



WTO TWENTIETH ANNIVERSARY ACCESSIONS PROGRAMME

SECOND GLOBAL SEMINAR ON WTO ACCESSIONS SAUDI ARABIA 10-YEAR WTO ACCESSION SPECIAL ANNIVERSARY SESSION ACCESSIONS BOOK LAUNCH BY WTO DIRECTOR-GENERAL ROBERTO AZEVEDO

Statement for Minister Khemmani, Minister of Industry and Commerce, Lao PDR

Panel 2 – Negotiating Experience: Challenges, Opportunities and Post-Accession

Geneva, Monday, 28 September 2015, 14:30-14:50, Room D

1. Distinguished panellists, ladies and gentlemen,
2. It is a great honour to be here today and to take part in the Second Global Seminar on Accessions. As many of you may know, the accession of Lao PDR to the World Trade Organization is often hailed as a good example of how a least-developed country as well as a transition economy can integrate further into the world economy by joining a multilateral organisation. The accession process was a long and comprehensive exercise for Lao PDR. It has ultimately permitted us to engage in the economic reforms that have brought us many benefits to this day. Before getting into the nitty gritty of my short presentation, I would first like to present to you a few facts regarding our accession process in order to give you a general feeling of what it has meant – and still means – for us.

General information on Lao PDR's accession

3. Lao PDR's accession process spanned over 15 years, starting in 1997 and ending on 2 February 2013. At that time, Lao PDR became the 158th Member of the WTO and the sixth LDC to accede to the WTO. The accession negotiations were really active during the last 6 years, where the Working Party meetings took place nine times. In a nutshell, Lao PDR had 66 Working Party Members involved in examining its trade policy regime and in negotiating its terms of accession. Lao PDR concluded the bilateral market access negotiations with 9 WTO Members.
4. Our Working Party report consists of 247 paragraphs of which 26 are commitment texts. Most commitments taken had to be implemented upon accession while some others benefitted from transition periods.
5. Just like other WTO members, the commitments Lao PDR has negotiated and agreed on with WTO Members were made on two fronts: the rule-making and market access. Regarding the former, Lao PDR enacted 90 laws and regulations, both new and revised, to ensure that its legal trade-related regime is in line with WTO obligations. This legislation covers a wide range of areas, including import and export licensing, customs valuation, services, investment, sanitary and phytosanitary measures, technical barriers to trade, and intellectual property rights.



6. Concerning our market access commitments, the commitments on trade in goods cover 10,694 tariff lines, with an average bound rate of 19.3% for agricultural goods and 18.7% for industrial goods, compared with applied tariffs of 18.4% and 10.0%, respectively. Most tariff commitments took effect from the date of accession while some are to be reduced transitionally over 5 to 10 years. Given our LDC status and by providing sound and rational arguments during various rounds of bilateral negotiations, Lao PDR has been able to convince our negotiating partners that joining the sectoral initiatives, in particular to cut tariffs to 0%, would have been too much for our economy at this point in time, given the important other reforms we were implementing.

7. On services negotiations, Lao PDR has opened 10 service sectors or 79 subsectors (out of a total 160 subsectors). These include: professional services, computer services, research and development, telecommunication, construction, distribution services, private education, environmental services, financial services, private health, tourism, and air transport.

Opportunities and benefits for Lao PDR

8. Overall, this can give you an idea of what the accession process entailed for us. Of course, there were many benefits that we sought to reap and many challenges that we expected to face.

9. With respect to expected opportunities and benefits we would obtain from WTO membership, there were basically 6 factors that guided our objective to become a WTO Member:

- Membership to the WTO allows Lao PDR to be part of the multilateral trading system on an equal footing. As a participating country in the world economy, we believe that it is important that we are able to bring in our concerns while the multilateral framework is adapted to the new realities of the trade environment.
- Accession to WTO is considered as an efficient tool for the transformation of Lao economy into a creative market economy. Accession to the WTO is, and will continue to be, an anchor for the internal reform of Lao PDR. Such membership can help Lao PDR to restructure its economy based on comparative advantage, leading hopefully to improved efficiency in resource allocation and the reduction of poverty in a sustainable way.
- Compliance with provisions of WTO agreements means also greater transparency and increased predictability, which in turn helps attracting investment. A number of WTO agreements require increased transparency on applicable rules and regulations, such as through establishing enquiry points and publishing trade-related legislation. To this effect, Lao PDR has established an on-line trade portal, which provides all relevant information on conditions and regulations for imports and exports in one place. We have also established enquiry points to provide information related to specific issues, such as TBT and SPS.
- Another opportunity for Lao PDR to exploit from WTO membership is predictable access to foreign markets, both in terms of applicable tariffs and openness of services markets, as well as applicable standards and rules on imports and exports. The dispute settlement system that WTO provides is an effective mechanism to defend member's rights under the WTO agreements, although it is still difficult to use for LDCs due to the lack of institutional and financial resources.
- Lao PDR is fully aware that the reforms required by WTO rules are in its own interest. The major benefit of our accession process is not the opening up of new markets, but to make our economy more efficient so that it can compete internationally.
- Finally, WTO membership also gives Lao PDR a seat at the multilateral negotiating table. As a small country Lao PDR does not have much leverage in negotiating bilateral trade deals, but in the WTO Lao PDR can have a stronger voice and pursue its interests also through various negotiating groups, e.g. ASEAN, LDC Group, etc.



