sup>20</sup> WTO document, WT/ACC/LAO/45, tables 7 (a) and (b).

<sup>21</sup> Decree on the Promulgation of the Law on Safeguards, No. 287/P. Viewed at: [Microsoft Word - Law on Safeguards - Eng Translation \(laofficialgazette.gov.la\)](#), [ADCVD Act\(Eng\) \(1\).pdf \(laofficialgazette.gov.la\)](#)

<sup>22</sup> Law on Investment Promotion, No. 14 /NA. Viewed at: [Microsoft Word - Final IPL amended November 17 2016 Final as October 2018.doc \(laolandinfo.org\)](#)

<sup>23</sup> Viewed at: [Laos cuts VAT rate to support post-COVID-19 economy \(aseanbriefing.com\)](#)

<sup>24</sup> Viewed at: [Lao PDR - Business - Other taxes \(pwc.com\)](#)

<sup>25</sup> OECD source. Viewed at: [Income Statistics in Asia and the Pacific: Key Findings for Lao PDR \(oecd.org\)](#).

<sup>26</sup> WTO document WT/TPR/S/394, para. 4.14.

- **Other customs formalities**

In order to further align its customs procedures with international standards, Lao PDR became a member of International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention) in 2016. Other improvements include the automation of customs offices across the country, and the introduction of inspection risk management to allow available resources to focus on high-risk cargo designated for the red channel. These and other initiatives, such as coordinated border management, post-clearance auditing, and advance rulings have resulted in faster clearance. The effective streamlining of the customs clearance process in Lao PDR has been consistently noted by the World Bank in its Ease of Doing Business reports. In addition, automated customs data management systems significantly facilitate customs procedures and are now operational at 27 border posts.<sup>27</sup>

- **Sanitary and phytosanitary measures**

SPS-related legislation introduced after Lao PDR's accession to the WTO included the amendment of the Law on Food No. 04/NA in 2013. Law No. 08/NA on Livestock Production and Veterinary Matters, and Law No. 13/NA on Plant Protection and Quarantine were both amended in 2016. The basic principles of the SPS Agreement, such as necessity, non-discrimination, transparency, science-based regulations, risk assessment, harmonisation and equivalence, have been incorporated in these amended laws, allowing the authorities to align existing regulations with international standards and to implement international best practices. In addition, Codex, OIE and IPPC standards have been applied to both imported and domestic products, with full implementation taking place at the end of the transition period (1 January 2015).<sup>28</sup>

More recently, in line with the above Laws, Decisions have been issued on: i) Export-Import and Transit of Food (No. 1166/MOH, in June 2018); ii) Phytosanitary Measures for the Import and Transit of Plants, Plant Products and Other Regulated Articles (No. 2985/MAF, in June 2019); and iii) Agriculture Standards for Product Safety (No. 3004/MAF, in June 2022).<sup>29</sup>

With regard to animal health, Lao PDR has adopted a Ministerial Decision on Import, Export and Transit of Animals and Animal Products, No. 0795/AF, dated 18 April 2019. This decision specifies the need for authorization for the import, export and transit of 19 types of animals and animal products while prohibiting the import of those with certain diseases. Lao PDR has also recently established 29 quarantine facilities at border control points, where veterinary inspections are carried out.<sup>30</sup>

- **Special economic zones**

Since accession, the system of special economic zones (SEZ) in Lao PDR has been further clarified, including through the amendment of the Law on Investment Promotion which introduced new provisions allowing the Government to establish a SEZ after receiving a recommendation from the Committee for Investment Promotion and Management, in coordination with relevant local administrations.<sup>31</sup> In addition, Government Decree No. 188/GOL on SEZ was issued in June 2018, providing a number of tax and customs incentives for investors in the said zones, while further facilitating investment procedures.

To date, 11 SEZs have been developed across the country, some of which are still at an early stage of infrastructure development. Others have already started production and exports. In 2021, the value of investment in SEZs reached some US\$ 11 billion, while imports and exports to and from the zones amounted to \$US 516 million and US\$ 288 million respectively.<sup>32</sup>

- **Government Procurement**

Lao PDR currently has no intention of joining the WTO Agreement on Government Procurement. Law No. 30/NA on Public Procurement was adopted in 2017, replacing the previous legislation. The Law specifies the principles, regulations and measures relating to public procurement, the methods of public

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<sup>27</sup> Lao PDR source. Viewed at: [Lao Trade Portal - View1 Search Procedure](#)

<sup>28</sup> WTO document WT/TPR/S/394, para. 4.97.

<sup>29</sup> Lao PDR source, according to the Ministry of Industry and Commerce.

<sup>30</sup> Ministerial Decision on Import, Export and Transit of Animals and Animal Products, No.0795/AF.

<sup>31</sup> Law on Investment Promotion, No. 14 /NA. Viewed at: [Microsoft Word - Final IPL amended November 17 2016 Final as October 2018.doc \(laolandinfo.org\)](#)

<sup>32</sup> Lao PDR source. Viewed at: <https://www.laosez.gov.la/index.php/en/>

procurement, and the obligations and rights of bidders. The rules ensure that procurement is conducted in a standard manner throughout the country.<sup>33</sup>

- **Trade-Related Aspects of Intellectual Property Rights**

As an LDC, Lao PDR has benefitted from the transitional period for the implementation of the TRIPS Agreement from 31 December 2016. Lao PDR is not required to fully implement the Agreement's provisions other than national treatment and MFN treatment until the country ceases to be an LDC. Neither is it required to protect or enforce pharmaceutical patents until 1 January 2033, or when it graduates from the LDC status.<sup>34</sup>

In 2017, Lao PDR adopted Law No. 38/NA on Intellectual Property, bringing the country's regulatory framework into closer alignment with international agreements and best practices. The Law covers the main areas of IPR such as industrial property, new plant varieties, copyright and related rights, and others. In February 2019, an IP web portal was launched to provide information on IPR registration, registered IPRs and online application opportunities. In an effort to improve its IPR sector, Lao PDR has joined: i) the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization of the Convention on Biological Diversity (12 December 2014); ii) the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (7 March 2016); and iii) the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (22 March 2016).

Further improvement in IPR enforcement was achieved through the implementation of a digital payment system for importers, as well as the introduction of a risk management approach to the inspection process. As part of the Trade Facilitation Roadmap for 2017-22, the Government has instructed border checkpoints to inspect imported goods that infringe IPRs.<sup>35</sup>

- **Transparency**

In line with its accession commitment to transparency, Lao PDR has sought improvements on the transparency of its trade regime. In 2013, the electronic version of the Official Gazette, which was previously only available in hard copy, was launched. The Gazette is the official source of all primary and subsidiary legislation of general application for Lao PDR at the national, provincial and capital levels. The website has been updated regularly and is available to the public in Lao and English. In September 2017, an information portal on trade in services was also established (<http://www.laoservicesportal.gov.la>).<sup>36</sup> Many of the published laws have gradually been made available in English.

