

LAOS

TRADE SUMMARY

The U.S. goods trade surplus with Laos was \$8 million in 2012, shifting from a deficit of \$33 million in 2011. U.S. goods exports in 2012 were \$33 million, up 27.5 percent from the previous year. Corresponding U.S. imports from Laos were \$25 million, down 57.5 percent. Laos is currently the 176th largest export market for U.S. goods.

Laos ratified its accession to the World Trade Organization (WTO) on December 6, 2012, after being accepted for membership by the WTO General Council in October. Laos became a full member of the WTO on February 2, 2013.

IMPORT POLICIES

Tariffs

Laos' membership in the WTO and its preparations for the Association of Southeast Asian Nations (ASEAN) Economic Community in 2015 have spurred trade liberalization, improvements to the business environment, and trade facilitation.

The average bound tariff rate under Laos' WTO commitments is 18.8 percent. The average applied tariff rate is currently 14.9 percent. The average bound tariff rate will be 18.7 percent for industrial goods and 19.3 percent for agricultural products. As part of its services market opening commitments under the WTO, Laos provided market access in 10 sectors, including business services, distribution, insurance and banking, private education, courier and telecommunications, and private hospital services.

Under the terms of the United States-Laos Bilateral Trade Agreement, which entered into force in 2005, the United States granted Normal Trade Relations treatment to products of Laos.

Nontariff Barriers

In 2012, Laos launched the Lao Trade Portal, an online resource that seeks to provide all trade-related information from Lao government agencies on a single site: <http://www.laotradeportal.gov.la/>

According to the Trade Portal, all importers must register with the Ministry of Industry and Commerce (MOIC), Department of Import/Export. Certain products, including motor vehicles, petroleum and gas, timber products, cement, and steel, are subject to import licensing.

Customs Procedures

In 2012, Laos implemented a new automated customs declaration processing system, referred to as "ASYCUDA," at the country's main customs entry point in Vientiane, to facilitate a shift away from physical inspection of every import shipment. Nevertheless, most containers that enter Laos at a formal border checkpoint are still inspected, and U.S. businesses complain of irregularities and corruption in the clearance process. A large volume of goods enter Laos informally due to weak border controls. According to the MOIC's Diagnostic Trade Integration Survey 2012, customs clearance at border posts outside the capital requires 5 to 10 signatures with total informal fees amounting to \$50 per shipment. Authorities have only recently begun to centralize customs operations, removing the ability of provincial authorities to regulate customs on their own.

The Lao Customs Department has not yet fully implemented transaction value processes, although administrative pricing and the use of reference prices are being phased out in accordance with its WTO accession commitments.

Taxation

Laos amended its tax law in 2012, eliminating the business turnover tax. The value-added tax (VAT) is expected to fully replace the turnover tax after a transition. The standard VAT rate of 10 percent applies to most domestic and imported goods and services, with some limited exemptions.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

In order to meet commitments under the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Laos passed an amended intellectual property rights (IPR) law in late 2011 and issued implementing regulations in September 2012, including on copyrights, trademarks, and patents. In practice, Laos does not yet afford adequate levels of IPR protection due to a lack of government capacity, coordination, and legal infrastructure. In addition, resource constraints have hampered the Lao government's ability to establish an effective system of civil litigation and criminal IPR enforcement to implement its commitments. As a result, pirated entertainment content and counterfeit goods are easily obtained in the Lao marketplace.

INVESTMENT BARRIERS

Laos has a challenging investment climate due to issues of corruption, an underdeveloped judicial system, overlapping and contradictory regulations, and limited access to financial services. The Lao government requires an annually renewable business license, receipt of which is contingent on a certification that all taxes have been paid. However, taxes are often assessed in a nontransparent, arbitrary, and inconsistent manner. The U.S. Government continues to urge the Lao government to address these issues.

ELECTRONIC COMMERCE

Despite growing Internet usage, electronic commerce is just emerging in Laos. Online transactions are limited and do not normally encompass commercial activity. The Lao National Assembly is expected to pass a law on electronic transactions, covering both electronic commercial and government transactions, in early 2013.

OTHER BARRIERS

Corruption remains a major barrier to trade for U.S. businesses seeking to operate in or trade with Laos. Informal payments to low level officials in order to expedite administrative procedures are common. In a 2009 enterprise survey, 88 percent of firms surveyed were expected to give gifts to public officials to obtain an operating license.

In 2012, the Lao government passed the *Law on Making Legislation* to strengthen transparency by requiring public notification and comment periods, as well as publication of all new laws in an official gazette.