

# LAOS

## TRADE SUMMARY

The U.S. goods trade deficit with Laos was \$47 million in 2010, up \$24 million from 2009. U.S. goods exports in 2010 were \$12 million, down 41.0 percent from the previous year. Corresponding U.S. imports from Laos were \$59 million, up 36.2 percent. Laos is currently the 188th largest export market for U.S. goods.

The Lao People's Democratic Republic is not a Member of the WTO, but is seeking to join that organization. Laos applied for WTO membership in July 1997 and six Working Party meetings have been held to review the steps Laos is undertaking to bring its trade regime in line with WTO rules.

## 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 Normal Trade Relations treatment to products of Laos, and Laos committed to provide U.S. exports with preferential tariff rates on a range of products and to apply most-favored nation (MFN) treatment to the remainder of imports from the United States. The United States continues to monitor the application of BTA and MFN tariff rates to U.S. products.

### Nontariff Barriers

*Import Restrictions and Licensing Requirements:* All imports are subject to licensing requirements, and most licenses are non-automatic. Among the wide range of products subject to these non-automatic licenses 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 due to weak border control. Customs procedures in Laos have improved since the introduction of the ASEAN Harmonized Tariff Nomenclature, but a large number of approvals and informal payments are often still required to get through the process. Laos has committed in its WTO accession negotiations to fully implement transaction value processes by the end of 2011.

*Taxes:* On January 1, 2010 Laos introduced a VAT system to replace the former turnover tax. A VAT of 10 percent is charged on most goods and services when they are supplied in Laos by registered VAT taxpayers. The same VAT rate applies to most imports of goods and services, though some goods and services are exempt. Lao-based businesses with an annual turnover of at least 400 million kip (approximately US\$ 50,000) are obliged to register for VAT and comply with the VAT Law. The same requirement applies to businesses not based in Laos that supply goods or services in the country, regardless of their annual turnover.

## **INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION**

Laos is working to create a more modern IPR regime but currently provides deficient levels of IPR protection. Overall weak IPR enforcement as a result of an uncoordinated enforcement regime, insufficient resources devoted to enforcement, and a lack of implementing measures for the protection of IPR to continue to represent barriers to U.S. exports and investment. Issues of concern include poor coordination between the National Authority for Science and Technology and the police as well as ineffective IPR enforcement at the border. Laos promulgated its first Intellectual Property Law in January 2008, but implementing regulations have yet to be issued and the law itself will likely require further amendments in order fully implement Lao BTA obligations and eventually the WTO Agreement on Trade Related Aspects of Intellectual Property Rights. In addition, Laos must establish a system of civil litigation and criminal enforcement in addition to the current system of administrative penalties and warnings in order to fully implement its commitments under these agreements.

## **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 these issues.

## **OTHER BARRIERS**

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. Attempts have been made by the National Assembly to address endemic corruption, but progress to date has been minimal. Implementing regulations for an anti-corruption law passed in 2005, for example, have yet to be issued.