In the context of its accession, Lao PDR undertook to inform WTO Members of its trade policy developments, as required by the WTO Agreements. Of the 42 notifications it has submitted to the WTO Secretariat to date, 11 were initial notifications submitted in the six-month period following accession (see Figures 4.1 and 4.2). These notifications concern the following WTO Agreements: i) General Agreement on Tariffs and Trade 1994 (GATT 1994); ii) General Agreement on Trade in Services (GATS); iii) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); iv) Agreement on Agriculture; v) Agreement on Trade Facilitation (TFA); vi) Agreement on Import Licensing; vii) Agreement on Rules of Origin; viii) Agreement on Pre-shipment Inspection; ix) Agreement on the Implementation of Article VI of the GATT 1994 (Agreement on Anti-dumping); x) Agreement on Subsidies and Countervailing Measures (SCM Agreement); xi) Agreement on Safeguards; xii) Agreement on Technical Barriers to Trade (TBT Agreement); xiii) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement); and, xiv) Agreement on Trade-Related Investment Measures (TRIMs).<sup>37</sup>

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<sup>33</sup> Law on Public Procurement, No. 30/NA. Viewed at: [1632981237.Laos PDR Public Procurement Law English \[23\].pdf \(mof.gov.la\)](http://1632981237.Laos.PDR.Public.Procurement.Law.English[23].pdf(mof.gov.la))

<sup>34</sup> WTO document WT/TPR/S/394, para. 4.130.

<sup>35</sup> WTO document WT/TPR/S/394, para. 4.146.

<sup>36</sup> WTO document WT/TPR/G/394, paras. 4.5-4.6.

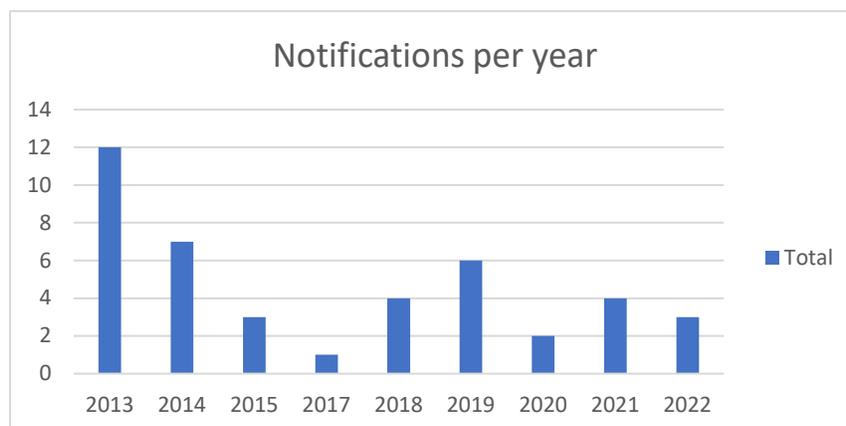
<sup>37</sup> WTO Notification Portal. Viewed at: <https://notifications.wto.org/en/status-by-member/lao-peoples-democratic-republic>

At the same time, Lao PDR continues to face difficulties in preparing some of the required notifications, mainly due to the lack of human resources and technical capacity, which may lead to occasional delays.<sup>38</sup>

**Figure 4.1: Notifications submitted by Lao PDR by committee**



**Figure 4.2: Notifications submitted by Lao PDR per year**



## Section 2. Participation in multilateral instruments, plurilateral agreements and joint initiatives

The Lao Government consistently supports participation in WTO multilateral agreements, while also recognising the benefits of plurilateral agreements for WTO Members.<sup>39</sup> In this context, Lao PDR has sought to further engage in both types of agreements by ratifying the TRIPS Amendment and the Trade Facilitation Agreement in 2015, as well as acceding to the Information Technology Agreement and its Expansion in 2021. Committed to effective participation in the multilateral trading system, Lao PDR has also participated in three Joint Statement Initiatives (JSIs), namely Investment Facilitation for Development, MSMEs and E-commerce.

### 1. Trade Facilitation Agreement (TFA)

Prior to its accession to the WTO, a comprehensive Trade Facilitation Strategic Plan (2011-15) was adopted by Lao PDR (March 2011), with the aim of simplifying border procedures and reducing trade costs, as well as improving trade competitiveness. To achieve these objectives, several strategic measures had been defined by the country, including the integration of trade facilitation in all relevant

<sup>38</sup> WTO document WT/TPR/G/394, para. 4.7.

<sup>39</sup> WTO document WT/MIN(22)/ST/47, p. 2.

ministries, the simplification and modernisation of trade and customs procedures, and the strengthening of private sector capacity.<sup>40</sup>

Following accession to the WTO, Lao PDR has further taken a number of trade facilitation measures and made progress in improving its customs procedures and bringing them in line with international standards. These measures include the automation of customs offices throughout the country. This has led to a significant reduction in clearance times, as noted above.<sup>41</sup> As trade facilitation has become one of the country's top priorities, Lao PDR accepted the Protocol integrating the TFA into the WTO Agreement on 29 September 2015, becoming the second LDC to do so after Niger.<sup>42</sup>

With the TFA entering into force on 22 February 2017, Lao PDR developed a comprehensive five-year Trade Facilitation Roadmap (2017-2022) that aimed to implement these measures while improving the country's trade competitiveness more broadly. The roadmap was organised into seven strategic areas, which enhanced the efficiency of service delivery to traders and also leveraged infrastructure improvements. The roadmap has reduced the time of customs formalities to one-third of the average time previously taken, or by approximately 70 per cent. This meant reducing the time spent on export processes dropped from 226 hours to 69 hours, and the corresponding numbers for imports dropped from 228 hours to 71 hours. As a result, Lao PDR moved from the 124<sup>th</sup> place to the 78<sup>th</sup> in the world ranking for the "Trading Across Borders" parameter of the World Bank's 2020 Ease of Doing Business report.

Twenty-one TFA-related measures were implemented in 2018-2022, while 15 are to be implemented in 2023-2024. The provisions of the Agreement have been divided into three categories for the purposes of implementation. Category A measures were to be implemented within one year of entry into force of the Agreement. Category B measures were to be implemented within a timeframe determined by each signatory. Category C measures were also to be implemented within a timeframe prescribed by individual parties to the Agreement but only after receiving the necessary technical assistance. On this basis, Lao PDR was to implement 21 of the provisions listed in Table 4.3 in 2018-2022 and 15 are to be implemented in 2023-2024.

**Table 4.3: Lao PDR TFA Commitments**

Category A	Category B	Category C
Publication	Comments and information before entry into force	Electronic payment
Information available through internet	Consultations	Risk management
Enquiry points	Advance rulings	Post-clearance audit
Notification	Test procedures	Average release times
Procedures for appeal or review	General disciplines on fees and charges	Authorized operators
Notifications for enhanced controls or inspections	Penalty Disciplines	Border Agency Cooperation
Detention	Separation of release	Formalities
Specific disciplines on fees and charges	Expedited shipments	Acceptance of copies
Pre-arrival processing	Perishable goods	Use of international standards
Movement of goods	Single window	Common border procedures
Preshipment inspection	Transit	Rejected Goods
Use of customs brokers		Customs cooperation
Temporary admission of goods and inward and outward processing		

<sup>40</sup> WTO document WT/TPR/S/394, para. 3.16.

<sup>41</sup> WTO document WT/TPR/S/394, para. 12.

