

# LAOS

## TRADE SUMMARY

U.S. goods exports in 2013 were \$25 million, down 26.2 percent from the previous year. Corresponding U.S. imports from Laos were \$31 million, up 21.9 percent. The U.S. goods trade deficit with Laos was \$6 million in 2013, shifting from a surplus of \$8 million in 2012. Laos is currently the 183rd largest export market for U.S. goods.

Laos ratified its accession to the 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 entry into force of obligations 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 applied tariff rate, according to the Ministry of Industry and Commerce (MOIC), is 10 percent for industrial goods and 18.4 percent for agricultural goods. Laos' average bound tariff rate in the WTO is 18.7 percent for industrial goods and 19.3 percent for agricultural products.

### Nontariff Barriers

All importers must register with 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 2013, Laos expanded the use of automated customs declaration processing systems, referred to as "ASYCUDA," at all of the country's main customs entry points.

The customs clearance processing for the importation of goods declined from nine steps in 2009 to five steps in 2012, while export processing declined from seven steps to four steps. The Lao Customs Department also has implemented transaction value processes, although reference prices on vehicles and fuel, which supply two-thirds of customs revenue, are still in the process of being phased out in accordance with Laos' WTO accession commitments. U.S. businesses complain of irregularities and corruption in the customs clearance process.

### Taxation

Laos is transitioning to a value-added tax (VAT) system. The standard VAT rate of 10 percent applies to most domestic and imported goods and services, with some limited exemptions. Foreign businesses complain that they are often unable to effectively comply with VAT administration because Lao customers and suppliers are unable or unwilling to process VAT receipts. In addition, U.S. companies have expressed concern with a draft vehicle tax measure that as proposed appears to arbitrarily subject U.S.-branded vehicles to higher taxes and charges than other vehicles. The U.S. Government will continue to engage with Laos regarding these concerns.

## **INTELLECTUAL PROPERTY RIGHTS PROTECTION**

The lack of government capacity, coordination, and legal infrastructure all adversely affect the protection and enforcement of intellectual property rights (IPR) in Laos. Laos took steps in 2013 to consolidate its intellectual property office and to create specialized IPR units in its Customs Department, Public Prosecutor Office, and in its law enforcement bodies. However, Laos has not yet established an effective system for civil litigation and criminal enforcement of IPR. Although there is increasing public awareness and media coverage of the harm caused by counterfeit goods and the impact of copyright piracy on local content providers, pirated entertainment content and counterfeit goods continue to be easily obtainable in the Lao marketplace.

The U.S. Government will continue to urge Laos to take steps to improve IPR protection and enforcement, including amending the law to authorize *ex officio* authority for customs officials, developing judicial capacity to adjudicate IPR cases, and increasing public awareness of the importance of IPR.

## **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 will continue to urge the Lao government to address these issues.

## **SERVICES BARRIERS**

Several service sectors remain closed to foreign competition, including medical, veterinary, real estate, some leasing services, postal services, media, financial services, tourism, and transportation services.

## **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 passed a law authorizing both electronic commercial and government transactions in 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 2012 survey, one quarter of firms reported paying bribes, with the median amount of the bribe rising by a factor of ten since 2009.

Laos is seeking to improve the transparency of its domestic lawmaking process. In accordance with the 2012 Law on Making Legislation, the Ministry of Justice opened the online Official Gazette in October 2013 (<http://laofficialgazette.gov.la/index.php?r=site/index>), on which it intends to publish all proposed Lao legislation and, eventually, all Lao laws.