

LAOS

TRADE SUMMARY

U.S. goods exports in 2014 were \$29 million, up 16.8 percent from the previous year. Laos is currently the 182nd largest export market for U.S. goods. Corresponding U.S. imports from Laos were \$33 million, up 7.9 percent. The U.S. goods trade deficit with Laos was \$4 million in 2014, a decrease of \$2 million from 2013.

Laos ratified its accession to the WTO on December 6, 2012. Laos became a full member of the WTO on February 2, 2013.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

Laos established its current regulations relating to sanitary and phytosanitary standards in 2012. It continues to refine these regulations and related processes to address their uneven implementation at entry-points and often limited technical knowledge of enforcement officials.

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 Economic Community in 2015 have spurred trade liberalization, improvements to the business environment, and enhanced 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

The Lao Customs Department determines customs value based on transaction value according to WTO Customs Valuation rules. However, Laos is still in the process of phasing out reference prices on vehicles and fuel, which supply two-thirds of customs revenue, in accordance with its 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. Many companies have also registered

complaints about arbitrary or selective enforcement of tax provisions. The United States will continue to engage with Laos regarding these concerns.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Laos took steps in 2013 to consolidate its intellectual property office and to create specialized units in its Public Prosecutor Office, Customs Department, and in other relevant law enforcement bodies to address IPR issues. It also granted customs officials *ex officio* authority and established a national coordinating committee for IPR in 2014. Laos continues work to establish an effective system for civil litigation and criminal enforcement of IPR with U.S. Government assistance. 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 available in Lao marketplaces.

The United States will continue to urge Laos to take steps to improve IPR protection and enforcement, including through developing judicial capacity to adjudicate IPR cases and increasing public awareness of the importance of IPR.

SERVICES BARRIERS

Several service sectors remain effectively closed to foreign competition, including medical, postal, and telecommunications services, as well as some leasing, media, and transportation services. However, Laos opened most other service sectors to U.S. service suppliers through the 2005 U.S.-Laos Bilateral Trade Agreement.

INVESTMENT BARRIERS

Laos has a challenging investment climate due to corruption, an underdeveloped judicial system, overlapping and contradictory regulations, and limited access to financial services. Domestic ownership or partnership requirements vary by industry. 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 United States will continue to urge the Lao government to address these issues.

ELECTRONIC COMMERCE

Despite growing Internet usage, electronic commerce is just emerging in Laos, and online transactions are limited. The Lao National Assembly passed a law authorizing both electronic commercial and government transactions in 2013; however, Lao technical and regulatory capacity is very low and some implementing regulations are still being drafted. The United States continues to support Laos in the development of regulations and in building regulatory capacity.

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 Transparency International's 2014 Corruption Perceptions Index, Laos ranked 145 of 175 countries.

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, on which it intends to publish all proposed Lao legislation. Furthermore, the Law on Making

FOREIGN TRADE BARRIERS

Legislation stipulated that existing laws not posted to the Official Gazette by the end of 2014 will no longer be valid. However, as of early 2015, old laws are still being posted to the online Official Gazette, which has resulted in a legal grey area with respect to the continuing validity of laws posted after the end of 2014