<sup>42</sup> WTO document WT/TPR/S/394, para. 3.24.

The implementation rate of commitments as of January 2023 was 49.6% (21% for category A commitments and 28.6% for category B commitments).<sup>43</sup>

## 2. 2005 Protocol Amending the TRIPS Agreement

The Protocol Amending the TRIPS Agreement envisages additional flexibilities to grant special compulsory licences for the export of medicines. This measure seeks to address the difficulties faced by WTO Members with insufficient manufacturing capacity in the pharmaceutical sector to effectively use the compulsory licences provisions of the TRIPS Agreement.<sup>44</sup> Lao PDR formally accepted the Protocol on 29 September 2015. The amendment took effect on 23 January 2017. Lao PDR became one of the four Article XII LDCs that ratified the amendment, along with Cambodia, Nepal and Samoa.<sup>45</sup>

## 3. Information Technology Agreement (I and II)

On 2 December 2021, Lao PDR officially became a participant of the Information Technology Agreement and the Information Technology Agreement Expansion, known as the ITA and ITA II respectively. It became the first LDC to participate in both the ITA and ITA II. Lao PDR's ITA schedule covers 358 products out of 399 (of which 41 tariff lines are covered by a four-year transition period). For ITA II, the number is 523 products out of 571 (48 tariff lines are covered by the transition period). The schedule received no comments from ITA/ITA-II participants. The amendment and rectification of Lao PDR's Goods Schedule was certified on 31 March 2022.

While still lacking capacity in this field, Lao PDR believes that a favourable legal and policy framework underpinned by these Agreements will enable the country to attract more trade and investment in ICT, thereby contributing to the realisation of Lao PDR's digital economy and digital transformation agenda.<sup>46</sup> Participation in the ITA/ITA-II ensures non-discriminatory access to the Lao market, and enhances productivity, innovation and competitiveness. This in turn enhances Lao PDR's opportunities to participate in global ICT chains. This participation is also reflected as a factor behind the country's development of SEZs, which help to strengthen the ICT industry and promote technological development.

## 4. Participation in the Joint Statement Initiatives (JSIs)

Lao PDR has joined three Joint Statement Initiatives – on micro, small and medium enterprises (MSMEs), e-commerce, and Investment Facilitation for Development.

According to the Lao authorities, Lao PDR actively participates in the Investment Facilitation for Development initiative with the aim of facilitating sustainable FDI, and revitalizing FDI flows in the wake of the COVID-19 pandemic. Lao PDR's position on this issue is in line with the country's objective of deriving greater benefits from FDI, including through its positive impact on development, economic growth, job creation, skills development, knowledge transfer, technology transfer, and economic diversification. In this regard, Lao PDR has argued that the needs of developing countries and LDCs must be taken into account, particularly in terms of technical assistance and capacity building. Many of the measures contained in such an agreement are demanding in terms of the capacity to implement them.<sup>47</sup>

In this connection, Lao PDR has submitted a text proposal on supplier development programmes, contained in the Easter text of September 2022.<sup>48</sup> In the submission, Lao PDR suggested that Members should be encouraged "*where appropriate and in a manner consistent with their legal systems and their international trade and investment obligations, to implement programmes that strengthen the*

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<sup>43</sup> WTO source, Trade Facilitation Agreement Database. Viewed at: [Lao People's Democratic Republic | TFAD - Trade Facilitation Agreement Database \(tfadatabase.org\)](https://www.wto.org/english/039/s_democratic_republic_lao/tfad_trade_facilitation_agreement_database_tfadatabase.org)

<sup>44</sup> WTO source. Viewed at: [https://www.wto.org/english/tratop\\_e/trips\\_e/par6laws\\_e.htm](https://www.wto.org/english/tratop_e/trips_e/par6laws_e.htm)

<sup>45</sup> WTO document WT/COMTD/LDC/29, para. 77.

<sup>46</sup> WTO document G/IT/M/76, para 1.7.

<sup>47</sup> Lao PDR source, according to the Ministry of Industry and Commerce.

<sup>48</sup> WTO document INF/IFD/RD/74/Rev.7. The Easter text aims to facilitate negotiations among participating Members on an Agreement on Facilitation of Investment for Development. The objective of this agreement is, inter alia, to improve transparency of measures, streamline administrative procedures, as well as promote international cooperation, as a means of facilitating the flow of investment among Members, in particular developing countries and LDCs.

capabilities of local suppliers, especially MSMEs, to meet sourcing demands of investors".<sup>49</sup> This submission supplemented Lao PDR's initial submissions of August and September 2021 with specific comments addressing concerns about the special and differential treatment applicable to developing countries and LDCs.<sup>50</sup>

### Section 3. Participation in WTO bodies and other ongoing discussions

While Lao PDR has succeeded in managing the post-accession implementation of its WTO commitments, the country generally tends to have less of a presence in WTO Councils and Committees, as is the case with many LDCs. Lao PDR's WTO-related activities after accession tend to be concentrated in areas of particular interest to the country such as agriculture, anti-dumping, and rules of origin, among others.

#### 1. Trade policy review

The first trade policy review (TPR) of Lao PDR took place in November 2019, during which about 200 advance written questions were submitted by 12 Members.<sup>51</sup> The questions submitted by Members covered a wide range of areas such as customs procedures, including customs valuation, dispute settlement, trade in services (tourism, transport, financial services, etc.), energy, the investment regime, trade agreements and transparency.

During the review, several issues were discussed, including Lao PDR's economic growth and the country's graduation from LDC status. Various areas of economic policy also came under scrutiny, such as the management of hydropower development, and measures to attract foreign investment in energy, natural resources, and tourism. In addition, while noting the steps taken to promote fiscal consolidation through the modernization of tax systems and the reduction of the government's wage bill and recurrent expenditures, Members raised questions at the TPR meeting with respect to the level of budget deficits and the public debt of the Lao government.<sup>52</sup>

Members noted Lao PDR's increased openness to trade, as reflected in the increase in the ratio of trade in goods and services to GDP since accession. They commended the regulatory and institutional initiatives taken by Lao PDR to promote and improve foreign investment and the business environment, despite remaining challenges in some areas (e.g., restrictions on foreign direct investment, border clearance procedures, and high land transportation costs). In this regard, Members further encouraged Lao PDR to pursue an ambitious economic reform agenda focused on diversifying the economy and increasing its resilience and productivity through reform initiatives in areas such as access to information, e-government, anti-corruption, investment promotion, and dispute resolution.<sup>53</sup> The next TPR can be envisaged for the year of 2025.

In addition to its own TPR, Lao PDR has participated in a number of reviews of other WTO Members. These reviews have enabled Lao PDR to gain a better understanding of trade and investment developments in its trading partners and major economies, including Cambodia, China, India, Indonesia, the Republic of Korea, Myanmar, Singapore, Thailand, Russian Federation, United States and Vietnam.<sup>54</sup> During China's 2018 TPR, for example, Lao PDR asked questions on the role of the Belt and Road Initiative in strengthening the multilateral trading system.<sup>55</sup> During the TPR of the United States, Lao PDR asked whether the US intended to implement its political commitment to provide at least 97 per cent of DFQF for all LDC. Another question was on the prospect of the US extending the broader AGOA and other unilateral preferences to Asian LDCs (2014).<sup>56</sup> Further questions concerned the US services waiver notification and the country's intention to facilitate access for service suppliers from LDCs (2018).<sup>57</sup>

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<sup>49</sup> WTO document INF/IFD/RD/115.