Challenges and lessons learned for LDC accessions

10. Now, with respect to the challenges we have faced and the lessons we learn, the first thing that comes to mind is the fact that joining WTO is not an end in itself; it is a tool to help a country adjust its internal system to the best practices of the world trading community. Continuation of the reform process after accession and proper implementation of reforms is instrumental, otherwise the risks of not fully benefitting from WTO membership would be bigger, and efforts instilled into such laborious process would go unrewarded.

11. The WTO accession process provides a very useful compass on where we have to go to be integrated into the world economy. Lao PDR has made many reforms (and still has many more to implement) to become an efficient member in the WTO. While the accession process was an excellent guide for our reforms, it did not help us to define the priorities of the reform. This is basically where the negotiating process is important: when you negotiate accession you do not negotiate which reforms you want to undertake: you are obliged to accept the rules of the club. However, you have the possibility to convince your negotiating partners of which reforms have priority and which can be scheduled later. This is important as no LDC is able to undertake all reforms at the same time. Unlike many members, Lao PDR does not believe that the accession process is too long. Any member which takes the reform process seriously, needs quite a bit of time to (i) convince the internal front about the need of the reforms; (ii) to prepare the reforms in a way that is adapted to the institutional and economic capacity of the country and (iii) to fulfill the legal and administrative requirements, not only to establish the laws and the implementation legislation, but also to establish the structures needed to make sure that the reforms are effectively implemented. In the case of Lao PDR this required a change of mindset both at the official, administrative and private sector level. You cannot do this overnight or in one step.

12. In Lao PDR, while most trade-related laws and regulations are today in line with international obligations, this alignment and harmonization process requires further efforts to implement them fully. To this end, in this post-accession phase, we place big importance on careful planning, as well as monitoring and execution of action plans.

13. As part of the accession, Lao PDR has bound its tariffs for all agriculture and industrial products. A grace period was granted for products that are sensitive to domestic production or affecting government revenue. In the medium to long term, alternative measures that are legal under WTO need to be put into place to address possible unforeseen difficult situations resulting from an import surge. This includes setting-up a framework for imposing safeguard and other trade remedy measures. These are challenges we are still facing in the future.

14. Many economic stakeholders in Lao PDR are still not fully aware of the impact of the WTO and how they can benefit from it. The Business Perception Survey on Trade Liberalization in Lao PDR conducted in 2015 for Small and Medium Enterprise revealed that a very small numbers of enterprises in Lao PDR were aware of the WTO and ASEAN. It is crucial for the business community to understand the post-WTO environment and what opportunities are offered under such trade agreements. This highlights the importance of information dissemination to wider stakeholders, including line departments and regional authorities.

15. WTO membership provides export opportunities, but those opportunities need to be materialized. The true benefits of WTO membership can only occur if the country can overcome its supply constraints. This is a main challenge for Lao PDR's successful integration into the region and the world economy.



16. Just like during the accession phase, technical assistance provided is very important, especially for LDC members who usually face significant capacity constraints. Lao PDR has benefitted and continues to benefit from the support by international organizations and bilateral donors, which assisted us in tackling major accession and post-accession issues.

Conclusion

17. Let me say at the end that accession to the WTO is a difficult and lengthy process. The time and resources required to complete such process should not be underestimated. However, these costs and efforts are not made for the WTO: those are efforts we should do anyway to be able to improve the efficiency of our economy and institutions. WTO accession helps Lao PDR in this process by providing guidance and a useful framework that ensures that we are doing what we are anyway supposed to be doing. Moreover, the post-accession challenges should not be overlooked. There is a tendency - I think like there is in most acceding countries - to relax in the reform effort once this long and difficult accession process has led to accession. We have now to prove that we are able to continue the reform process without external constraints. Indeed, many issues remain to be tackled to make sure that we can take full advantage of the opportunities that have emerged. However, with comprehensive and systematic approach the efforts would not go unrewarded.

18. Thank you very much for your attention.
