

LAOS

TRADE SUMMARY

The U.S. goods trade deficit with Laos was \$24 million in 2008, an increase of \$10 million from \$15 million in 2007. U.S. goods exports in 2008 were \$18 million, up 235.7 percent from the previous year. Corresponding U.S. imports from Laos were \$42 million, up 112.3 percent. Laos is currently the 188th largest export market for U.S. goods.

IMPORT POLICIES

Tariffs

Under the terms of the Agreement between the United States and the Lao People's Democratic Republic on Trade Relations (or United States-Lao Bilateral Trade Agreement (BTA)), which entered into force on February 4, 2005, the United States granted NTR treatment to products of Laos, and Laos committed to open its market to certain U.S. products. Laos' implementation of these commitments is proceeding slowly, but will help Laos in its WTO access negotiations, which still are in the early stages.

Nontariff Barriers

Import Restrictions and Licensing Requirements: All imports are subject to licensing requirements, most of which are non-automatic. Among the wide range of products subject to these requirements are food and animal feeds, fuels and lubricants, steel bars for construction, print and audiovisual material, cement, and motor vehicles. Only firms licensed as import companies are permitted to import goods into Laos.

Customs: Nearly every container that enters Laos at a formal border checkpoint is inspected, and foreign businesses regularly complain of irregularities and corruption in the clearance process. A large proportion of goods entering Laos do so informally as border control is weak. Customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff System, but a large number of approvals and informal payments are often still required to get through the process.

Taxes: All goods and services are subject to a turnover tax of either 5 percent or 10 percent. Laos appears to apply turnover tax rates to many domestic products that are lower than those applied to imported products, or to apply turnover tax exemptions to domestic products that it does not apply to imported products. The United States continues to work with Laos to ensure its tax regime complies with its BTA obligations and conforms with Laos' obligations with respect to national treatment in the application of all internal taxes. In addition to the turnover tax, certain goods are subjected to an additional excise tax.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Laos has undertaken work to create a more modern IPR regime but currently provides varying levels of IPR protection. While it accepted international assistance in the drafting of an IPR law, implementing regulations have yet to be issued and the law itself will likely need further amendments in order fully implement Lao BTA obligations and eventually the WTO Trade Related Aspects of Intellectual Property Rights Agreement. Laos became a member of the World Intellectual Property Organization (WIPO) in 1995 and a member of the WIPO Paris Convention for the Protection of Industrial Property in 1998. It has also signed the WIPO Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, but has not yet acceded to that Convention. As a member of ASEAN,

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Laos has acceded to all of ASEAN's framework agreements, including the ASEAN Framework Agreement on Intellectual Property Cooperation.

Laos issued a trademark decree in 1995, which places the recently reorganized Science and Technology Agency (STA), a ministry-level agency within the office of the Prime Minister, in charge of the issuance of trademarks. There are currently about 15,854 trademarks registered in Laos. A decree protecting patents, petty patents, and industrial designs was approved in January 2002. Laos developed a draft copyright law in 2005, but it has not yet been enacted so copyrights and related rights are unprotected in Laos.

STA is also responsible for IPR administration and enforcement in Laos. While STA personnel are well trained, they have little authority, and IPR enforcement remains weak. In particular, STA lacks the power to arrest and does not effectively coordinate with the police. Effective IPR enforcement at the border is lacking due to Laos' porous borders controls.

SERVICES BARRIERS

Education

Foreign entities are prohibited from providing education services in Laos. The Ministry of Education closely monitors the ideological content of curricula.

INVESTMENT BARRIERS

Laos has a challenging investment climate due to a weak rule of law, opaque regulations, and inefficient infrastructure and services, particularly financial services. Required documentation for foreign businesses remains burdensome and effectively separates business activity into foreign and domestic categories. Laos still requires a feasibility study for investment by foreign businesses.

The required annual renewal of a Lao business license is contingent on certification that all taxes have been paid. Foreign investors have complained that taxes are often assessed in an inconsistent and nontransparent manner. U.S. companies have been denied necessary local business licenses despite possessing valid national long term investment permits. The United States continues to urge the Lao government to resolve this issue.

Both giving and accepting bribes are criminal acts in Laos, punishable by fine and/or imprisonment. Nevertheless, corruption remains a significant and growing concern for investors in Laos. Informal payments to low level officials to expedite time sensitive applications, such as business licenses or importation of perishable items, are not uncommon and some observers say the problem is growing due to increased investment in extractive industries. While the National Assembly passed an anticorruption law in 2005, to date no implementing regulations have been enacted.

The underdeveloped legal system also creates barriers for foreign investors. Judgments in commercial cases against foreigners lack transparency and predictability. Many areas of business and finance are not covered by well defined statutes. Several international organizations are helping the Lao government to develop the legal sector, and new draft laws are gradually emerging.

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