<sup>50</sup> WTO documents INF/IFD/RD/84 and INF/IFD/RD/81.

<sup>51</sup> Canada; Philippines; Australia; Separate Customs Territory of Taiwan; United States of America; Malaysia; China and Hong Kong, China; European Union; Thailand; Dominican Republic; Iceland and Turkey.

<sup>52</sup> WTO document WT/TPR/M/394, para. 6.3.

<sup>53</sup> Ibid.

<sup>54</sup> WTO Source. Viewed at: [WTO | Trade Policy Reviews - gateway](#)

<sup>55</sup> WTO document WT/TPR/M/375/Add.1, para. 313.

<sup>56</sup> WTO document WT/TPR/M/307/Add.1, para. 332.

<sup>57</sup> WTO document WT/TPR/M/350/Add.1, para. 271.

## 2. Participation in standing Councils and Committees

Lao PDR has participated regularly in a number of the WTO's standing bodies, including the General Council, the Council for Trade in Goods, the Council for Trade in Services, the Council for TRIPS, the Committee on Agriculture, the Committee on Trade and Development, the Committee on Anti-dumping, the Committee on Trade Facilitation, the Committee on Subsidies and Countervailing Measures (SCM), the Committee on Sanitary and Phytosanitary Measures (SPS) and the Committee on Rules of Origin.

At a meeting of the Committee on Rules of Origin held on 30 April 2015, Lao PDR stressed that rules of origin, particularly those dealing with preferential trade, should be flexible and open. Lao PDR reminded Members that landlocked LDCs could only benefit from trade preferences if the rules of origin were flexible enough to allow for the processing of non-originating materials, and urged preference-granting Members to find ways of simplifying their rules.<sup>58</sup> At a subsequent meeting of the Committee on 15-16 May 2019, Lao PDR urged all preference-granting Members to notify their preferential imports to the WTO Secretariat so that the use of all preference schemes could be monitored.<sup>59</sup>

At a meeting of the Committee on Anti-Dumping on 25 October 2017, Lao PDR raised concerns about Canada's silicon metal anti-dumping investigation and questioned the consistency of Canada's decision to initiate the investigation under Articles 5.2(iii) and 5.3 of the Agreement on Anti-Dumping.<sup>60</sup>

## 3. Participation in Working Parties on Accessions

Since its accession, Lao PDR has been a member of the Working Parties on the Accessions of Seychelles (completed in April 2015) and Timor-Leste (ongoing accession from the region, with the prospect of conclusion in 2023).

## 4. Participation in ongoing WTO discussions

Besides the three Joint Initiatives mentioned previously, Lao PDR has also participated in several ongoing discussions at the WTO on topics as diverse as fisheries subsidies, Aid for Trade, Emergency Safeguard Measures (ESM) under Article X of the GATS, LDC graduation, Rules of origin, Market Access for Products and Services of Export Interest to LDCs, and Government Procurement under Article XIII of the GATS.<sup>61</sup>

At the special session of the Committee on Agriculture held on 12 October 2021, Lao PDR made a submission on food security and the agricultural negotiating agenda to be adopted at the 12<sup>th</sup> WTO Ministerial Conference. Lao PDR proposed a draft text that, among other things, recognized the urgency of addressing the issue of food security and the need to find solutions for the most vulnerable WTO Members. The submission also suggested that Ministers agree to establish a representative sub-group of the Special Session to identify concrete measures in favour of low-income developing Members that are most vulnerable to food security, for a decision by 31 December 2022.<sup>62</sup>

## 5. Dispute settlement

Lao PDR has not participated in any WTO dispute settlement cases, either as a claimant, a respondent, or a third party.<sup>63</sup> During the 12<sup>th</sup> WTO Ministerial Conference, Lao PDR expressed the view that the dispute settlement system remains an essential part of the WTO, while stressing the need for an early review of the system to ensure that it functions more effectively. In this context, Lao PDR believes that alternative means of dispute settlement could be considered for low-income developing Members that have difficulties in defending their interests in a formal dispute settlement procedure.<sup>64</sup>

## 6. Position on WTO reform

On the question of WTO reform, Lao PDR stressed that reform should ensure that the interests of developing countries and LDCs are promoted through the application of special and differential treatment

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<sup>58</sup> WTO document G/RO/M/64, para. 4.8.

<sup>59</sup> WTO document G/RO/M/72, para. 2.33.

<sup>60</sup> WTO document G/ADP/M/53, para. 38.

<sup>61</sup> WTO document WT/COMTD/LDC/29, table 8.

<sup>62</sup> WTO document RD/AG/87\*, p. 2.

<sup>63</sup> WTO source. Viewed at: [https://www.wto.org/english/thewto\\_e/countries\\_e/lao\\_e.htm](https://www.wto.org/english/thewto_e/countries_e/lao_e.htm)

<sup>64</sup> WTO document WT/MIN(22)/ST/47, p. 2.

in WTO agreements. As stated by Lao PDR at the 12<sup>th</sup> WTO Ministerial Conference,<sup>65</sup> there is a need to reform the WTO in order to return the multilateral trading system to a rules-based system, particularly on the issue of the Appellate Body. It stressed the need for Members to work together on the reform of the Appellate Body to ensure the restoration of the normal functioning of the WTO dispute settlement system.

Furthermore, Lao PDR also made suggestions on two key issues, special and differential treatment and plurilaterals. On special and differential treatment (S&D), Lao PDR stated that there are still many conflicting ideas on the content and country coverage of S&D given different levels of economic development and different needs for special treatment among Members. In this regard, there is a need to find innovative solutions and take into account economic differences among WTO Members by maintaining the principle that developing countries cannot be considered as developed countries.

On the issue of plurilateral and multilateral negotiations, Lao PDR supported the system of multilateral agreements, while recognising that plurilateral agreements also have certain advantages for all Members since they are non-discriminatory. Lao PDR reiterated the need for future plurilateral agreements to take greater account of the interests of low-income developing Members and to observe the principles of special and differential treatment.<sup>66</sup>

## **7. Participation in other activities**

Lao PDR has participated in the informal Working Group on Women's Economic Empowerment that was established in 2020.<sup>67</sup> More recently, Lao PDR has joined the SheTrades initiative, an initiative run by the International Trade Centre (ITC) that provides a network and platform for women entrepreneurs around the world to connect to international markets.<sup>68</sup>

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<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> WTO source: Boosting trade opportunities for least developed countries, p.17. Viewed at: [https://www.wto.org/english/res\\_e/booksp\\_e/boosting\\_trade\\_opportunities\\_for\\_ldcs\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/boosting_trade_opportunities_for_ldcs_e.pdf)

<sup>68</sup> Lao PDR source, according to the Ministry of Industry and Commerce.

## CHAPTER 5: LAO PDR'S PARTICIPATION IN THE WTO AS AN LDC

The WTO recognises as LDCs those countries that have been designated as such by the United Nations. There are currently 46 LDCs on the UN list, of which 35 have become WTO Members to date, including Lao PDR which joined the organisation as the first landlocked LDC. Given its LDC status, Lao PDR has continued to engage in development-related activities at the WTO, including participation in the Sub-Committee on Least Developed Countries, as well as the LDC Group representing the interests of LDCs. As an LDC, Lao PDR has continued to receive support for its economic development objectives through various capacity building and technical assistance programmes. The country has also continued to be a beneficiary of the Generalised System of Preferences (GSP) of several WTO Members, while being entitled to certain additional non-LDC-specific preferences.

This chapter discusses Lao PDR's participation in the WTO as an LDC. It is divided into five sections. The first section highlights Lao PDR's participation in the Sub-Committee on Least Developed Countries. The second section discusses its participation as a co-signatory to submissions made by LDCs as a group, while the third section describes technical assistance and capacity building activities provided to Lao PDR. The fourth section highlights the trade preferences granted to the country. Finally, the fifth section of this chapter discusses the challenges of Lao PDR's graduation from LDC status, which is scheduled for 2026.

### Section 1: Participation in the Sub-Committee on Least Developed Countries

The Sub-Committee on LDCs seeks to articulate and promote the interests of LDCs in a broad sense. Lao PDR has taken advantage of its participation in the Sub-Committee to raise a number of concerns, mostly associating itself with statements made by other countries on behalf of the LDC Group. Lao PDR has expressed its views on the issue of preference utilization, suggesting the need for an in-depth study of preference-granting Members with high under-utilization. The study would focus on possible reasons for the under-utilization of preferences, such as strict rules of origin.<sup>69</sup>

### Section 2. Participation as a co-signatory to submissions made by the LDC Group

Lao PDR is part of the WTO LDC Group, currently consisting of 35 WTO Members. The LDC Group has made a number of submissions to various WTO Councils and Committees, most noticeably to the Council for Trade in Services, the Committee on Rules of Origin and the Committee on Agriculture. Since Lao PDR's accession, submissions made by the LDC Group have covered a wide range of issues, including fisheries subsidy issues,<sup>70</sup> preferential treatment of services and service suppliers from LDCs,<sup>71</sup> preferential rules of origin for LDCs,<sup>72</sup> including under unilateral preference schemes,<sup>73</sup> and special and differential treatment in general.<sup>74</sup>

In November 2020, the LDC Group presented a draft ministerial decision outlining a smooth transition mechanism out of LDC status to the WTO. Key elements included a 12-year extension of LDC-specific special and differential treatment provisions, and a phasing out of LDC-specific trade preferences over a 12-year period. The LDC Group made another submission in October 2021, taking into account the views expressed by Members on various aspects of its 2020 proposal. The latest submission proposes an interim arrangement whereby LDCs encourage their trading partners to extend LDC preferences to graduated LDCs over a period of time.<sup>75</sup> Lao PDR has maintained its consistent support for this Group's proposal for a WTO Smooth Transition Package in Favour of Countries Graduated from the LDC Category.

<sup>69</sup> WTO document WT/COMTD/LDC/M/85, para. 22.

<sup>70</sup> WTO documents TN/RL/GEN/184, RD/TN/RL/11, TN/RL/GEN/193 and RD/TN/RL/125.

<sup>71</sup> WTO documents S/C/W/356.

<sup>72</sup> WTO documents G/RO/W/154 and RD/RO/19.

<sup>73</sup> WTO document JOB/TNC/53.

<sup>74</sup> WTO documents JOB/DEV/51 and WT/MIN(17)/17.

<sup>75</sup> WTO source: Boosting Trade Opportunities for Least Developed Countries, p. 23. Viewed at: [https://www.wto.org/english/res\\_e/booksp\\_e/boosting\\_trade\\_opportunities\\_for\\_ldcs\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/boosting_trade_opportunities_for_ldcs_e.pdf)

### Section 3. Technical assistance and capacity building activities

Several technical assistance and capacity building programmes have been provided to Lao PDR before and after its accession. In the context of the WTO, these include activities within the framework of Enhanced Integrated Framework (EIF) projects, China's LDCs and Accessions Programme, and others.

#### 1. Enhanced Integrated Framework (EIF)

The EIF's support to Lao PDR has focused mainly on increasing investment in competitive sectors, including rice, maize and tea, resulting in sustainable and improved incomes for poor households, particularly women.<sup>76</sup> In addition, with the support of the EIF, Lao PDR has developed a Roadmap for Trade and Private Sector Development which has served as the main instrument for the country's Aid for Trade harmonisation, resource mobilisation and coordination efforts. Under the Aid for Trade initiative, Lao PDR received support from the EIF to develop a trade and development strategy for 2013 and to integrate trade into the National Economic and Social Development Plan 2016-2020. In 2018, the EIF launched a new strategic plan 2019-2022 with a vision of "*inclusive trade for better lives*" at the WTO, with a focus on women's economic empowerment, MSMEs and fragile countries.<sup>77</sup> In this context, a capacity building workshop was organized in Luang Prabang in March 2019 under the theme "Forging New Paths for LDCs in Global and Regional Trade".<sup>78</sup>

Lao PDR has successfully leveraged trade-related priorities, including a total of 16 projects worth US\$ 68 million, through the EIF. EIF projects have enabled the country to diversify its exports towards sectors with high social impact, while ensuring that trade improves the livelihoods of vulnerable communities.<sup>79</sup>

#### 2. Participation in the China's LDC and Accessions Programme

China's LDC and Accessions Programme aims to strengthen the participation of developing countries and LDCs in the WTO and to assist acceding governments in their accession process. In this regard, Lao PDR has regularly participated either as a host or participant in the Annual China Round Tables on WTO Accessions, which is one of the five pillars of the programme.

In October 2013, the second China Round Table was held in Luang Prabang, under the theme "*The Future of the Multilateral Trading System: Perspectives of LDCs and Article XII Members*". The event provided an opportunity for acceding governments and Article XII WTO Members to exchange ideas and experiences about accession and the participation of LDCs in the WTO. The discussion involved an exchange on the evolution of trade policy in the global economy, contributions of WTO accessions to the multilateral trading system, effective participation of Article XII Members, and technical assistance to LDC acceding governments.<sup>80</sup>

In February 2023, the eleventh China Round Table, supported by the government of China and organised by the WTO Secretariat, will again be hosted by Lao PDR. Marking the 10<sup>th</sup> anniversary of Lao PDR's accession to the WTO, this event is an opportunity for participants to discuss the impact of Lao PDR's WTO accession on its development over the past ten years. Discussions will also focus on the WTO experiences of other countries in the Asia-Pacific region, and on LDC accession and post-accession best practices.

#### 3. Other activities

Lao PDR has participated in training sessions, workshops, and courses provided by the WTO Secretariat on a wide range of trade topics, including agriculture, dispute settlement, e-commerce, environment, SPS, TBT, and import licensing. There have been a total of 574 such WTO-organized events since Lao's WTO accession.<sup>81</sup>

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<sup>76</sup> WTO document WT/COMTD/AFT/M/45, para. 19.

<sup>77</sup> WTO document WT/COMTD/LDC/M/85, para. 63.

<sup>78</sup> EIF source. Viewed at: [EIF Regional Workshop in Luang Prabang: Forging New Paths for LDCs in Global and Regional Trade | Enhanced Integrated Framework \(EIF\) \(enhancedif.org\)](#)

<sup>79</sup> EIF source. Viewed at: [Lao PDR | Enhanced Integrated Framework \(EIF\) \(enhancedif.org\)](#)

<sup>80</sup> WTO source.

<sup>81</sup> WTO sources: <http://wtotrta/Public/BasicSearch.aspx>, <https://tams.wto.org/>

As part of the Lao PDR's TPR process, technical assistance has been provided by the IDEAS Centre in Geneva and funded by the World Bank and a multi-donor trust fund. The assistance consisted of a detailed analysis of the policy environment affecting trade, and an assessment of where the country has made progress, and where further improvements are needed. The main outcome was a draft roadmap for the implementation of trade policy reforms to prepare Lao PDR for graduation from the LDC category. The draft roadmap had two objectives: i) to clearly define priorities, responsibilities, and implementation dates for monitoring purposes; and ii) to identify the kind of support Lao PDR needs from its development partners to implement the reforms.

The first and second Lao PDR-US international and ASEAN integration projects "LUNA I and LUNA II" further assisted Lao PDR before and after its accession to the WTO, and its participation in the ASEAN Economic Community (AEC). The LUNA I project started in 2008 and was completed in September 2013. The LUNA II project started in March 2014 and was completed in March 2019. The implementation of two more projects is underway. The first is USAID Laos Business Environment, a five-year project aimed at enhancing the competitiveness of MSMEs and strengthening Lao PDR's business environment. The second is USAID Laos Microenterprise, a five-year activity aimed at strengthening the competitiveness of agricultural microenterprises in Lao PDR.<sup>82</sup>

In addition to these training activities, a number of other capacity building activities and outreach events have been organized in coordination with various development partners and donors, including under the rubric of Aid for Trade, in order to facilitate the implementation of Lao PDR's WTO commitments and the effective participation of the country in the WTO and in regional trade arrangements.<sup>83</sup>

#### **Section 4. Trade preferences attributed to Lao PDR as an LDC**

Lao PDR's extra-regional exports are quite dependent on preferences granted by virtue of the country's developing country and LDC status, through several generalised systems of preferences (GSP) schemes. Non-reciprocal GSP preferences are provided to developing countries voluntarily by various, mostly developed, countries. The WTO provides legal cover for the discriminatory (non-MFN) nature of these arrangements through the 1979 Decision on Differential and More Favourable Treatment and Fuller Participation of Developing Countries. Since they are voluntary, they can be changed by the unilateral decision of the preference. Many GSP providers give different preferences to LDCs. Sometimes, prospective beneficiaries forego the preferences on account of difficulties with rules of origin. Lao PDR is a beneficiary of the GSP schemes of Armenia, Australia, Canada, the European Union, Iceland, Japan, Kazakhstan, the Kyrgyz Republic, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, and the United Kingdom.

Over the period 2013-17, exports benefiting from GSP treatment fluctuated. The share of total exports receiving preferences was 27.2 per cent in 2013, 34.9 per cent in 2014, 31.8 per cent in 2015, 26.7 per cent in 2016, and 28.5 per cent in 2017.<sup>84</sup> In 2021, total exports under the GSP regime amounted to US\$91 million in 2021, which was a reduction of 35.1 per cent compared to 2020.<sup>85</sup> In 2021, Lao PDR's exports under the GSP schemes were mainly to Japan, the UK and Canada, with a total value of US\$32 million, US\$26 million, and US\$0.6 million respectively. Exports under the GPS to the US and Belgium amounted to US\$0.4 million and US\$0.6 million respectively.<sup>86</sup>

Lao PDR is also entitled to additional trade preferences from Chile, China, Chinese Taipei, India, the Republic of Korea, the Kyrgyz Republic, Montenegro, Tajikistan and Thailand.<sup>87</sup> Lao PDR has also enjoyed duty-free and quota-free access to the EU under the Everything but Arms (EBA) initiative. Under this initiative, all products, except arms and ammunition, exported from Lao PDR to the 27 EU Member States and the UK can benefit from zero duties when the rules of origin are respected. In 2020, 84 per cent of Lao PDR's exports to the EU market were eligible for EBA preferences, and the country had a very high preference utilisation rate of 94.5 per cent.<sup>88</sup> In addition, as of February 2021, 97 per cent of

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<sup>82</sup> USAID source: <https://www.usaid.gov/laos/fact-sheets>.

<sup>83</sup> WTO document WT/TPR/S/394, para. 3.25.

<sup>84</sup> WTO document WT/TPR/S/394, para. 2.42.

<sup>85</sup> Lao PDR document: Annual Report on Trade Preferences 2021, p. 10

<sup>86</sup> Ibid, pp. 26-27.

<sup>87</sup> WTO Source. Viewed at: <http://ptadb.wto.org/SearchByCountry.aspx>

<sup>88</sup> European Union source, SPG Hub. Viewed at: [Monitoring missions and priorities in Lao PDR \(gsphub.eu\)](https://spg.hub.eu)

all Chinese tariff lines on exports originating from Lao PDR were also eligible for duty-free treatment.<sup>89</sup> Lao PDR also remains a beneficiary of Canada's Least Developed Country Tariff (LDCT) programmes.<sup>90</sup> Table 6.1 lists the GSP schemes from which Lao PDR can benefit.

**Table 6.1: Lao PDR's GSP access to its trading partners**

Provider	Name	Type	Sub - schemes	Initial Entry Into Force	End Date
Armenia	Generalized System of Preferences - Armenia	GSP	1	10/10/2016	
Australia	Generalized System of Preferences - Australia	GSP	1	1/1/1974	
Canada	Generalized System of Preferences - Canada	GSP	1	7/1/1974	
European Union	Generalized System of Preferences - European Union	GSP	2	7/1/1971	
Iceland	Generalized System of Preferences - Iceland	GSP	0	1/29/2002	
Japan	Generalized System of Preferences - Japan	GSP	1	8/1/1971	3/31/2031
Kazakhstan	Generalized System of Preferences - Kazakhstan	GSP	1	10/10/2016	
Kyrgyz Republic	Generalized System of Preferences - Kyrgyz Republic (As of 10.10.2016)	GSP	1	10/10/2016	
New Zealand	Generalized System of Preferences - New Zealand	GSP	1	1/1/1972	
Norway	Generalized System of Preferences - Norway	GSP	1	10/1/1971	
Russian Federation	Generalized System of Preferences - Russian Federation (01.01.2010 to 10.10.2016)	GSP	1	1/1/2010	10/10/2016
Russian Federation	Generalized System of Preferences - Russian Federation (As of 10.10.2016)	GSP	1	10/10/2016	
Switzerland	Generalized System of Preferences - Switzerland	GSP	1	3/1/1972	
Türkiye	Generalized System of Preferences - Turkey	GSP	2	1/1/2002	
United Kingdom	Generalized System of Preferences - United Kingdom	GSP	3	1/1/2021	
India	Duty-Free Tariff Preference Scheme for LDCs	LDC-specific	0	8/13/2008	
Chile	Duty-free treatment for LDCs - Chile	LDC-specific	0	2/28/2014	
China	Duty-free treatment for LDCs - China	LDC-specific	0	7/1/2010	
Chinese Taipei	Duty-free treatment for LDCs - Chinese Taipei	LDC-specific	0	12/17/2003	
Kyrgyz Republic	Duty-free treatment for LDCs - Kyrgyz Republic (29.03.2006 to 10.10.2016)	LDC-specific	0	3/29/2006	10/10/2016
Montenegro	Duty-free treatment for LDCs - Montenegro	LDC-specific	0	1/20/2016	
Tajikistan	Duty-free treatment for LDCs - Tajikistan	LDC-specific	0	10/25/2003	
Thailand	Duty-free treatment for LDCs - Thailand	LDC-specific	0	4/9/2015	
Korea, Republic of	Preferential Tariff for LDCs - Republic of Korea	LDC-specific	0	1/1/2000	

Source: WTO Secretariat.

<sup>89</sup> WTO document WT/COMTD/AFT/M/51, para. 18.

<sup>90</sup> WTO document WT/TPR/S/394, para. 2.41.

## Section 5. Lao PDR's graduation from LDC status

At the 30 October 2018 meeting of the Sub-Committee on LDCs, the UN Committee for Development Policy (CDP) Secretariat provided the Sub-Committee with a briefing on graduation from LDC status, noting that Lao PDR was deemed eligible for graduation for the first time at the triennial review held in March 2018. Accordingly, Lao PDR was to graduate from LDC status in 2024, six years after it was first deemed eligible.<sup>91</sup> However, while Lao PDR's graduation plan reflects the significant progress it has made, the CDP newly recommended in 2021 that Lao PDR should graduate from LDC status with an extended preparatory period of 5 years, postponing graduation to 2026.<sup>92</sup>

Upon graduation from LDC status, the main trade-related challenges are likely to arise from the loss of preferences discussed in the previous section. This could further reduce Lao PDR's flexibility in implementing WTO Agreements. The country may also face a reduction in access to subsidies and concessional loans.<sup>93</sup> Trade with the EU is expected to be significantly affected, as exports enter duty-free quota-free under the Everything but Arms (EBA) initiative. The current EU GSP for Lao PDR will end in 2023, while the LDC preference in the EU will be extended for three years after graduation as a transition period.

In order to address these challenges, the Ten-Year Socio-Economic Development Strategy (2016-25) was adopted by the Ministry of Planning and Investment, encompassing the strategy for graduation from LDC status, including the transition period.<sup>94</sup> After graduation from LDC status, Lao PDR will also need to comply with increasingly demanding labour, environmental and health standards to remain competitive, as these standards become more and more important for market access and consumer purchasing decisions.<sup>95</sup> In the meantime, Lao PDR will also need to make sure that all of its laws are brought fully into line with WTO Agreements.

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<sup>91</sup> WTO document WT/COMTD/LDC/M/84, paras. 6-7.

<sup>92</sup> Lao PDR source. Viewed at: <https://www.un.int/lao/news/lao-pdr-recommended-graduate-2026-least-developed-country-category-extended-preparatory-period>

<sup>93</sup> WTO document WT/TPR/S/394, para. 2.28. .

<sup>94</sup> Lao PDR document, The Ten-Year Socio-Economic Development Strategy (2016-25). Viewed at: [https://rtm.org.la/wp-content/uploads/2017/08/Vision2030-and-10-Year-SocioEconomic-Dev-Strategy-2016\\_2025-LAO.pdf](https://rtm.org.la/wp-content/uploads/2017/08/Vision2030-and-10-Year-SocioEconomic-Dev-Strategy-2016_2025-LAO.pdf)

<sup>95</sup> World Bank document, Linking Laos, Unlocking Policies Lao PDR Country Economic Memorandum, p. 144. Viewed at: <https://www.worldbank.org/en/events/2022/04/01/linking-laos-unlocking-policies-launch-of-lao-pdr-country-economic-memorandum>

## CHAPTER 6: PARTICIPATION IN PREFERENTIAL TRADE AGREEMENTS

Lao PDR has followed a policy of strengthening regional integration through active economic and trade cooperation with its neighbouring countries. In recent years, its integration into the regional trading system has significantly reduced its development gap with other developing economies, while increasing competition in its domestic market. This chapter explores and assesses Lao PDR's involvement in the above-mentioned preferential trade agreements, including the benefits that Lao PDR's economy could derive from these preferential regimes as well as the challenges and opportunities for the country in implementing these agreements.

### Section 1: ASEAN Preferences

Located at the heart of the Southeast Asian region, Lao PDR's intra-regional trade is mainly based on its relationships within ASEAN. Lao PDR joined ASEAN in 1997. ASEAN established the ASEAN Economic Community (AEC) in 2003 as one of its three main pillars. The AEC was built on four interdependent and mutually reinforcing characteristics of the ASEAN region, namely a single market and production base, a highly competitive economy, an equitable approach to economic development, and a region fully integrated into the global economy. Under the AEC 2015 Blueprint,<sup>96</sup> intra-ASEAN import tariffs have been virtually eliminated, and formal restrictions in the services sector have been gradually removed. Lao PDR has been actively working with other ASEAN Members to implement AEC obligations whose ultimate objective is to establish a single market based on the free movement of goods, services and investments in the region. Current efforts in this direction are guided by the AEC Master Plan 2025, which incorporates and builds on the work of the AEC Blueprint 2015.<sup>97</sup>

Lao PDR's accession to ASEAN in 1997 led the country to also join AFTA and, consequently, to implement the AFTA Common Effective Preferential Tariff (CEPT) system in 1998. Under this agreement, since January 2008, Lao PDR has reduced tariffs on most products imported from ASEAN countries to between 0% and 5% under the CEPT.

### Agreements with other countries involving ASEAN

Lao PDR benefits from preferential tariff reductions agreed under six bilateral Regional Trade Agreements signed by ASEAN. These agreements are with China, India, the Republic of Korea, Japan, Australia and New Zealand, and Hong Kong, China.<sup>98</sup> Of these RTAs, the trade preferences granted under the ASEAN Trade in Goods Agreement (ATIGA),<sup>99</sup> and the agreements with South Korea (AKFTA), China (ACFTA) and India (AIFTA) are mostly at or near zero, compared to the average applied MFN rate of 8.6 per cent.

Alongside the ASEAN commitments, Lao PDR has maintained bilateral preferential agreements with Thailand and Vietnam. Lao PDR is also a member of the Asia-Pacific Trade Agreement (APTA), formerly known as the Bangkok Agreement (until 2005), is the oldest preferential trade agreement in the Asia-Pacific region, signed in 1975. It aims to deepen trade cooperation and integration among developing countries. The Agreement covers areas beyond traditional tariff concessions to include non-tariff measures, trade facilitation, trade in services and investment.<sup>100</sup> Lao PDR is the only ASEAN country in APTA, while the other members are Bangladesh, China, India, Mongolia, the Republic of Korea, and Sri Lanka. Since the APTA's entry into force, four rounds of negotiations have been completed, deepening tariff concessions among participating countries.<sup>101</sup>

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<sup>96</sup> ASEAN Economic Community Blueprint. 2007: <https://www.asean.org/wp-content/uploads/images/archive/5187-10.pdf>

<sup>97</sup> WTO document WT/TPR/S/394, para. 2.31.

<sup>98</sup> WTO document WT/TPR/S/394, para. 3.25.

<sup>99</sup> The members of ATIGA are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam

<sup>100</sup> Lord, Montague J. "Implications of WTO accession for selected domestic industries of Laos." (2010), p. 20.

<sup>101</sup> WTO document WT/TPR/S/394, para. 2.38.

## Section 2. Regional Comprehensive Economic Partnership (RCEP)

In 2012, ASEAN Members began negotiating the Regional Comprehensive Economic Partnership (RCEP) with their six FTA partners: Australia, China, India, Japan, the Republic of Korea and New Zealand. The RCEP agreement, which entered into force on 1 January 2022, consolidates the long-term commitments made by its 15 Members. There had been 16, but India withdrew. The commitments under RCEP cover a wide range of issues, including rules of origin, anti-dumping duties, technical barriers to trade, sanitary and phytosanitary (SPS) measures and government procurement among other topics.<sup>102</sup> Lao PDR ratified RCEP on 26 October 2021. The agreement has been ratified by nearly all parties, and has entered into force for those countries. RCEP is the largest free trade agreement in the world in terms of country size, covering about 30% of global GDP.<sup>103</sup> As such, it offers Lao PDR the opportunity to implement important cross-border reforms, but also to open up new trade opportunities in the wider Indo-Pacific region.<sup>104</sup>

As an LDC member of the RCEP, Lao PDR can benefit from special and differential treatment and the additional flexibility granted by the agreement. Article 7.5 of RCEP states that LDCs can extend their RCEP transitional safeguard measure for a further period of one year. Article 11.79 sets out the transition period for LDCs under the TRIPS agreement, under which Lao PDR could delay the implementation of certain provisions for a period of 10 or 15 years. Lao PDR has a transition period of 3 years to comply with Article 13.3 - Appropriate Measures against Anti-Competitive Activities. The country will also benefit from appropriate capacity building and technical assistance from other Members in accordance with Article 15.6. The transition period under the RCEP is almost equivalent to the same graduation period for LDCs.<sup>105</sup>

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<sup>102</sup> World Bank document, Linking Laos, Unlocking Policies Lao PDR Country Economic Memorandum, p. 23. Viewed at: <https://www.worldbank.org/en/events/2022/04/01/linking-laos-unlocking-policies-launch-of-lao-pdr-country-economic-memorandum>

<sup>103</sup> World Bank document, Linking Laos, Unlocking policies. Lao PDR Economic Memorandum, p. 23. <https://www.worldbank.org/en/events/2022/04/01/linking-laos-unlocking-policies-launch-of-lao-pdr-country-economic-memorandum>

<sup>104</sup> USAID Laos Business Environment: Assessment on Lao PDR's LDC Graduation Research Paper, p. 9

<sup>105</sup> Ibid.

## CHAPTER 7: Conclusions and Recommendations

Lao PDR has made considerable progress over the last 20 years or so in strengthening its economy, moving towards a more market-oriented approach, and fostering trade and investment as vehicles for growth and development. The Lao PDR has also played a proactive and constructive role in the WTO, operating at the frontier of its capacity and capabilities, as the country prepares to graduate out of LDC status. After several years of dynamic growth, the last few years have seen a slowdown, culminating in a dramatic reduction in growth from 2019 onwards. Macroeconomic instability, taking the form of rapid exchange rate depreciation, high inflation, and excess debt has dampened performance.

These trends have not been helped by the COVID-19 pandemic, nor by the crisis in Ukraine and the recent reduction in growth and rising inflation in major economies. But current macroeconomic difficulties also have domestic origins that call for swift remedial action. Trade and FDI are vital components of sustained resilience and future progress. While trade issues and FDI are not central to the current crisis, performance in both areas will be adversely affected by macroeconomic instability and sluggish growth.

Trade and investment have so far remained buoyant and maintained a solid pace of growth over the last decade, with imports and exports recovering after slippage in 2020, largely as a consequence of the pandemic. Success in this area is partly attributable to Lao PDR's WTO-driven regulatory and market access reforms. Strong links with countries in the immediate vicinity and part of the ASEAN community have also been very important.

There are, however, certain aspects of Lao PDR's trade profile that need attention. Exports are still concentrated largely on power generation, minerals and mining, and agriculture. Most of these exports do not add as much value to the domestic economy as they could. This is reflected in the small share of manufacturing in GDP and the minimal level of manufactured exports. Having a natural resource base as rich as Lao PDR's offers opportunities for adding more value through manufacturing. This would raise incomes, create new jobs, and diversify the product base. Diversification is a key component of resilience.

A second vulnerability in the trade sphere is the geographical concentration of the country's export base. While it is unsurprising that neighbouring markets with shared borders are in many ways the easiest to serve, given that Lao PDR is landlocked and that operating further afield automatically implies transit trade. Nevertheless, with a more diversified and higher value-added export base, there are likely to be profitable trading opportunities further afield, from which Lao PDR could benefit while reducing the risk of excessive geographical concentration. This would certainly imply a strengthening of the manufacturing sector.

Lao PDR has been one of the most active LDCs in the WTO. The country has participated in a range of activities, often going beyond boilerplate participation in major committees and meetings. Participation in three Joint Statement Initiatives, signing up to the two Information Technology Agreements, and active engagement in the field of trade facilitation are cases in point. Lao PDR has also been diligent in meeting its WTO accession commitments. The country has made good use of training and technical cooperation opportunities offered by the WTO and other international agencies.

Three areas that have not received much explicit attention in the present report, but which are going to be important going forward are services, environmental issues, and the rise of the digital economy. Services have traditionally been neglected in many countries, but this is beginning to change in important ways. As countries become richer, services become a larger source of value. This results from forces on both the consumer and producer sides. As individuals gain higher levels of income, proportionately more of their consumption baskets are devoted to services.

On the production side, there is virtually no activity that does not require inputs of core producer services – namely financial services (banking and insurance), business services, transport, information and communication technologies, construction, and distribution. They are thus proportionately more in demand than other inputs as the economy grows and diversifies. Moreover, these services are key to international trade since they are either embedded as value in production or are required to move products from one place to another. These realities make it incumbent governments to pay special attention to ensuring that the production and marketing of services is as free as possible from inefficiency and excessive regulation.

Secondly, on the environmental side, climate change and environmental conservation are increasingly moving to centre-stage in policy-making as governments seek to raise standards and avoid unsustainable resource use and production methods. These concerns will increasingly influence regulation in ways that will affect all countries that trade and seek investment, regardless of whether or not the country concerned is a significant source of environmental degradation. Thirdly, digitization is becoming an increasingly dominant feature of modern economies. Countries that do not keep up with digital technologies in production and exchange will be left behind. This is about infrastructure, connectivity, and the capacity to reap the efficiency rewards associated with digitization.

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